

# Base Prospectus for the Issuance of Structured Products

15 April 2020

THIS IS A NON-BINDING ENGLISH TRANSLATION OF THE ISSUERS' "BASISPROSPEKT FÜR DIE EMISSION VON STRUKTURIERTEN PRODUKTEN" DATED 15 APRIL 2020 AND PUBLISHED IN GERMAN. THE GERMAN TEXT SHALL BE AUTHORITATIVE AND BINDING. THE ENGLISH LANGUAGE TRANSLATION IS PROVIDED FOR CONVENIENCE ONLY.

dated

**15 April 2020**

of

**Zürcher Kantonalbank**

and

**Zürcher Kantonalbank Finance (Guernsey) Limited**

Under this document (together with all information incorporated by reference herein and any and all supplements approved by SIX (as defined below), the "**Base Prospectus**"), Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited (in its capacity as issuer, each an "**Issuer**" and collectively the "**Issuers**") may, from time to time, issue structured products (the "**Structured Products**" or the "**Securities**" and each a "**Structured Product**" or a "**Security**").

This Base Prospectus was approved by SIX Swiss Exchange ("**SIX**") on 15 April 2020 as a SIX Swiss Exchange-registered issuance programme pursuant to article 22 (1) no. 2 of the SIX Additional Rules for the Listing of Derivatives in its version of 25 August 2017 ("**ARLD**"). The relevant Issuer may decide to apply for listing and/or admission to trading on or inclusion of the Securities into the SIX and for admittance to trading on the platform of the SIX Structured Products Exchange AG. If the relevant Final Terms provide for a listing of the Securities at the SIX, the relevant Final Terms and this Base Prospectus, as amended or, as the case may be, supplemented from time to time, comprise the listing prospectus pursuant to and in accordance with article 22 (3) ARLD. The respective Issuer may also decide not to apply for listing and/or trading of the Securities on any securities exchange. Any listing and/or trading of the Securities will be specified in the relevant Final Terms.

The Securities offered and/or listed under the Base Prospectus may be based on the performance of any kind of underlying (each an "**Underlying**"), including, without limitation, a share (including a certificate representing shares), a participation certificate (*Partizipationsschein*) or a profit participation certificate (*Genussschein*), an index (which may or may not be published and/or maintained by the Issuers or any of their Affiliates), a currency exchange rate, a precious metal, a commodity, an interest rate, a non-equity security, an exchange traded fund unit, a not exchange traded fund unit, a futures contract, a standardized option contract or, as the case may be, and as specified in the relevant Final Terms (as defined below), a reference rate (including, but not limited to, interest rate swap (IRS) rates, currency swap rates or, as the case may be, credit default swap levels), as well as a basket or portfolio comprising the aforementioned assets.

**IMPORTANT – The Securities do not constitute a collective investment scheme as defined in the Swiss Federal Act on Collective Investment Schemes (CISA) and therefore are not subject to the protection provisions of the CISA or an authorisation of the Swiss Financial Market Supervisory Authority (FINMA). Investors in the Securities are subject to the relevant Issuer's credit risk.**

The Securities will be issued on the basis of (a) the information set out in the Basis Prospectus, including the general terms of the Securities (the "**General Terms of the Securities**"), the additional terms with respect to specific categories of Securities and/or types of Underlyings (the "**Additional Terms**") and the information on the underlyings (the "**Information on the Underlyings**") (each as amended and/or supplemented from time to time) and (b) the applicable final terms relating to the relevant Securities (the "**Final Terms**"). The General Terms of the Securities together with the Additional Terms, the Information on the Underlyings and the Final Terms constitute the terms and conditions of the relevant Securities (the "**Terms and Conditions of the Securities**"). Thus, the Final Terms should always be read together with the General Terms of the Securities, the Additional Terms and the Information on the Underlyings as well as all other information contained in the Base Prospectus. In the event of any discrepancy or inconsistency between the General Terms of the Securities or any other part of the Base Prospectus and the Final Terms, the Final Terms shall prevail with respect to the individual series of Securities (each a "**Series**"). Definitions used in the Final Terms, but not defined therein, shall have meaning given to them in the Base Prospectus.

The Base Prospectus is available on the website of Zürcher Kantonalbank at <https://zkb-finance.mdgms.com/products/stp/service/emission/index.html> (or a successor or replacement address thereto). The Final Terms of each Series issued under the Base Prospectus are also available on the website of Zürcher Kantonalbank at <http://www.zkb.ch/strukturierteprodukte> (or a successor or replacement address thereto) during the term of the individual Series. In addition, the Final Terms of each Series issued under the Base Prospectus are available free of charge at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich and via the email address [documentation@zkb.ch](mailto:documentation@zkb.ch).

Potential investors in the Securities are explicitly reminded that an investment in Securities entails financial risks. Holders of Securities (each a "**Holder**" or "**Investor**", and collectively the "**Holders**" or "**Investors**") run the risk of losing all or part of the amount invested by them in the Securities. All potential investors in Securities are, therefore, advised to study the full contents of the Base Prospectus, in particular the risk factors (see section "*Risk Factors*").

## CONTENTS

<b>SUMMARY OF THE BASE PROSPECTUS .....</b>	<b>7</b>
<b>RISK FACTORS.....</b>	<b>10</b>
<b>A. Risk factors relating to the Issuers .....</b>	<b>10</b>
<b>B. Market risk factors .....</b>	<b>10</b>
I. Prior to maturity, the market value of, and expected return on, the Securities will be influenced by many unpredictable factors .....	10
II. No obligation of the relevant Issuer to make a secondary market and risk of illiquidity .....	11
III. Securities listed on a securities exchange may be suspended from trading .....	12
<b>C. Risk factors relating to the Securities.....</b>	<b>12</b>
I. General risk factors relating to Securities .....	12
II. Risks associated with specific features of the Securities .....	21
III. Further risk factors relating to the Securities .....	24
<b>D. Possible conflicts of interest .....</b>	<b>24</b>
I. Engagement of the Issuers in business and trading activities with respect to the asset(s) serving as underlying of the Securities or the constituents or components of such asset(s) and/or the issuer of such asset(s) or constituents/components .....	24
II. The relevant Issuer or any of its Affiliates acting as Calculation Agent.....	25
III. Engaging in other functions.....	25
IV. The Issuers or any of their Affiliates may be the sponsor of an Index or strategy which is the Underlying of the Securities .....	25
V. Distributors or other persons involved in the offering or listing of the Securities .....	25
VI. Issue of other Securities in respect of an Underlying.....	25
VII. Engagement of the Issuers in hedging transactions with respect to its obligations under the Securities.....	25
VIII. Crediting of hedging transactions.....	25
IX. Acting as market-maker for the Securities .....	26
X. Acting as market-maker for the Underlying .....	26
XI. Acting as a member of an underwriting syndicate or a similar function in respect of the issue of an Underlying.....	27
XII. Possession and publication of information related to Underlyings or constituents or components of such Underlyings and/or the issuer of such Underlyings .....	27
XIII. The Issuers may publish research reports, express opinions or provide recommendations that are inconsistent with investing in or holding the Securities .....	27
<b>INFORMATION ON ISSUERS .....</b>	<b>28</b>
<b>INFORMATION ON THE SECURITIES AND THE OFFERING .....</b>	<b>29</b>
<b>A. Types of Securities .....</b>	<b>29</b>
I. General information about the Securities .....	29
II. Product categories .....	29
III. Characteristics of the different product categories.....	30
<b>B. General Terms of the Securities.....</b>	<b>37</b>
I. Form of the Securities .....	38
II. Status of the Securities.....	38

III.	Transferability .....	38
IV.	Security arrangements .....	39
V.	Currency/-ies of the Securities .....	39
VI.	Further issuances and purchases of Securities .....	39
VII.	Clearing and settlement of the Securities .....	39
VIII.	Payments and deliveries under the Securities and discharge .....	40
IX.	Calculations .....	40
X.	Currency exchange rates .....	40
XI.	Business Day Convention .....	40
XII.	Listing and trading of the Securities .....	41
XIII.	Offering of the Securities .....	41
XIV.	Rating of the Securities .....	42
XV.	Taxes .....	42
XVI.	Extraordinary Events .....	43
XVII.	Term of Securities; capital protection .....	44
XVIII.	Redemption of the Securities .....	45
XIX.	Early termination .....	46
XX.	Determinations binding .....	46
XXI.	Liability of the Issuers and the Agents .....	46
XXII.	Agents .....	46
XXIII.	Changes with regard to the Issuers .....	47
XXIV.	Issuer Event of Default .....	47
XXV.	Default interest .....	47
XXVI.	Statute of limitation .....	48
XXVII.	Notices .....	48
XXVIII.	Severability and amendments .....	48
XXIX.	Governing law and jurisdiction .....	49
<b>C.</b>	<b>Additional terms with respect to specific categories of securities .....</b>	<b>49</b>
I.	Additional terms for warrants .....	49
II.	Additional terms for mini futures .....	50
<b>D.</b>	<b>Additional Terms with respect to Securities linked to Shares .....</b>	<b>51</b>
I.	Adjustments .....	51
II.	Market Disruption Events .....	53
III.	Definitions .....	54
<b>E.</b>	<b>Additional Terms with respect to Securities linked to non-equity securities .....</b>	<b>55</b>
I.	Adjustments .....	55
II.	Market Disruption Events .....	57
III.	Definitions .....	57
<b>F.</b>	<b>Additional Terms with respect to Securities linked to interest rates or reference rates .....</b>	<b>58</b>
I.	Adjustments .....	58
II.	Definitions .....	59

<b>G.</b>	<b>Additional Terms with respect to Securities linked to an Index or Indices .....</b>	<b>60</b>
I.	Adjustments.....	60
II.	Market Disruption Events .....	62
III.	Definitions.....	63
<b>H.</b>	<b>Additional Terms with respect to Securities linked to commodities .....</b>	<b>63</b>
I.	Adjustments.....	63
II.	Market Disruption Events .....	64
III.	Definitions.....	65
<b>I.</b>	<b>Additional Terms with respect to Securities linked to FX rates .....</b>	<b>65</b>
I.	Adjustments.....	65
II.	Market Disruption Events .....	66
III.	Definitions.....	66
<b>J.</b>	<b>Additional Terms with respect to Securities linked to Futures Contracts .....</b>	<b>67</b>
I.	Adjustments.....	67
II.	Market Disruption Events .....	68
III.	Definitions.....	68
<b>K.</b>	<b>Additional Terms with respect to Securities linked to Fund Units .....</b>	<b>69</b>
I.	Adjustments.....	69
II.	Market Disruption Events .....	70
III.	Definitions.....	70
<b>L.</b>	<b>Information on the Underlyings .....</b>	<b>71</b>
	<b>FORM OF FINAL TERMS.....</b>	<b>73</b>
	<b>DEFINITIONS .....</b>	<b>FEHLER! TEXTMARKE NICHT DEFINIERT.</b>
	<b>RESPONSIBILITY STATEMENT .....</b>	<b>FEHLER! TEXTMARKE NICHT DEFINIERT.</b>
	<b>INCORPORATION BY REFERENCE.....</b>	<b>FEHLER! TEXTMARKE NICHT DEFINIERT.</b>
	<b>SELLING RESTRICTIONS .....</b>	<b>FEHLER! TEXTMARKE NICHT DEFINIERT.</b>
<b>A.</b>	<b>In general.....</b>	<b>Fehler! Textmarke nicht definiert.</b>
<b>B.</b>	<b>European Economic Area.....</b>	<b>Fehler! Textmarke nicht definiert.</b>
<b>C.</b>	<b>United Kingdom .....</b>	<b>Fehler! Textmarke nicht definiert.</b>
<b>D.</b>	<b>United States of America.....</b>	<b>Fehler! Textmarke nicht definiert.</b>
<b>E.</b>	<b>Bailiwick of Guernsey .....</b>	<b>Fehler! Textmarke nicht definiert.</b>
	<b>GENERAL INFORMATION .....</b>	<b>FEHLER! TEXTMARKE NICHT DEFINIERT.</b>

## **ANNEXES**

(constitute an integral part of this Base Prospectus)

**Annex 1a (Annual Report 2018 Zürcher Kantonalbank Finance (Guernsey) Limited)**

**Annex 1b (Annual Report 2019 Zürcher Kantonalbank Finance (Guernsey) Limited)**

**Annex 2 (2020/2021 Registration Document (without Annexes))**

## SUMMARY OF THE BASE PROSPECTUS

This summary of the Base Prospectus (the "**Summary**") contains all the information required to be included in a summary for this type of Securities and issuer.

Section	Section A – Warnings	
<b>A.1</b>	<b>Warnings.</b>	<p>This Summary should be read as an introduction to the base prospectus (the "Base Prospectus").</p> <p>Any decision to invest in the securities to be issued under the Base Prospectus (the "Securities") should be based on consideration of the Base Prospectus as a whole by the investor (including documents incorporated into the Base Prospectus by reference or otherwise forming part of the Base Prospectus), and not on the Summary alone. In particular, each investor should consider the risk factors described in the Base Prospectus (including documents incorporated into the Base Prospectus by reference or otherwise forming part of the Base Prospectus).</p> <p>The relevant Issuer can only be held liable for the content of the Summary if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus.</p>

Section	Section B – Issuers	
<b>B.1</b>	<b>Legal and commercial names of the Issuers.</b>	The legal and commercial names of the entities acting as Issuers under the Base Prospectus are Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited.
<b>B.2</b>	<b>Domicile, legal form, legislation and country of incorporation of the Issuers.</b>	<p><b>Zürcher Kantonalbank</b> Zürcher Kantonalbank is incorporated and domiciled in Switzerland and operates as an independent public law institution (<i>selbstständige öffentlich-rechtliche Anstalt</i>). Zürcher Kantonalbank is entered into the commercial register of the Canton of Zurich. The registration number is CHE-108.954.607.</p> <p>The address of Zürcher Kantonalbank's registered office and principal place of business is Bahnhofstrasse 9, 8001 Zurich, Switzerland.</p> <p><b>Zürcher Kantonalbank Finance (Guernsey) Limited</b> Zürcher Kantonalbank Finance (Guernsey) Limited is incorporated and domiciled in Guernsey and operates as a limited liability company in the form of a so-called "Non-Cellular Company Limited by Shares" under the laws of Guernsey. The company registration number is 37610.</p> <p>The address of Zürcher Kantonalbank Finance (Guernsey) Limited's registered office and principal place of business is Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU.</p>

Section	Section C – Securities	
C.1	Types of Securities described in the Base Prospectus.	<p>The main categories of Securities that may be issued under the Base Prospectus are described in the following. The Issuer is free to modify the Securities issued under the Base Prospectus by adding additional product features. Additional information on the Securities, including a description of the particular Securities will be included in the relevant Final Terms.</p> <p>The Securities offered and/or listed under the Base Prospectus may be based on the performance of any kind of underlying (each an "<b>Underlying</b>"), including, without limitation, a share (including a certificate representing shares), a participation certificate (Partizipationsschein) or a profit participation certificate (Genussschein), an index (which may or may not be published and/or maintained by the Issuers or any of their Affiliates), a currency exchange rate, a precious metal, a commodity, an interest rate, a non-equity security, an exchange traded fund unit, a not exchange traded fund unit, a futures contract, a standardized option contract or, as the case may be, and as specified in the relevant Final Terms (as defined below), a reference rate (including, but not limited to, interest rate swap (IRS) rates, currency swap rates or, as the case may be, credit default swap levels), as well as a basket or portfolio comprising the aforementioned assets.</p> <p><b>Capital Protection Products</b></p> <p>"Capital Protection Products" provide for a specific minimal redemption amount. The level of the minimal redemption amount representing the level of capital protection indicates the percentage of the nominal or par value of the "Capital Protection Product" that the investor will be entitled to at the settlement date. The Issuer sets it at the time of the issuance and it applies only at the end of the term or at maturity. The Issuer may set the level of the minimal redemption amount representing the level of capital protection below 100% of the nominal or par value of the "Capital Protection Products" (partial capital protection). Capital protection therefore does not mean that the investor is entitled to a redemption amount equal to the full nominal or par value of the "Capital Protection Products". The potential loss is limited by the minimum redemption amount, subject to the credit risk of the Issuer.</p> <p><b>Yield Enhancement Products</b></p> <p>"Yield Enhancement Products" provide for a redemption amount that is limited to a maximum amount (cap) and may provide for (fixed or variable) periodic coupon payments during the term. They may be linked to several Underlyings and may therefore offer a larger discount or coupon than "Yield Enhancement Products" linked to just one Underlying.</p> <p><b>Participation Products</b></p> <p>"Participation Products" generally track the performance of the Underlying and enable investors to participate in the performance of the Underlying. Depending on the structure of the "Participation Product", investor participate proportionate or disproportionate in the performance</p>



		<p>of the Underlying. The profit an investor may achieve by investing in a "Participation Product" is theoretically unlimited, (unless there is a cap) but there is the risk of a total loss (unless there is a partial capital protection).</p> <p><b>Products with Reference Entities</b></p> <p>In addition to the features of the corresponding "Capital Protection Products", "Yield Enhancement Products" or "Participation Products" on which they are based, "Products with Reference Entities" are also affected by the occurrence of a defined credit event in respect of a reference entity or obligation. If a credit event occurs in respect of a reference entity or obligation during the term of the "Products with a Reference Entity", they will be redeemed at a value which may be significantly below their initial value and as low as zero and investors will make a partial or total loss.</p> <p>If no credit event occurs, "Products with Reference Entities" work in the same manner as the corresponding "Capital Protection Product", "Yield Enhancement Product" or "Participation Product" on which they are based.</p> <p><b>Leverage Products</b></p> <p>"Leverage Products" are subject to a leverage effect both in the direction of profits and losses, i.e., changes in the value of the Underlying have a disproportionate effect on the value of "Leveraged Products" compared to a direct investment in the Underlying. The leverage effect permits investors to use less capital compared to investing directly in the Underlying.</p>
C.2	<b>Security identification number(s).</b>	The security identification number(s) of the Securities which are relevant for a public offering of the Securities or the admission of the Securities to trading (if any) will be included in the relevant Final Terms.
C.3	<b>Information on the Securities.</b>	The most important information with respect to the Securities will be included in the relevant Final Terms.

Section	<b>Section D – Offer and admission to trading</b>	
D.1	<b>Terms and conditions of the offer.</b>	The most important information relating to a specific public offering of the Securities (if any) will be included in the relevant Final Terms.
D.2	<b>Listing; admission to trading.</b>	The most important information relating to a specific listing and/or a specific admission to trading of the Securities (if any) will be included in the relevant Final Terms.

Section	<b>Section E – Approval of Base Prospectus</b>	
E.1	<b>Approval of Base Prospectus.</b>	Base prospectus of 15 April 2020 approved by and registered with SIX Swiss Exchange AG on 15 April 2020.

## RISK FACTORS

*The Securities are complex financial instruments and an investment therein involves substantial risks and is a riskier investment than an investment in ordinary debt or equity securities. Furthermore, an investment in the Securities is not equivalent to investing directly in the Underlying (if any). Investors should carefully consider the risks set out in this section, together with all further information contained in the relevant Final Terms and in the Base Prospectus (including any documents incorporated by reference therein or otherwise forming part of the Base Prospectus), before making a decision to invest in the Securities.*

*Each Issuer believes that the following factors are material for the purpose of assessing the market risk and other risks associated with the Securities. All of these factors are contingencies which may or may not occur and none of the Issuers does express a view on the likelihood of any such contingency occurring. Furthermore, various risks may have a simultaneous and/or compounding effect which leads to the fact that the effect of a particular risk is not predictable. No assurance can be given as to the effect that any combination of risks may have on the value of the Securities. The risks set out in the relevant Final Terms and in this section are not exhaustive and there are additional risks and uncertainties that are not currently known to the Issuers and/or their Affiliates or that the Issuers currently deems to be immaterial but that could nevertheless have a material adverse impact on the Securities.*

*Each Investor should, prior to a purchase of the Securities, consult with its own legal, regulatory, tax, financial and accounting advisors to the extent it considers necessary in order to determine whether an investment in the Securities is a fit, proper and suitable investment for it with a view to its financial situation, its constitutional documents, its internal policies and guidelines, the laws and regulations applicable to it and the impact the Securities will have on its overall investment portfolio. Investors should not invest in the Securities unless they have the expertise (either alone or with an adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the Securities and the impact this investment will have on the Investors' overall investment portfolio.*

### A. RISK FACTORS RELATING TO THE ISSUERS

The Securities entail an issuer risk, also referred to as debtor risk or credit risk for prospective investors. The issuer risk is the risk that Zürcher Kantonalbank or Zürcher Kantonalbank Finance (Guernsey) Limited, as applicable, becomes temporarily or permanently unable to meet its obligations under the Securities. If the issuer risk materializes, Holders may sustain a partial or total loss of the amount of their initial investment in the Securities.

In order to assess certain other risks related to the Issuers, potential investors should consider the risk factors described in the section "*Material risks relating to the Issuers*" in the Registration Document dated 15 April 2020 for Debt Instruments (excluding Derivatives) and for Derivatives of Zürcher Kantonalbank and Zürcher Kantonalbank (Guernsey) Limited (as supplemented from time to time) (the "**2020/2021 Registration Document**").

### B. MARKET RISK FACTORS

#### I. Prior to maturity, the market value of, and expected return on, the Securities will be influenced by many unpredictable factors

##### 1. In general

Many economic and market factors will influence the market value of, and the expected return (if any) on, the Securities. In general, the value of the asset(s) which serve as underlying of the Securities on any day will likely affect the value of the Securities more than any other single factor. However, Holders should not expect the market value of the Securities in the secondary market (if any) to vary in proportion to changes in the market value of such underlying asset(s). The market value of the Securities will be affected by a number of other factors, some or all of which are unpredictable and/or beyond the relevant Issuer's control, and which may offset or magnify each other, including, but not limited to:

- supply and demand trends and market prices at any time for the Securities or any asset(s) which serve(s) as underlying of the Securities;
- the creditworthiness or perceived creditworthiness of the relevant Issuer, including actual or anticipated downgrades in their respective (future) credit ratings;

- the actual and expected frequency and magnitude of changes in the value of the Underlying (*i.e.*, volatility);
- the remaining time to maturity of the Securities;
- for Securities with a Share/Shares, a Basket of Shares or a Share Index as underlying, the dividend rate on such Share(s), the Shares contained in the relevant Basket or the Shares underlying such Index (while not paid to the Holders, such dividend payments may influence the market value of the relevant Share(s), Shares contained in the relevant Basket or Shares underlying the relevant Index and the market value of options on such Share(s) and therefore affect the market value of the Securities);
- the occurrence of certain corporate events with respect to asset(s) which serve as Underlying;
- interest rates in the market generally as well as in the markets of any asset which serves as Underlying;
- economic, financial, political, terrorist, military, regulatory, geographical, agricultural, meteorological, environmental, epidemic or judicial events that affect the Issuer, any asset(s) which serve(s) as Underlying or the (financial) markets generally;
- for Securities with a Basket of assets as underlying, changes in the correlation (the extent to which the value of such assets increase or decrease to the same degree at the same time) between the assets contained in the Basket;
- the Exchange Rates and the volatility of the Exchange Rates between the currency of denomination of the Securities and the currencies in which the asset(s) which serve(s) as underlying of the Securities are traded; and
- the liquidity in the market (in situations where the financial markets in general or in respect of the relevant Issuer or the asset(s) serving as Underlying of the Securities become illiquid, the bid/offer spreads in financial instruments are increasing and the market value of the Securities is expected to fall).

Some or all of these factors will influence the price an Investor will receive if it chooses to sell its Securities prior to maturity. The impact of any of these factors may enhance or offset some or all of any change resulting from another factor or factors. A Holder may have to sell its Securities at a substantial discount from the original purchase price and may lose some or all of its initial investment.

2. The market value of the Securities may be highly volatile

The price, performance or investment return of the Underlying may be subject to sudden, large and unpredictable changes over time and this degree of change is known as "volatility". The volatility of an Underlying may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the Securities.

3. There may be price discrepancies with respect to the Securities between various dealers or other purchasers in the secondary market

If at any time a third party dealer quotes a price to purchase Securities or otherwise values Securities, that price may be significantly different (higher or lower) from any price quoted by the relevant Issuer or any of its Affiliates. Furthermore, if an Investor sells its Securities, it will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

**II. No obligation of the relevant Issuer to make a secondary market and risk of illiquidity**

There may be little or no secondary market for the Securities. Even in case a secondary market develops, (a) it may not provide enough liquidity to allow an Investor to trade or sell the Securities easily, (b) it is not possible to predict the prices at which the Securities will trade in such secondary market and (c) there is no assurance that such secondary market will continue. Subject to the rules of any Relevant Stock Exchange, neither the relevant Issuer nor any of its Affiliates is under an obligation to provide a bid or offer price for the Securities. Therefore, Holders may not be able to sell the Securities easily or at prices reasonably acceptable to them and Investors should only invest in the Securities if they can hold them until their maturity date.

To the extent specified in the Final Terms, applications were made for the listing or admission to trading of the Securities on the relevant securities exchange. Even if the Securities are listed on a securities exchange

or are admitted to trading, it cannot be assured that this listing or admission to trading will be maintained. It does not automatically follow that on account of the fact that the Securities of the specified type are listed or admitted to trading that greater liquidity is available than would be available if this were not the case. Subject to the relevant Final Terms, neither the relevant Issuer nor any of its Affiliates is under an obligation to make or provide a secondary market.

If the Securities are not listed on a securities exchange or are not admitted to trading, information about prices is under some circumstances more difficult to obtain and the liquidity of the Securities may be adversely affected. In certain countries, the liquidity of the Securities can also be influenced by input requirements, which limit the purchase and sale of Securities.

If a Holder receives a bid price for the Securities, it may be significantly different from prices determined by pricing models used by the relevant Issuer or any of its Affiliates, other dealers or market participants. Therefore, if such Issuer provides valuations to Holders which are generally based on such models, Holders should not assume that they will be able to dispose of the Securities at prices equal or even close to such valuation. Holders of Securities listed on the SIX should be aware that the SIX generally does not require a mandatory market making for listed securities. Some exemptions apply for actively managed certificates and certain other products. Therefore, even if the Securities are listed on the SIX, Investors cannot rely on the ability to sell the Securities at a specific time or at a specific price.

### **III. Securities listed on a securities exchange may be suspended from trading**

Securities exchanges usually provide for rules regarding the admissibility of Underlyings of structured products which are to be listed on such security exchange. It cannot be ruled out that during the lifetime of Securities which are listed on a security exchange, the Underlying(s) of the relevant Securities do not meet the relevant requirements anymore, which may lead to a suspension from trading or even a delisting of the relevant Securities. In addition, it cannot be ruled out that Securities which are listed on a security exchange will be suspended from trading or delisted from the relevant securities exchange for any other reason.

## **C. RISK FACTORS RELATING TO THE SECURITIES**

*Because the development of the value of the Securities primarily depends on the value of the relevant Underlying or certain underlying components, Investors should, in addition to the sub-sections "General risk factors relating to the Securities" and "Risks associated with specific features of the Securities", carefully review the descriptions in the sub-section "Information on the Underlyings", as well as the other information in the Base Prospectus (including any additional risk factors).*

### **I. General risk factors relating to Securities**

#### **1. Investors risk losing all of their investment in the Securities**

Investors should be aware that depending on the terms of the relevant Securities (a) they may receive no or a limited amount of interest, (b) payments may occur at a different time than expected and (c) except in the case of 100% capital protected Securities, they may lose all or a substantial portion of their investment if the value of the Underlying does not move in the anticipated direction.

#### **2. Prerequisites for a potential investor**

Each Investor should determine whether an investment in the Securities is appropriate in its particular circumstances. An investment in the Securities requires a thorough understanding of the nature of the relevant transaction. Investors should be experienced with respect to capital investments, in particular with investments in Structured Products and be aware of the related risks.

An investment in the Securities is only suitable for Investors who:

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Securities and the information contained or incorporated by reference into the Base Prospectus or any applicable supplement thereto;
- understand thoroughly the relevant Final Terms and are familiar with the behavior of interest reference rates and financial markets;

- are capable of bearing the economic risk of an investment in the Securities until the maturity of the Securities or, in the case of Securities without a fixed maturity date, before the Securities are redeemed; and
- recognize that it may not be possible to dispose of the Securities for a substantial period of time, if at all, before maturity or, in the case of Securities without a fixed maturity date, before the Securities are redeemed.

An Investor may not rely on the relevant Issuer or any of its Affiliates in connection with its determination as to the legality of its acquisition of the Securities or as to the other matters referred to above.

### 3. The Securities are unsecured obligations

Unless otherwise specified in the relevant Final Terms, the Securities constitute direct, unsecured and unsubordinated obligations of the relevant Issuer which rank equally with all other current and future unsecured and unsubordinated obligations of such Issuer without any preference among themselves and without any preference one above the other by reason of priority of date of issuance, currency of payment or otherwise, except such obligations which rank higher on the basis of mandatory provisions of law.

### 4. The Securities are not subject to authorization by FINMA

The Securities are derivative financial instruments which do not represent a participation in a collective investment scheme pursuant to articles 7 et seq. of the CISA and thus do not require an authorization by FINMA. Therefore, Holders are not eligible for the specific investor protection under the CISA.

### 5. Capital protection

If and to the extent the relevant Final Terms provide for capital protection, the relevant Securities will be redeemed at an amount which is not less than the specified capital protection. The capital protection may be at, below or above the principal amount or par value of the Securities. Because the capital protection is specified in relation to the principal amount or par value of the Securities, the Investor has the benefit of capital protection only in this amount, even if the purchase price or issue price paid by the Investor is greater than the principal amount or par value. Capital protection does not apply if the Securities are repaid before the agreed maturity date by operation of section "*Information on the Securities and the Offering—General Terms of the Securities—Early termination*" or section "*Information on the Securities and the Offering—General Terms of the Securities—Redemption of the Securities*" or if the Investor sells the Securities before the maturity date.

If the Final Terms do not explicitly provide for capital protection, then the fundamental risk exists that the Investor will lose the entire amount of the funds invested by it into the Securities. Even if capital protection applies, the risk exists that the capital protected amount is less than the investment made by the Investor. Further, the payment of the capital protected amount is dependent on the financial condition of the relevant Issuer or other circumstances related to it. Consequently, an Investor could lose his Securities investment fully or partially, despite full or partial capital protection, if such Issuer cannot fulfil wholly or only partially his Securities obligations.

If an insolvency or credit risk related to the relevant Issuer materializes, the Holders may sustain a partial or total loss of the amount of their initial investment in the Securities notwithstanding any capital protection.

### 6. Issue price

Under certain circumstances, the original issue price of the Securities may be higher than the market value of the Securities as at the Issue Date. In particular, the issue price of the Securities may include, in addition to the specified issue charges, administration or other fees (including, without limitation, subscription fees, placement fees, discretion fees and structuring fees), a charge on the mathematical value of the Securities which at the most is not apparent to Investors. This margin is determined by the relevant Issuer in its sole and absolute discretion and can vary from the charges imposed by other issuers of comparable Securities.

The price at which a potential bidder (including, without limitation, the relevant Issuer) may be willing to purchase the Securities in the secondary market (if any), all other factors being equal, is likely to be less than the original issue price, since the latter included, and secondary market prices are likely to exclude, those projected profits, fees, commissions and other costs. Investors should inform themselves about any additional costs incurred in connection with their investment as well as the custody or sale of the Securities before taking any investment decision.

7. Risk of the limited term

To the extent not explicitly stated otherwise in the Final Terms, the Securities have a specific term. There is no assurance that potential market losses will be recovered during the term of the Securities. In general, the probability that losses sustained in the interim can be recovered declines during the course of the investment time line.

8. No payments until settlement

During the term of the Securities, no distributions or repayments are made, with the exception of the payment of a Coupon or other distributions (if any), before the maturity date. Before the maturity date, Investors may obtain potential returns on the Securities only through a sale in the secondary market.

9. The Securities may be redeemed or terminated (as applicable) prior to their scheduled maturity for various unforeseen reasons, and in such case Investors may receive back less than their original investment

The Securities may be redeemed or terminated (as applicable) prior to their scheduled maturity for a number of reasons, which include:

- the occurrence of a mandatory early redemption event (such as, without limitation, the price or level of the asset(s) which serve(s) as underlying of the Securities rises above or falls below a pre-defined barrier level), if specified as applicable in the relevant Final Terms of the Securities;
- the exercise by the relevant Issuer of a call option, if specified as applicable in the relevant Final Terms of the Securities;
- the exercise by the Holder of a put option, if specified as applicable in the relevant Final Terms of the Securities;
- the occurrence of an Early Redemption Event (see section "*Information on the Securities and the Offering—General Terms of the Securities—Early termination*");
- the occurrence of certain events outside of the control of the relevant Issuer or other circumstances in relation to the asset(s) which serve as underlying of the Securities (see section "*Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events*"); or
- the occurrence of an event of default with respect to the relevant Issuer (see section "*Information on the Securities and the Offering—General Terms of the Securities—Issuer Event of Default*").

On Early Redemption or termination due to any of the circumstances described above or such other circumstances as described in the Base Prospectus or the relevant Final Terms, each Holder will receive (subject in the case of an occurrence of an Issuer Event of Default to claims of other creditors) an amount described in the relevant Final Terms which may be less than the original purchase price of the Securities and could be as low as zero. None of the relevant Issuer, the Lead Manager or any Agent has any liability vis-à-vis the Holder for any losses incurred by them as a consequence of such an Early Redemption or termination.

10. Risks relating to the occurrence of Disruption and Illiquidity Events

The Securities may be subject to Disruption and Illiquidity Events as described in more detail in section "*Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events*". The Calculation Agent or, as the case may be, the relevant Issuer or any other Agent may determine in its sole and absolute discretion whether a Disruption or Illiquidity Event has occurred or exists at any time during the lifetime of the Securities. Any such determination may lead to (a) a postponement or suspension of any payment(s) or delivery/-ies under the Securities, (b) a change of any rate, quote, price or other information that is required to make a determination with respect to the Securities (in particular, but not limited to, the determination of the redemption amount), (c) a redemption of the Securities on a date occurring earlier or later than the scheduled maturity and/or (d) a redemption which is made in another way as envisaged (e.g. by physical delivery of assets instead of a cash settlement or *vice versa*). Any such determination may have an adverse effect on the value and/or the secondary market prices (if any) with respect to the Securities. None of the relevant Issuer or any Agent has any liability vis-à-vis the Holders for any losses incurred by them as a consequence of the determination that a Disruption or Illiquidity Event has occurred.

11. Reinvestment risk

Holders may be exposed to risks connected to the reinvestment of cash resources freed from the Securities, in particular as a result of an Early Redemption of the Securities. The return a Holders will receive on the Securities not only depends on the market value of, and payments or other benefits to be received under the Securities, but also on whether or not such payments or other benefits can be reinvested on the same or similar terms as provided for under the Securities. Holders must be aware that they may incur additional transaction costs as a consequence of reinvesting any proceeds received upon Early Redemption.

12. Interest rate risk

An investment in Securities is subject to interest rate risk on account of fluctuations in the interest to be paid on deposits in the currency of the Securities. This may have effects on the market value of the Securities. Interest rates are determined by various factors of supply and demand in international money markets, which are influenced by economic factors, speculation and interventions by central banks and government authorities or other political factors. Fluctuations in short- or long-term interest rates may therefore influence the value of the Securities.

13. Inflation risk

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Securities. If the inflation rate over the life of the Securities is equal to or higher than the nominal yield of the Securities, the real yield on the Securities can be zero or even negative.

14. Holders may be exposed to exchange rate risks

The Settlement Currency of the Securities may not be the currency of the home jurisdiction of an Investor therein. In this case, the relevant Holder will be exposed to the performance of the Settlement Currency including, if applicable, the relative performance of the Settlement Currency and the currency or currencies of the asset(s) which serve as Underlying of the Securities. Exchange Rates between currencies are determined by factors of supply and demand in the international currency markets, which on the other hand are influenced by macroeconomic factors, speculation and central bank and government intervention. Exchange Rate fluctuations between a Holders' home currency and the Settlement Currency may adversely affect Holders who intend to convert gains (if any) or losses from the sale of the Securities into their home currency and may eventually cause a partial or total loss of the relevant Holders' initial investment.

As there is no centralized market for interbank foreign exchange trading, the determination of the value of the spot rate will, if applicable, be made by reference to Bloomberg, Reuters or other electronic data providers available at the relevant time or based on hedging transactions traded by the relevant Issuer and/or its Affiliates in the interbank foreign exchange. Due to the high volatility in foreign exchange rates, the spot rate may have been determined at a time at which it was disadvantageous for the Holders. Neither the relevant Issuer nor any Agent or any of their respective Affiliates has any obligations or responsibility vis-à-vis the Holders in this respect and will not review any other source of information on transactions in the relevant spot exchange rates.

Where the calculation of any amount payable under the Securities involves a currency conversion, fluctuations in the relevant Exchange Rate will directly affect the market value of the Securities and the risk of loss may not depend solely on the behavior of the asset(s) referenced by or other features of the Securities.

15. Certain information may not be known at the beginning of an offer period

At the commencement of an offer/subsorption period but prior the Issue Date, certain information relating to the Securities (such as, without limitation, certain amounts, levels, percentages, prices, rates or values used to determine or calculate amounts payable or assets deliverable in respect of the Securities) may not be fixed or determined. In these cases the relevant Final Terms will specify in place of the relevant amounts, levels, percentages, prices, rates or values, as applicable, such indicative amounts, levels, percentages, prices, rates or values, as applicable, or an indicative range thereof.

The actual amounts, levels, percentages, prices, rates or values, as applicable, will be determined by the relevant Issuer and/or the Calculation Agent based on market conditions but otherwise in its sole and absolute discretion on or around the end of the offer/subsorption period and may be the same as or different from any indicative parameters specified in the applicable Final Terms.

Investors will be required to make their investment decision based on the indicative amounts or indicative range rather than the actual amounts, levels, percentages, prices, rates or values, as applicable, which will only be fixed or determined at the end of the offer/subscription period after their investment decision is made but will apply to the Securities once issued.

If the applicable Final Terms specify an indicative range of amounts, levels, percentages, prices, rates or values, as applicable, Investors should, for the purposes of evaluating the risks and benefits of an investment in the Securities, assume that the actual amounts, levels, percentages, prices, rates or values, as applicable, fixed or determined at the end of the offer/subscription period may have a negative impact on the amounts payable or assets deliverable in respect of the Securities and consequently, have an adverse impact on the return on the Securities (when compared with other amounts, levels, percentages, prices, rates or values, as applicable, within any indicative range).

16. Purchase of Securities on credit

Investors financing the purchase of the Securities with a loan or loans must be aware that, should their expectations fail to materialize, they would not only have to bear the loss resulting from the investment in the Securities, but also have to pay interest on the loan(s) as well as repay the principal amount of such loan(s). Therefore, Investors must assess their financial situation in advance in order to determine whether they would be able to pay the interest on the loan(s) and/or repay the loan(s) on demand should they incur losses instead of realizing the anticipated profit when investing in the Securities.

17. Resale price

Each of the Issuers may enter into distribution agreements with various financial institutions and other intermediaries chosen by such Issuer. In this case, the relevant dealers agree, subject to the performance of certain conditions, to subscribe for the Securities at a price equal to or lower than the issue price. The dealers agree to bear certain costs in connection with the issue of the Securities. In respect of all issued and outstanding Securities, a regularly recurring fee, the amount of which is determined by the Issuer, may be payable to the dealers up to the maturity date. The amount of the fee can change. The dealers agree to comply with the sales restrictions that are set forth in this document and in the relevant Final Terms, and which are supplemented by additional restrictions in the distribution agreement applicable to the relevant dealer.

If at any time a dealer quotes a price to purchase Securities or otherwise values Securities, that price may be significantly different (higher or lower) from any price quoted by the Issuer. Furthermore, if an Investor sells its Securities, it will likely be charged a commission for secondary market transactions, or the price may reflect a dealer discount.

18. Substitution of the relevant Issuer

The relevant Issuer may at any time, without the consent of the Holders, be substituted by a Substitute Issuer. With regard to Securities listed at a securities exchange, such substitution may impact the relevant listing of the Securities and, in particular, make it necessary to reapply for listing on the relevant market or securities exchange on which the Securities are listed. In addition, following such substitution, Holders will become subject to the credit risk of the Substitute Issuer.

19. Substitution of the Underlying

During the term of the Securities, changes in or a substitution of the Underlying by the relevant Issuer (or the Calculation Agent, acting on the relevant Issuer's behalf) can occur. It cannot be ruled out that such changes or substitutions will negatively affect the value of the Securities. Likewise, it cannot be ruled out that in the case of Securities based on an Index, that changes in the composition of the Index as a result of changes or substitutions in respect of individual Index components may negatively affect the price of the Index and accordingly the value of the Securities.

20. Payments under the Securities may be subject to U.S. withholding under the U.S. Internal Revenue Code

A 30% withholding tax or other tax is imposed under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended, ("**Section 871(m)**") on certain "dividend equivalents" paid or deemed paid to a non-U.S. Holder with respect to a "specified equity-linked instrument" that references one or more dividend-paying U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. U.S. Treasury Department regulations provide that the withholding tax applies to all dividend equivalents paid or deemed paid on specified equity-linked instruments that have a delta of one



issued after 2016 and to all dividend equivalents paid or deemed paid on all other specified equity-linked instruments issued after 2020.

The relevant Issuer will determine whether dividend equivalents on the Securities are subject to withholding as of the close of the relevant market(s) on the fixing date. If withholding is required, such Issuer (or the applicable Paying Agent) will withhold 30% in respect of dividend equivalents paid or deemed paid on the Securities and will not pay any additional amounts to the Holders with respect to any such taxes withheld. If the terms and conditions of the Securities provide that all or a portion of the dividends on U.S. underlying equity securities are reinvested in the Underlyings during the term of the Security, the terms and conditions of the Securities may also provide that only 70% of a deemed dividend equivalent will be reinvested. The remaining 30% of such deemed dividend equivalent will be treated, solely for U.S. federal income tax purposes, as having been withheld from a gross dividend equivalent payment due to the investor and remitted to the U.S. Internal Revenue Service on behalf of the investor. The Issuer will withhold amounts required pursuant to section 871(m) of the U.S. Internal Revenue Code and regulations enacted thereunder and pursuant to the terms of its Qualified Intermediary ("QI") Agreement with the U.S. Internal Revenue Service.

Even if the relevant Issuer determines that a Holder's Securities are not specified equity-linked instruments that are subject to withholding on dividend equivalents, it is possible that a Holder's Securities could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the relevant Underlying or Basket Component or a Holder's Securities, and following such occurrence a Holder's Securities could be treated as specified equity-linked instruments that are subject to withholding on dividend equivalent payments. It is also possible that withholding tax or other tax under Section 871(m) could apply to the Securities under these rules if a non-U.S. Holder enters, or has entered, into certain other transactions in respect of the relevant Underlying or Basket Component. As described above, if withholding is required, the relevant Issuer will withhold 30% or at rates as otherwise required pursuant to section 871(m) of the U.S. Internal Revenue Code and regulations enacted thereunder and pursuant to the terms of its QI Agreement with the U.S. Internal Revenue Service in respect of dividend equivalents paid or deemed paid on the Securities and will not pay any additional amounts to the Holders with respect to any such taxes withheld.

Additionally, in the event that withholding is required, the relevant Issuer hereby notifies each Holder that for purposes of Section 871(m), that the relevant Issuer will withhold in respect of dividend equivalents paid or deemed paid on the Securities on the dividend payment date as described in U.S. Treasury Department regulations section 1.1441-2(e)(4) and 1.441-2(e)(7) and section 3.03(B) of the form of Qualified Intermediary Agreement contained in Revenue Procedure 2017-15, as applicable. Regardless of our good-faith efforts as required under applicable US tax rules and regulations to take into account that such investor would otherwise be entitled to an exemption from or reduction of withholding on such payments (e.g., a United States person for U.S. federal income tax purposes or a non-United States person eligible for an exemption from or reduction in withholding pursuant to an income tax treaty) , **there is the risk that withholding will be done at a higher rate and that Holder will not be able to successfully claim a refund of the tax withheld in excess of the tax rate that would otherwise apply to such payments.**

Each Holder acknowledges and agrees that in the event that a Security references an Index as the Underlying or Basket Component, as the case may be, then regardless of whether the relevant Underlying or Basket Component is a net price return, a price return or a total return index, the payments on the Securities (including any amounts deemed reinvested in the Security) will reflect the gross dividend payments paid by the issuers of the securities comprising the index less applicable withholding tax amounts in respect of such gross dividends, which in the case of U.S. source dividends, will be paid by or on behalf of the relevant Issuer to the U.S. Internal Revenue Service in accordance with the U.S. withholding tax rules under Section 871(m).

**Holders should consult with their tax advisors regarding the application of Section 871(m) and the regulations thereunder in respect of their acquisition and ownership of the Securities, including a non-U.S. Holder that enters, or has entered, into other transactions in respect of the relevant Underlying or Basket Component, as the case may be.**

21. Payments under the Securities may be subject to U.S. withholding under FATCA

U.S.-source payments made in connection with the Securities may be subject to a 30 percent U.S. withholding tax under the Foreign Account Tax Compliance Act ("FATCA"). FATCA imposes a 30 percent U.S. withholding tax on "withholdable payments", which include U.S.-source dividends, interest, rents and other "fixed or determinable annual or periodical income" as determined pursuant to U.S. Treasury Department regulations section 1.1473-1(a), paid to (x) "foreign financial institutions" ("FFIs") unless they disclose their

direct and indirect U.S. account holders to the U.S. Internal Revenue Service (the "**IRS**") or to the tax authorities in their own jurisdictions (if the governmental authorities in their own jurisdictions have entered into FATCA intergovernmental agreements with the United States) and fulfil other FATCA compliance obligations applicable to FFIs (or are exempt from such obligations under FATCA), and (y) certain "non-financial foreign entities" (i.e., foreign (non-U.S.) entities that are not FFIs) unless they provide information regarding any "substantial U.S. owners" (i.e., certain direct and indirect U.S. persons that own more than 10% of the interests in the subject non-financial foreign entity) or, in certain jurisdictions, any specified "controlling persons" of the entity, or are otherwise exempt from such obligations under FATCA. Currently according to proposed U.S. Treasury Department regulations, withholdable payments do not include certain U.S.-source gross proceeds; however, future guidance could change the treatment of such U.S.-source gross proceeds for FATCA withholding purposes. Also pursuant to proposed U.S. Treasury Department regulations, withholding has been deferred on payments that are classified as "foreign passthru payments" until the date that is two years after the date of publication of final U.S. Treasury Regulations defining the term "foreign passthru payment"; however, future guidance could change the treatment of such "foreign passthru payments" for FATCA withholding purposes.

Switzerland, Guernsey, and other jurisdictions have each entered into a FATCA intergovernmental agreement with the United States (an "**IGA**"). Under an IGA, to avoid being withheld upon with respect to withholdable payments under FATCA, FFIs that are not otherwise exempt under the applicable IGA from FATCA compliance obligations must register with the IRS and either (a) under a "Model 2" IGA (including, among others, the IGA currently in effect between Switzerland and the United States), agree to report to the IRS certain information about their U.S. accounts, including accounts of certain foreign entities with substantial U.S. owners or U.S. controlling persons (an "**FFI Agreement**"), or (b) under a "Model 1" IGA, comply with the due diligence and reporting requirements implemented by the tax authority in their own jurisdiction of residence. FFIs in jurisdictions without an IGA with the United States must likewise take compliance measures to avoid being withheld upon under FATCA, unless otherwise exempt from such compliance obligations under applicable U.S. Treasury FATCA Regulations. Each of the relevant Issuers has entered into an FFI Agreement (with the Issuer's Global Intermediary Identification Number CJEJ1W.00000.LE.756 for Switzerland) with the IRS and intends to continue to comply with the requirements thereunder and with the requirements imposed on Swiss financial institutions according to Swiss laws and regulations implementing the IGA between Switzerland and the United States, or the Issuer has otherwise implemented compliance with FATCA according to the terms of an applicable Model 1 IGA (with the Issuer's Global Intermediary Identification Number CJEJ1W.00003.ME.831 for Guernsey) and intends to continue to comply with the requirements thereunder and with the requirements imposed on Guernsey financial institutions according to Guernsey laws and regulations implementing the IGA between Guernsey and the United States. Whilst the Securities are in global form and held within the clearing systems, in most cases it is not expected that the new reporting regime and potential withholding tax imposed by FATCA will affect the amount of any payment received by the clearing systems. We cannot, however, guarantee that payments made to the relevant Issuer or to any Investor will not be subject to withholding under FATCA. FATCA may affect payments made to custodians or intermediaries (including any clearing system other than Euroclear or Clearstream, Luxembourg) in the payment chain leading to the Investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. FATCA withholding also may affect payments to: (a) any Investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA (including without limitation any Investor that is a non-participating foreign financial institution for FATCA purposes); (b) any Investor that is a non-U.S. entity that is not a financial institution and that does not, if required based on its FATCA status, provide certification regarding its substantial owners or controlling persons that are U.S. persons, if any; and (c) any Investor that fails to provide its broker (or other custodian or intermediary from which it receives a payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Investors should choose their custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA, including any legislation implementing intergovernmental agreements relating to FATCA, if applicable), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them in their specific circumstances. The obligations of the relevant Issuer under the Securities are discharged once it has paid the clearing systems

and it therefore has no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries or for any FATCA withholding that may apply.

Each or the Issuers does not expect that it will be required under FATCA to report the equity or debt interests in the relevant Issuer represented by the Securities, unless the value of, or return on, the Securities is determined, directly or indirectly, primarily by reference to profits or assets of a U.S. person or equity interests in a U.S. person or the Securities are convertible into equity interests in a U.S. person. An interest in the Securities should therefore not constitute a Financial Account for FATCA purposes according to the terms of the IGA between the United States and Switzerland or the IGA between the United States and Guernsey, each referencing applicable U.S. Treasury FATCA Regulations. In the case that an interest in the Securities could constitute a Financial Account for FATCA purposes, under the Terms and Conditions of the Securities, **a Holder agrees or is deemed to agree to provide any information required for FATCA compliance, and to permit this information to be reported to the IRS if required to be reported according to an applicable IGA and/or applicable local laws, regulations and guidance implementing FATCA.**

22. Risks Relating to the CRS and Automatic Exchange of Information

The Common Reporting Standard ("CRS") developed by the Organization for Economic Co-Operation and Development ("OECD") was approved by the OECD Council on 15 July 2014 and amended on 6 June 2017. CRS sets forth a model information reporting and exchange system whereby implementing jurisdictions will obtain information from resident financial institutions ("FIs") and automatically exchange that information with other jurisdictions on an annual basis. The CRS further sets out the financial account information to be exchanged, the categories of FIs required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by FIs.

The CRS requires an implementing jurisdiction to enact domestic legislation and guidance, according to which FIs will be required to conduct due diligence review of their "account holders" (including holders of debt or equity interests in certain FIs) and report account information to their domestic tax authority with respect to account holders or, in certain cases, other reportable persons who are tax resident in a "Reportable Jurisdiction". A "Reportable Jurisdiction" is another CRS-implementing jurisdiction with which an agreement is in place with the reporting jurisdiction, pursuant to which there is an obligation to provide the information specified in the CRS. Accordingly, the domestic tax authority of the reporting jurisdiction will then exchange the specified account information with the tax authority of the Reportable Jurisdiction.

Switzerland and Guernsey have each committed to adoption of the CRS, having respectively implemented the CRS in the following, among further guidance: (1) with respect to Switzerland, Swiss law through the implementing law (*Bundesgesetz über den internationalen automatischen Informationsaustausch in Steuersachen* of 18 December 2015), implementing regulations (*Verordnung über den internationalen automatischen Informationsaustausch in Steuersachen*), and the implementing guidance (*Wegleitung – Standard für den automatischen Informationsaustausch über Finanzkonten Gemeinsamer Meldestandard*); and (2) with respect to Guernsey, Sections 75C and 75CC of the Income Tax (Guernsey) Law (1975), The Income Tax (Approved International Agreements) (Implementation) (Common Reporting Standard) Regulations (2015), AEOI Supplementary Guernsey Guidance Notes.

The first CRS reporting to Reportable Jurisdictions by Switzerland occurred in 2018 with respect to information pertaining to calendar year 2017. The first CRS reporting to Reportable Jurisdictions by Guernsey occurred in 2017 with respect to information pertaining to calendar year 2016. Currently, over 70 jurisdictions are treated as Reportable Jurisdictions for Swiss CRS purposes and over 65 jurisdictions are treated as Reportable Jurisdictions for Guernsey CRS purposes, including (among others) all of the member states of the European Union. Additional jurisdictions continue to be added as Reportable Jurisdictions by Switzerland and Guernsey over time. The Swiss Federal Department of Finance and the Guernsey Revenue Service each maintains an online list of current Reportable Jurisdictions, and the OECD maintains an online list of activated exchange relationships for CRS information.

A debt or equity interest in an FI that is classified as an "Investment Entity" is a financial account for CRS purposes, unless an exemption applies. In case the relevant Issuer is an Investment Entity for CRS purposes, then it will be required to conduct due diligence and reporting with respect to interests held in the Securities. Such reportable information would include identifying information and account information of the Investors and any other account holders of equity interests and debt interests in the relevant Issuer (or, in the case of certain entity account holders, information regarding the entities and certain persons who control such entities ("**Controlling Persons**")), where the account holder's or Controlling Person's tax residence jurisdiction

is a Reportable Jurisdiction with respect to Switzerland. Such information would be reportable by the relevant Issuer to the Swiss tax authority, which will then exchange the information with the Reportable Jurisdiction tax authority. Thus, in the case that an interest in the Securities could constitute a Financial Account for CRS purposes, under the Terms and Conditions of the Securities, a Holder agrees or is deemed to agree to provide any information required for CRS compliance, and to permit this information to be reported to the Swiss Federal Tax Administration or the Guernsey Revenue Service, as appropriate, for exchange to other appropriate tax administrations, if required to be reported according to CRS as implemented under Swiss or Guernsey laws, regulations and guidance.

Prospective Investors are encouraged to consult their own advisors regarding the possible application of CRS, as implemented by Switzerland and/or Guernsey and any other applicable jurisdictions, to the relevant Issuer and/or in relation to its impact on their holding of the Securities.

23. Determinations by the Calculation Agent

Depending on the type of the respective Securities, the Calculation Agent may have broad discretion authority to make various determinations and adjustments under the Securities, any of which may have an adverse effect on the market value thereof or any amounts payable or other benefits to be received thereunder. The Calculation Agent will make any such determination at its reasonable discretion and in a commercially reasonable manner. Investors should be aware that any determination made by the Calculation Agent may have an impact on the value and financial return of the Securities. Any such discretion exercised by, or any determination made by, the Calculation Agent shall (save in the case of manifest error) be final, conclusive and binding on the relevant Issuer and the Holders.

24. Legal investment considerations may restrict certain investments

The investment activities of certain Investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each Investor should consult its legal advisers to determine whether and to what extent (a) the Securities are legal investments for it, (b) the Securities can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the competent regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

25. Risks associated with the regulation and reform of benchmarks

Reference rates, interest rates, Indices, Baskets or other rates used as Underlyings for the purposes of the Securities may generally constitute benchmarks and as such may be subject to supervisory law regulations and reform proposals (such Underlying is also referred to as "**Benchmark**").

Innovations such as the ones introduced by IOSCO's Principles for Financial Benchmarks (the "**IOSCO Principles**") and the Regulation (EU) 2016/1011 of the European Council and the Parliament of 8 June 2016 on Indices used as benchmarks in certain financial instruments and financial contracts or to measure the performance of investment funds (the "**EU Benchmarks Regulation**") may result in the different performance of the relevant Benchmarks. It may exclude Benchmarks from being used as Underlyings for example, because the Benchmarks may incur higher costs if regulatory requirements for the administrator are tightened or because certain uses by EU supervised entities of Benchmarks provided by administrators that are not authorized or registered (or, if located outside the EU, deemed equivalent or recognized or endorsed) are prohibited by the EU Benchmarks Regulation.

Benchmarks such as reference rates, interest rates, Indices, Baskets or other rates used as Underlyings in connection with the Securities may also be affected by regulatory guidance and reform or changes in policy at national, as well as at international level. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the London Interbank Offered Rate ("**LIBOR**") benchmark after 2021. This may, in particular, lead to a substitution of LIBOR as Underlying in accordance with the Terms and Conditions of the Securities. Further national or international regulatory reforms may have other effects which are not foreseeable at present.

More generally, any of the above changes or any other consequential changes to LIBOR, EURIBOR, or any other Benchmark as a result of international, national, or other proposals for reform or other initiatives or

investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, may have the effect of discouraging market participants from continuing to administer or participate in certain Benchmarks, trigger changes in the rules or methodologies used in certain Benchmarks or lead to the disappearance of certain Benchmarks. Investors should be aware that each of these changes may have a material adverse effect on the level or availability of the Benchmark and consequently on the value of the Securities. The disappearance of a Benchmark or changes in the manner of administration of a Benchmark could result in fallback provisions specified in the Terms and Conditions of the Securities to become applicable or early termination rights to become available to the relevant Issuer or other consequences in relation to Securities linked to such Benchmark. Any such consequence could have a material adverse effect on the value, volatility of and return of any Securities based on or linked to a Benchmark.

26. Regulatory consequences for Holders of Securities with certain assets as Underlying

There may be regulatory and/or other consequences associated with the ownership by certain Holders of Securities with certain Underlyings. Each Holder must conduct its own investigation into its regulatory position with respect to a potential investment in Securities, and neither the relevant Issuer nor any Agent or any of their respective Affiliates assumes any obligation of liability whatsoever to the Holder in this regard.

**II. Risks associated with specific features of the Securities**

1. General risks associated with Securities that are linked to underlying asset(s)

(a) No legal or beneficial rights in the underlying asset(s)

Investors should be aware that the relevant underlying asset(s) will not be held by the relevant Issuer for the benefit of the Holders and the Holders will not have any legal or beneficial rights of ownership in the underlying asset(s), including, without limitation, any voting rights, any rights to receive dividends or other distributions or any other rights in respect of the underlying asset(s). In addition, Holders will have no claim against any Share issuer, Index sponsor, fund issuer, fund sponsor or any other third party in relation to an underlying asset. Such parties have no obligation to act in the interests of the Holder.

(b) The performance of the Securities may differ significantly from a direct investment in the underlying asset(s)

Securities which are linked to underlying asset(s) represent an investment linked to the economic performance of the respective underlying asset(s). The return on the Securities (if any) will depend upon the performance of such underlying asset(s) and an Investor should not invest in such Securities if it does not fully understand (either alone, or with the help of any professional advisers) how the performance of the relevant underlying asset(s) may affect the return on the Securities. However, potential investors should be aware that an investment in the Securities is not equivalent to investing directly in the underlying asset(s). Changes in the value of any underlying asset may not necessarily lead to a comparable change in the market value of the Securities. As a result, the performance of the Securities may differ significantly from a direct investment in the underlying asset(s).

(c) The past performance of an underlying asset is not indicative of future performance

Any information about the past performance of an underlying asset available at the time of issuance of the Securities should neither be regarded as indicative of any future performance of such underlying asset nor as an indication of the range of, trends or fluctuations in the price or value of such underlying asset that may occur in the future. It is not possible to predict the future value of the Securities based on such past performance.

(d) Risks associated with Securities whose profit potential is capped

Where a formula used to determine any amount payable and/or non-cash consideration deliverable with respect to the Securities contains a cap, the ability of the Holders to participate in any change in the value of the asset(s) which serve(s) as Underlying of the Securities over the term of the Securities will be limited, no matter how much the level, price, rate or other applicable value of the respective asset(s) may rise beyond the cap level of the lifetime of the Securities. Accordingly, the return of the Holders on the Securities may be significantly less than if they had purchased such asset(s) directly.

- (e) A leverage feature increases the potential loss (or gain) on the Securities

Where a formula used to determine any amount payable and/or non-cash consideration deliverable with respect to the Securities contains a multiplier or leverage factor (whether implicit or explicit) greater than one, the percentage change in the value of the Securities will be greater than any positive and/or negative performance of the asset(s) which serve(s) as Underlying of the Securities. Securities which include such a multiplier or leverage factor represent a very speculative and risky form of investment, since any loss in the value of the asset(s) which serve(s) as Underlying of Securities carries the risk of a disproportionately higher loss on the Securities.

- (f) A multiplier or leverage factor of less than one means that the Holders will not share in the full performance of the asset(s) which serve as Underlying of the Securities

Where a formula used to determine any amount payable and/or non-cash consideration deliverable with respect to the Securities contains a multiplier or leverage factor (whether implicit or explicit) of less than one, then the percentage change in the value of the Securities will be less than any positive and/or negative performance of the asset(s) which serve(s) as Underlying of the Securities. In such case, the return on the Securities will be disproportionately lower than any positive performance of the asset(s) which serve(s) as Underlying of the Securities. Accordingly, the return of the Holders on the Securities may be significantly less than if they had purchased such asset(s) directly.

2. Risks associated with Securities with Shares as underlying assets

- (a) Actions by Share issuer may have a negative impact on the value of the Securities

The issuer of Shares which serve as the Underlying is not involved in the issuance of the Securities in any way and has no obligation to consider the interests of the Holders in taking any corporate actions that might negatively affect the value of the Securities. The relevant Issuer will not make any investigation or enquiry in connection with any such Share issuer or Shares. No assurances are made by the Issuer that all events occurring prior to the Issue Date that would affect the trading price of the relevant Share or Shares will have been publicly disclosed by the Share issuer. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events with regard to the Share issuer could affect the market value of the underlying Share and consequently the market value of the Securities.

- (b) No claim or right against the Share issuer

Securities with Shares as Underlying do not represent a claim against the Share issuer, and, in the event of any loss under the Securities, a Holder will have no right of recourse against the Share issuer, nor shall a Holder have any legal, beneficial or other interest whatsoever in the assets of the Share issuer.

- (c) Factors affecting the performance of the underlying Shares may adversely affect the value of the Securities

The performance of the Shares which serve as Underlying of the Securities is dependent upon external factors. These factors are not within the Issuer's control and may result in a decline in the value of the Securities.

- (d) Holders may receive physical settlement of Shares in lieu of payment of cash amounts

Securities with Shares as Underlying may include the right of the Issuer, subject to the fulfilment of certain conditions, to redeem the Securities at their maturity or prior to their maturity by delivering the underlying Shares to the Holders rather than a cash amount. Any Investor in such Securities will therefore be exposed to the issuer of the relevant Shares and the risks associated with such Shares to be delivered. Investors should not assume that they will be able to sell such delivered Shares for a specific price after the redemption of the Securities. Under certain circumstances the delivered Shares may only have a very low value or may, in fact, be worthless. The respective Investor may also be subject to documentary or stamp taxes and/or other charges in relation to the delivery and/or disposal of such Shares.

- (e) Holders may have no voting rights or right to receive dividends or distributions in respect of the relevant Shares

Except as provided in the relevant Final Terms, Securities with Shares as Underlying do not grant their respective Holders any voting rights or any other right with respect to the relevant Shares to which such Securities relate. Similarly, the relevant Holders will not have the right to receive dividends or distributions except if otherwise provided in the relevant Final Terms. As a result, the return on the Securities may not reflect the

return an Investor would realize if it actually owned those relevant Shares and received the dividends paid or other distributions made in connection with them.

3. Risks associated with Securities with Commodities as Underlying

- (a) Commodity prices may change unpredictably, affecting the value of Commodities and the value of Securities with Commodities as Underlying

Commodities trading is generally considered speculative and may be extremely volatile. Commodity prices may be influenced by various unpredictable factors including, without limitation, changes in supply and demand relationships, weather patterns and extreme weather conditions, environmental disasters, governmental programs and policies, national and international political, military, terrorist and economic events, fiscal, monetary and exchange control programs and changes in interest and Exchange Rates. Commodities markets are further subject to temporary distortions or other disruptions due to various factors, such as lack of liquidity, the participation of speculators as well as government regulation and intervention. These factors may adversely affect the market value of Securities with Commodities as Underlying, and different factors may cause the prices of Commodities and the volatilities of their prices, to move in inconsistent directions at inconsistent rates.

- (b) Holders of Securities with Commodities as Underlying may bear an (implicit) currency exchange risk

Most Commodities are traded globally on specialized exchanges or directly between market participants by means of standardized contracts. The majority of Commodities are usually traded in U.S. dollars. Accordingly, Holders of Securities with Commodities as Underlying may bear an (implicit) currency exchange risk between the currency in which the relevant Commodities are traded and the settlement currency of the Securities.

- (c) Commodities are traded 24 hours a day leading to the risk that events or factors relevant in connection with the Securities occur outside of the business hours of the place where the Securities are offered and/or traded

Commodities are traded 24 hours a day as a result of the global time zones. It is therefore possible that an event that is material with respect to the specific Securities or a factor relevant for the determination of any right granted by the Securities may occur or be determined outside the business hours of the place where the Securities are offered and/or traded.

- (d) Commodities may potentially become subject to additional regulation in the future

Commodities are subject to legal and regulatory regimes that may change in ways that could adversely affect the ability of the relevant Issuer to hedge its obligations under the Securities and consequently adversely affect the value of the Securities. Such legal and regulatory changes could lead to the Early Redemption or termination of the Securities or to the adjustment of the Terms and Conditions of the Securities.

4. Risks associated with Securities with a Basket as Underlying that comprises a number of underlying assets

- (a) Exposure to the performance of the Basket and its components

Where Securities have a Basket of assets as Underlying, Holders are exposed to the performance of each underlying asset comprised in the Basket.

- (b) A high correlation of Basket Components may have a significant effect on amounts payable

Investors should consider the level of correlation between each of the Basket Components with respect to the performance of the Basket. Past rates of correlation may not be determinative of future rates of correlation. Investors should be aware that, though Basket Components may not appear to be correlated based on past performance, it may be that they suffer the same adverse performance following a general economic downturn or other economic or political event. Where the Basket Components are subject to high correlation, any move in the performance of the Basket Components will exaggerate the performance of the Securities.

- (c) Risks associated with Baskets with few constituents or with unequally weighted Baskets

The performance of a Basket with fewer constituents will be more affected by changes in the values of any particular Basket Component than a Basket with a greater number of Basket Components. The performance

of a Basket that gives a greater weight to certain Basket Components as compared to other Basket Components will further be more affected by changes in the value of the Basket Components having such greater weight than a Basket which apportions an equal weight to each Basket Component. Even in the case of a positive performance of one or several Basket Components, the overall performance of the Basket may be worse or even negative if the performance of the other Basket Components is negative to a greater extent.

5. Risks associated with Securities with an Index or Indices as Underlying

(a) Factors affecting the performance of Indices may adversely affect the value of the Securities

Indices are comprised of a synthetic portfolio of Shares, bonds, currency exchange rates, Commodities, property or other assets. The performance of an Index is dependent upon the macroeconomic factors relating to the Index components, which may include interest and price levels on the capital markets, currency developments, political factors and, in case of Shares, company-specific factors such as earnings position, market position, risk situation, market liquidity, shareholder structure and dividend policy. If an Index does not perform as expected, this will materially and adversely affect the value of the Securities.

(b) An investment in Securities with an Index or Indices as Underlying entails different risks than a direct investment in the Underlyings of the respective Index or Indices

The return payable or deliverable on any Securities with an Index or Indices as Underlying may not reflect the return that an Investor would realize if it actually owned the relevant assets comprising the components of the Index or owned a different form of interest in the relevant Index. Investors in Securities that reference an Index or Indices may receive a lower payment upon redemption or settlement of such Securities than any return such an Investor would have received if it had invested in the components of the Index or Indices directly or other comparable instruments linked to the Index.

(c) A change in the composition, methodology or policy used in compiling the Index could adversely affect the market value of the Securities

Components of an Index may be added, deleted or substituted at the discretion of the index sponsor. The methodology used to calculate the level of the Index may also be altered. Such changes may have a detrimental impact on the Index level, which in turn could have a negative effect on payments to be made to the Holders.

**III. Further risk factors relating to the Securities**

The relevant Final Terms prepared in connection with an issue of Securities may amend the risk factors set out above relating to the Securities and may also contain additional risk factors relating to the Securities.

**D. POSSIBLE CONFLICTS OF INTEREST**

**I. Engagement of the Issuers in business and trading activities with respect to the asset(s) serving as underlying of the Securities or the constituents or components of such asset(s) and/or the issuer of such asset(s) or constituents/components**

Each of the Issuers (either by itself and/or through any of its Affiliates or unaffiliated third parties) may have a lending or other business relationship with the issuer of an asset which serves as Underlying or the constituents or components of such assets. Furthermore, the relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) may for its proprietary accounts or for other accounts under its management, engage in issuance, trading and market-making activities with regard to underlying asset(s) or the constituents or components of such assets and/or hold long or short positions in such assets, constituents or components. The relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) may further, for its own account or the account of a customer, participate in transactions, or engage in other activities or functions, which are related to the Securities or the Underlyings or reference debtors. The relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) may also have business relations with issuers of the Underlyings or the reference debtor.

To the extent that the relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) maintains such a business relationship with the issuer of an asset serving as Underlying of the Securities or the constituents or components of such assets and/or is engaged as issuer, agent, sponsor or underwriter of such instruments or acts in another capacity with regard to the transactions referred to above, its



interests may be adverse to those of the Holders. These transactions and activities are possibly not beneficial for Holders and may have adverse effects on the value of an Underlying or, respectively, the creditworthiness of the reference debtor and therefore on the value of the Security. As a result, conflicts of interest can arise between the Issuer and the Holders in relation to obligations in connection with the Securities. Furthermore, the transactions referred to above could potentially increase and/or decrease the value of the asset(s) serving as Underlying or the constituents or components of such assets, which could have a material adverse impact on the return of the Securities.

**II. The relevant Issuer or any of its Affiliates acting as Calculation Agent**

As the Calculation Agent may be either the relevant Issuer or any Affiliate, potential conflicts of interest may exist between the Calculation Agent and the Holders, including with respect to the exercise of the very broad discretionary powers of the Calculation Agent. The Calculation Agent has the authority to determine (a) whether certain specified events relating to the Securities have occurred, and (b) any resulting adjustments and calculations to be made to the Securities as a result of the occurrence of such events. Any determination by the Calculation Agent may affect the Holders' return on the Securities (in particular, without limitation, where the Calculation Agent is entitled to exercise discretion).

**III. Engaging in other functions**

Each of the Issuers (either by itself and/or through any of its Affiliates or unaffiliated third parties) may, in respect of the Securities, engage in other functions, e.g. as Paying Agent and administrative agent or index sponsor. Such a function may entitle the relevant company to determine the composition of the Underlying or to calculate its value, which may lead to conflicts of interest.

**IV. The Issuers or any of their Affiliates may be the sponsor of an Index or strategy which is the Underlying of the Securities**

A proprietary Index or strategy of the relevant Issuer will generally be developed, owned, calculated and maintained by the relevant Issuer or any Affiliate. In such circumstances, the Index or strategy sponsor would be under no obligation to take into account the interests of the Holders or the holders of any asset(s) referenced by such Index or strategy. In its capacity as index sponsor, the relevant Issuer or its respective Affiliate will have the authority to make determinations that could materially and adversely affect the value of the Securities.

**V. Distributors or other persons involved in the offering or listing of the Securities**

Potential conflicts of interest may exist in connection with the Securities if a distributor placing the Securities or any other person involved in the offering or listing (if any) of the Securities is acting pursuant to a mandate granted by the relevant Issuer or any of its Affiliates or receives fees or commissions in relation to the services performed in connection with, or related to the outcome of, the offering or listing of the Securities.

**VI. Issue of other Securities in respect of an Underlying**

Each of the Issuers may issue various Securities in respect of the same Underlying or the same Underlyings. Such Securities may compete with already issued Securities which may adversely affect the value of the already issued Securities.

**VII. Engagement of the Issuers in hedging transactions with respect to its obligations under the Securities**

In anticipation of the issuance of the Securities, the relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) expects to hedge its obligations under the Securities. Such hedging may negatively affect the market price, liquidity or value of the Securities and could be adverse to the interests of the Holders. The relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) may pursue such hedging or related derivatives activities and take such steps as it deems necessary or appropriate to protect its interests without taking into account the interests of the Holders.

**VIII. Crediting of hedging transactions**

The price of the Underlying of a Security can be fixed at the time of issue (Initial Fixing Date), during the term of new weightings (rebalancing) and at maturity (Final Fixing Date) on the basis of the prices achieved for

the corresponding hedging transactions. Such hedging transactions determine the value of the Security accordingly, exposing Investors to the risk that they will not be executed in the interest of the Investors. In order to minimize this risk, the product conditions generally stipulate that the hedging transactions must be carried out in a manner that "protecting interests", i.e. in several steps in order to avoid the risk of influencing the price.

If an execution in the interest of the investor is not possible due to the fact that the order size is too small or such execution would lead to unreasonably high costs, the Issuer will use a reference which is comparable (e.g. the Issuer will use the closing price, an "at-market" price or comparable market data).

The relevant Issuer has taken measures to ensure that its activities are carried out in a manner that protecting interests of the Issuer, although any disadvantage to Investors cannot be completely ruled out.

#### **IX. Acting as market-maker for the Securities**

Each of the Issuers (either by itself and/or through any of its Affiliates or unaffiliated third parties) may act as market-maker for the Securities in order to improve the market liquidity of the Securities and to equalize imbalances between supply and demand. The relevant Issuer (either by itself and/or through its Affiliates or unaffiliated third parties) will, itself, through such "market-making", materially determine the price of the Securities. As a result, the market prices determined by the market-maker normally are not the same as those that would have resulted in a liquid market without market-making.

The market-maker determines the bid and asked prices in the secondary market, in particular by taking into account the value of the Securities determined by the market-maker, which, among other things, is dependent on the value of the Underlying, as well as the difference between bid and asked prices targeted by the market-maker. In addition, a charge imposed upon issue and any compensation or costs to be deducted upon the maturity of the Security from its redemption price (i.e., administrative, transaction or other charges in accordance with the respective Final Terms) will routinely be taken into account. Further, a margin included in the issue price of a Security and dividends or similar income paid or to be paid on the Underlying or its components have an influence on the determination of the price in the secondary market if, based on the terms of the Security, the relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) is economically entitled to them. The spread between bid and asked prices is determined by the market-maker on the basis of supply and demand for the Securities and certain income considerations.

In determining the price, certain costs, such as, for example, administration fees, will in many cases not be deducted in equal amounts distributed over the term of the Securities and therefore in reduction of the price, but rather deducted from the calculated value of the Securities already at an earlier point in time determined in the discretion of the market-maker. The same applies for a margin included in the issue price of the Securities, as well as for dividends and other distributions in respect of the Underlying, to the extent that the relevant Issuer is economically entitled to receive them pursuant to the terms of the Security. These are often not deducted in reduction of the price when the Underlying is traded "ex-dividend", rather already at an earlier point in time during the term and on the basis of the dividends expected for the entire term or a certain part of the term. The timing of this deduction is dependent on, among other things, the amount of any income received by the market-maker from the securities.

The prices provided by the market-maker may therefore deviate significantly from the calculated or economically expected value of the Securities at the relevant time based on the factors mentioned above. In addition, the market-maker may change the method for the determination of the prices provided at any time, such as the increase or decrease of the spread between bid and asked prices. In addition, the market-maker has the option of providing asked prices only for specific Securities.

#### **X. Acting as market-maker for the Underlying**

Each of the Issuers (either by itself and/or through any of its Affiliates or unaffiliated third parties) may in certain cases act as market-maker for the Underlying, especially when the relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) also issued the Underlying. The price of the Underlying will be determined to a significant degree by the relevant Issuer (either by itself and/or through any of its Affiliates or unaffiliated third parties) and therefore influences the value of the Securities. The prices provided by the market-maker will not always correspond to the prices that would have developed in a liquid market with such market-making.

**XI. Acting as a member of an underwriting syndicate or a similar function in respect of the issue of an Underlying**

Each of the Investors (either by itself and/or through unaffiliated third parties) may, in connection with future offers of an Underlying, act as underwriter or financial adviser to the Issuer. Activities of this type may entail certain conflicts of interest and affect the value of the Securities.

**XII. Possession and publication of information related to Underlyings or constituents or components of such Underlyings and/or the issuer of such Underlyings**

Each of the Issuers (either by itself and/or through any of its Affiliates or unaffiliated third parties) may from time to time, by virtue of their status as counterparty, underwriter, adviser or any other type of relationship described herein or otherwise, possess, acquire or have access to information relating to the Underlying or constituents or components of such Underlying and/or the issuer of such Underlying. Such information may be material in the context of the issuance of the Securities and may or may not be publicly available or known to the Holders. The Securities do not create any obligation on the part of the relevant Issuer or its Affiliates to disclose to any Holder any such information (whether or not confidential). Furthermore, the relevant Issuer and its Affiliates may (a) publish research reports on the issuer of Underlyings or constituents or components of such Underlyings; (b) when holding any Underlying or constituents or components of such Underlyings, exercise the voting rights with respect to such assets or constituents/components; and/or (c) engage in any kind of commercial or investment banking or other business with the issuer of Underlyings or constituents or components of such Underlyings. With regard to any of these activities, the Issuer, or any other Affiliate of the Issuer, interests may be adverse to those of the Holder and its or their actions might have an adverse effect on the position of any Holder. In no event shall the relevant Issuer or any of its Affiliates be held liable for any losses incurred by Holders.

**XIII. The Issuers may publish research reports, express opinions or provide recommendations that are inconsistent with investing in or holding the Securities**

Each of the relevant Issuer and any of its Affiliates from time to time publishes research reports on asset(s) which serve as Underlyings or the constituents or components of such Underlyings, financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research reports, opinions or recommendations published or expressed by the Issuer or of any its Affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the Underlyings.

## INFORMATION ON ISSUERS

A description of Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited is set out in the Registration Document dated 15 April 2020 for Debt Instruments (excluding Derivatives) and for Derivatives of Zürcher Kantonalbank and Zürcher Kantonalbank (Guernsey) Limited which forms Annex 2 of this Base Prospectus (the "**2020/2021 Registration Document**").

## INFORMATION ON THE SECURITIES AND THE OFFERING

The following description is a description of (a) the types of Securities issued under the Base Prospectus and possible features of such Securities, (b) the general terms and conditions of the Securities (the "**General Terms of the Securities**"), (c) the additional terms with respect to specific categories of Securities (the "**Additional Terms**") and (d) the underlyings used in connection with the Securities (the "**Information on the Underlyings**"). Together, the General Terms of the Securities, the Additional Terms and the Information on the Underlyings form the "**Terms and Conditions of the Securities**".

Potential investors should note that information relating to a specific issue of Securities is not contained in this section of the Base Prospectus but in the relevant Final Terms. **Consequently, the following description does not contain all information relating to the Securities. Any investment decision by an Investor should therefore be made only on the basis of full information on the relevant Issuer and on the Securities to be offered which is set out in the Base Prospectus, any supplement thereto and the relevant Final Terms, which have to be read together with the Base Prospectus.**

### A. TYPES OF SECURITIES

#### I. General information about the Securities

The below listed product categories and products features are based on the categories and additional product features used in the "SSPA Swiss Derivatives Map 2019" issued by the Swiss Structured Products Association SSPA (see "<https://www.svsp-verband.ch/en>"). The product categories and products features are not universal and, in different markets, different products categories and product features may be used for the same product.

Securities issued under the Base Prospectus may have characteristics which partially or significantly deviate from those of the main product categories described in the following.

#### II. Product categories

The main categories of Securities that may be issued under the Base Prospectus are described in the following. The Issuer is free to modify the Securities issued under the Base Prospectus by adding additional product features. Additional information on the Securities, including a description of the particular Securities will be included in the relevant Final Terms.

##### Capital Protection Products

Capital Protection Certificate with Participation (1100)

Barrier Capital Protection Certificate (1130)

Capital Protection Certificate with Twin-Win (1135)

Capital Protection Certificate with Coupon (1140)

##### Yield Enhancement Products

Discount Certificate (1200)

Barrier Discount Certificate (1210)

Reverse Convertible (1220)

Barrier Reverse Convertible (1230)

Express Certificate without Barriers (1255)

Barrier Express Certificate (1260)

##### Participation Products

Tracker Certificate (1300)

Outperformance Certificate (1310)

Bonus Certificate (1320)

Bonus Outperformance Certificate (1330)

Twin-Win Certificate (1340)

### **Products with Reference Entities**

Reference Entity Certificate with Conditional Capital Protection (1410)

Reference Entity Certificate with Yield Enhancement (1420)

Reference Entity Certificate with Participation (1430)

### **Leverage Products**

Warrant (2100)

Spread Warrant (2110)

Warrant with Knock-Out (2200)

Mini-Future (2210)

Constant Leverage Certificate (2300)

For a more detailed explanation of the products, including calculation examples, investors should contact their relationship manager and/or professional advisor.

## **III. Characteristics of the different product categories**

### **1. Capital Protected Products**

"Capital Protection Products" are primarily targeted at investors that (i) expect the value of the Underlying to increase (or, in the case of "Capital Protection Products" with a bear feature, to decrease) but (ii) cannot exclude a sharp decrease (or, in the case of "Capital Protection Products" with a bear feature, a sharp increase) of the value of the Underlying throughout the term of such "Capital Protection Products".

"Capital Protection Products" provide for a specific minimal redemption amount. The level of the minimal redemption amount representing the level of capital protection indicates the percentage of the nominal or par value of the "Capital Protection Product" that the investor will be entitled to at the settlement date. The Issuer sets it at the time of the issuance and it applies only at the end of the term or at maturity. The Issuer may set the level of the minimal redemption amount representing the level of capital protection below 100% of the nominal or par value of the "Capital Protection Products" (partial capital protection). Capital protection therefore does not mean that the investor is entitled to a redemption amount equal to the full nominal or par value of the "Capital Protection Products". The potential loss is limited by the minimum redemption amount, subject to the credit risk of the Issuer.

The product category "Capital Protection Products" includes the following product types:

#### **(a) Capital Protection Certificate with Participation (1100)**

"Capital Protection Certificates with Participation" are primarily targeted at investors that (i) expect the value of the Underlying and its volatility to increase (or, in the case of "Capital Protection Certificates with Participation" with a bear feature, the value of the Underlying to decrease) but (ii) consider a sharp decrease of the value of the Underlying to be possible (or, in the case of "Capital Protection Certificates with Participation" with a bear feature, a sharp increase of the value of the Underlying).

"Capital Protection Certificates with Participation" allow investors to participate in the performance of the Underlying. If the value of the Underlying has developed favorably (i.e., if the value of the Underlying has increased or, in case of "Capital Protection Certificates with Participation" with a bear feature, decreased), the return will exceed the minimum redemption amount of the "Capital Protection Certificates with Participation".

#### **(b) Barrier Capital Protection Certificate (1130)**

"Barrier Capital Protection Certificates" are primarily targeted at investors that (i) expect the value of the Underlying to increase (or, in the case of "Barrier Capital Protection Certificates" with a bear feature the value of the Underlying to decrease) but (ii) consider a sharp decrease of the value of the Underlying to be possible (or, in the case of "Barrier Capital Protection Certificates" with a bear feature, a sharp increase of the value

of the Underlying) and (iii) expect that the value of the Underlying will not increase above (or, in case of "Barrier Capital Protection Certificates" with a bear feature, fall below) the specified barrier throughout the term of such "Barrier Capital Protection Certificates".

"Barrier Capital Protection Certificates" allow investors to participate in the performance of the Underlying up (or, in case of "Barrier Capital Protection Certificates" with a bear feature, down) to such barrier. If the value of the Underlying has developed favorably (i.e., if the value of the Underlying has increased or, in case of "Barrier Capital Protection Certificates" with a bear feature, decreased), the return will exceed the minimum redemption amount of the "Barrier Capital Protection Certificates" but is limited by the level of the specified barrier. In case of a breach of such barrier, the redemption amount will be reduced but be at least equal to the minimum redemption amount.

(c) Capital Protection Certificates with Twin-Win (1135)

"Capital Protection Products with Twin-Win" are primarily targeted at investors that (i) expect the value of the Underlying to slightly increase or fall but (ii) consider a sharp decrease of the value of the Underlying to be possible and (iii) expect that the value of the Underlying will not increase above a specified upper barrier and not fall below a specified lower barrier throughout the term of such "Capital Protection Products with Twin-Win".

"Capital Protection Certificates with Twin-Win" allow investors to participate in the absolute performance (positive as well as negative performance) of the Underlying within the upper and lower barrier. If the value of the Underlying has developed favorably (i.e., if the value of the Underlying has increased or decreased but not breached either of the barriers), the return will exceed the minimum redemption amount of the "Capital Protection Certificates with Twin-Win" but is limited by the level of the upper and lower barrier, respectively. In case of a breach of a barrier, the redemption amount will be reduced but be at least be equal to the minimum redemption amount.

(d) Capital Protection Certificates with Coupon (1140)

"Capital Protection Certificates with Coupon" are primarily targeted at investors that (i) expect the value of the Underlying to increase (or, in the case of "Capital Protection Certificates with Coupon" with a bear feature, the value of the Underlying to decrease) but (ii) consider a sharp decrease of the value of the Underlying to be possible (or, in the case of "Capital Protection Certificates with Coupon" with a bear feature, a sharp increase of the value of the Underlying).

"Capital Protection Certificates with Coupon" allow investors to participate in the performance of the Underlying by receiving a periodic coupon payment. The amount of the coupon payment may be fixed or may be variable and depend on the value of the Underlying at a specific date prior to each coupon payment date (variable coupon). In case of a variable coupon, the amount of the coupon payment increases (or, in case of "Capital Protection Certificates with Coupon" with a bear feature, decreases) if the value of the Underlying has developed favorably (i.e., if the value of the Underlying has increased or, in case of "Capital Protection Certificates with Coupon" with a bear feature, decreased). In case of "Capital Protection Certificates with Coupon" with a fixed coupon, the payment of the coupon may depend on the value of the Underlying not breaching a specified barrier (coupon at risk). If such barrier is breached, the investor will not be entitled to a coupon payment on the relevant coupon payment date.

2. Yield Enhancement Products

"Yield Enhancement Products" are primarily targeted at investors that expect (i) the value of the Underlying to remain constant or to slightly increase (or, in the case of "Yield Enhancement Products" with a bear feature, to slightly decrease) and (ii) volatility of the Underlying to decrease, in each case, throughout the term of the "Yield Enhancement Products".

"Yield Enhancement Products" provide for a redemption amount that is limited to a maximum amount (cap) and may provide for (fixed or variable) periodic coupon payments during the term.

"Yield Enhancement Products" may be linked to several Underlyings and may therefore offer a larger discount or coupon than "Yield Enhancement Products" linked to just one Underlying.

(a) Discount Certificates (1200)

"Discount Certificates" are primarily targeted at investors that expect the value of the Underlying to move sideways or to slightly increase (or, in the case of "Discount Certificates" with a bear feature to slightly decrease), with falling volatility.

"Discount Certificates" are issued at a discount, i.e. a discount compared to a direct investment in the Underlying. The redemption amount depends on the value of the Underlying at redemption. If the value of the Underlying has developed favorably (i.e., if the value of the Underlying at redemption is above or, in case of "Discount Certificates" with a bear feature, below) the specified strike price (typically the initial value of the Underlying), the redemption amount will be equal to such strike price.

(b) Barrier Discount Certificates (1210)

"Barrier Discount Certificates" are primarily targeted at investors that expect the value of the Underlying (i) to remain constant or to slightly increase (or, in the case of "Barrier Discount Certificates" with a bear feature, to slightly decrease), with falling volatility, and (ii) not to fall below (or, in case of "Barrier Discount Certificates" with a bear feature, rise above) the specified barrier throughout the term of the "Barrier Discount Certificates".

"Barrier Discount Certificates" are issued at a discount, i.e. a discount compared to a direct investment in the Underlying and provide for a conditional minimum redemption amount (i.e., the redemption amount is at least equal to 100% of the nominal or par value of the "Barrier Discount Certificates" if the specified barrier is not breached during the term of the "Barrier Discount Certificates").

If the value of the Underlying has developed favorably (i.e., if the value of the Underlying did not fall below or, in case of "Barrier Discount Certificates" with a bear feature, rise above) the specified barrier throughout the term of the "Barrier Discount Certificates" or, if the barrier is breached, the value of the Underlyings at redemption is at or above (or, in case of "Barrier Discount Certificates" with a bear feature, below) the specified strike price (typically the initial value of the Underlying), the redemption amount will be equal to such strike price.

In contrast to "Discount Certificates" (1200), the probability of receiving the maximum redemption amount under "Barrier Discount Certificates" is higher due to the conditional protection provided by the barrier, although the discount at which they are issued is generally smaller and therefore the return on an investment in barrier discount certificate generally lower.

(c) Reverse Convertibles (1220)

"Reverse Convertibles" are primarily targeted at investors that expect (i) the value of the Underlying to move sideways or to slightly increase (or, in the case of "Reverse Convertibles" with a bear feature to slightly decrease) and (ii) falling volatility.

"Reverse Convertibles" allow investors to benefit from an enhanced return by receiving a periodic coupon payment. The redemption amount depends on the value of the Underlying at the end of the term of the "Reverse Convertibles". If the value of the Underlying has developed favorably (i.e., if the value of the Underlying at redemption is above (or, in case of "Reverse Convertibles" with a bear feature, below) the specified strike price (typically the initial value of the Underlying)), the redemption amount will be equal to such strike price.

(d) Barrier Reverse Convertibles (1230)

"Barrier Reverse Convertibles" are primarily targeted at investors that expect the value of the Underlying (i) to remain constant or to slightly increase (or, in the case of "Barrier Reverse Convertibles" with a bear feature, to slightly decrease), with falling volatility, and (ii) not to fall below (or, in case of "Barrier Reverse Convertibles" with a bear feature, rise above) the specified barrier throughout the term of the "Barrier Reverse Convertibles".

"Barrier Reverse Convertibles" allow investors to benefit from an enhanced return by receiving a periodic coupon payment and provide for a conditional minimum redemption amount at the end of the term of the "Barrier Reverse Convertibles" (i.e., the redemption amount is at least equal to 100% of the nominal or par value of the "Barrier Reverse Convertibles" if the specified barrier is not breached during the term of the "Barrier Reverse Convertibles").



If the value of the Underlying has developed favorably (i.e., if the value of the Underlying did not fall below or, in case of "Barrier Reverse Convertibles" with a bear feature, rise above) the specified barrier throughout the term of the "Barrier Reverse Convertibles" or, if the barrier is breached, the value of the Underlyings at redemption is at or above (or, in case of "Barrier Reverse Convertibles" with a bear feature, below) the specified strike price (typically the initial value of the Underlying)), the redemption amount will at least be equal to 100% of the nominal or par value of the "Barrier Reverse Convertibles".

In contrast to "Reverse Convertibles" (1220), the probability of receiving the maximum redemption amount under "Barrier Reverse Convertibles" is higher due to the conditional protection provided by the barrier, although the periodic coupon payment and therefore the return on an investment in "Barrier Reverse Convertibles" is generally lower.

(e) Express Certificates without Barriers (1255)

"Express Certificates without Barrier" are primarily targeted at investors that expect the value of the Underlying to increase or to slightly increase (or, in the case of "Express Certificates without Barrier" with a bear feature, to decrease or slightly decrease), with falling volatility.

"Express Certificates without Barrier" typically provide for one or more coupon payments in respect of one or more observation dates on which the value of the Underlying is observed. If the value of the Underlying has increased (or in the case of "Express Certificates without Barrier" with a bear feature, decreased) to a specified threshold, investors are entitled to a coupon payment in respect of such observation date.

If the value of the Underlying has increased and it exceeds (or, in case of "Express Certificates without Barrier" with a bear feature, has decreased and falls below) a specified threshold (autocall trigger), such "Express Certificates without Barrier" are redeemed early on the relevant autocall trigger date and investors are entitled to an early redemption amount equal to 100% of the nominal or par value of the "Express Certificates without Barrier" plus a coupon.

(f) Barrier Express Certificates (1260)

"Barrier Express Certificates" are primarily targeted at investors that expect (i) the value of the Underlying to increase or to slightly increase (or, in the case of "Barrier Express Certificates" with a bear feature, to decrease or slightly decrease), with falling volatility, and (ii) not to fall below (or, in case of "Barrier Express Certificates" with a bear feature, rise above) the specified barrier throughout the term of the "Barrier Express Certificates".

"Barrier Express Certificates" typically provide for one or more coupon payments in respect of one or more observation dates on which the value of the Underlying is observed. If the value of the Underlying has increased (or in the case of "Barrier Express Certificates" with a bear feature, decreased) to a specified threshold, investors are entitled to a coupon payment in respect of such observation date.

If the value of the Underlying has increased and exceeds (or, in case of "Barrier Express Certificates" with a bear feature, has decreased and falls below) a specified threshold (autocall trigger), such "Barrier Express Certificates" are redeemed early on the relevant autocall trigger date and investors are entitled to an early redemption amount equal to 100% of the nominal or par value of the "Barrier Express Certificates" plus a coupon.

"Barrier Express Certificates" provide for a conditional minimum redemption amount at the end of the term of the "Barrier Express Certificates" (i.e., the redemption amount is at least equal to 100% of the nominal or par value of the "Barrier Express Certificates" if the specified barrier is not breached during the term of the "Barrier Express Certificates").

If the value of the Underlying has developed favorably (i.e., if the value of the Underlying did not fall below (or, in case of "Barrier Express Certificates" with a bear feature, rise above) the specified barrier throughout the term of the "Barrier Express Certificates" or, if the barrier is breached, the value of the Underlyings at redemption is at or above (or, in case of "Barrier Express Certificates" with a bear feature, below) the specified strike price (typically the initial value of the Underlying)), the redemption amount will at least be equal to 100% of the nominal or par value of the "Barrier Express Certificates".

3. Participation Products

"Participation Products" are primarily targeted at investors (i) that expect the value of the Underlying to increase (or, in the case of "Participation Products" with a bear feature, to decrease), (ii) but are unwilling or

unable to make an investment in the amount required for a direct investment achieving the desired participation in the development of the value of the Underlying.

"Participation Products" generally track the performance of the Underlying and enable investors to participate in the performance of the Underlying. Depending on the structure of the "Participation Product", investor participate proportionate or disproportionate in the performance of the Underlying. The profit an investor may achieve by investing in a "Participation Product" is theoretically unlimited, (unless there is a cap) but there is the risk of a total loss (unless there is a partial capital protection).

(a) Tracker Certificates (1300)

"Tracker Certificates" are primarily targeted at investors that expect the value of the Underlying to increase (or, in the case of "Tracker Certificates" with a bear feature, to decrease). "Tracker Certificates" allow an investor to participate in the performance of one or more Underlyings, which can be equally or unequally weighted. The profit and loss potential of the "Tracker Certificates" corresponds largely to that of the Underlyings and is (theoretically) not limited, unless there is a cap or partial capital protection.

(b) Outperformance Certificates (1310)

"Outperformance Certificates" are primarily targeted at investors that expect (i) the value of the Underlying to increase (or, in the case of "Outperformance Certificates" with a bear feature, to decrease) and (ii) the volatility to increase.

"Outperformance Certificates" allow investors to participate in the performance of the Underlyings. If the defined strike price is reached, the participation of the investor is increased participation factor resulting in a disproportionate participation in the positive performance (or, in case of an "Outperformance Certificate" with a bear feature, in the negative performance) of the Underlying. Such "Outperformance Certificates" may provide for a limit on the achievable profits (cap). The loss potential of the "Outperformance Certificates" corresponds largely to that of the Underlyings and there is the risk of a total loss, unless there is a partial capital protection.

(c) Bonus Certificates (1320)

"Bonus Certificates" are primarily targeted at investors that expect (i) the value of the Underlying to move sideways or to increase (or, in the case of "Bonus Certificates" with a bear feature, to decrease) and (ii) the Underlying not to reach or breach the defined barrier throughout the term of such "Bonus Certificates".

"Bonus Certificates" allow the investor to participate in the performance of Underlying and provide for a conditional minimum redemption amount at the end of the term of the "Bonus Certificates".

If the barrier is not reached or breached during the term of the "Bonus Certificate", investor will receive at least the minimum redemption amount and the potential profit corresponds largely to that of the Underlyings and is not limited (unless there is a cap).

If the barrier is reached or breached, such "Bonus Certificates" change into "Tracker Certificates", with no capital protection. The loss potential then corresponds largely to that of the Underlyings and there is the risk of a total loss, unless there is a partial capital protection.

(d) Bonus Outperformance Certificates (1330)

"Bonus Outperformance Certificates" are primarily targeted at investors that expect (i) the value of the Underlying to increase (or, in the case of "Bonus Outperformance Certificates" with a bear feature, to decrease) and (ii) the Underlying not to reach or breach the specified barrier throughout the term of such "Bonus Outperformance Certificates".

"Bonus Outperformance Certificates" allow the investor to participate in the performance of the Underlying and provide for a conditional minimum redemption amount at the end of the term of the "Bonus Outperformance Certificates".

If the specified barrier is not reached or breached during the term of the "Bonus Outperformance Certificate", investor will receive at least the minimum redemption amount.

Furthermore, if the defined strike price is reached, the participation of the investor is increased by a participation factor resulting in a disproportionate participation in the positive performance (or, in case of an "Bonus Outperformance Certificate" with a bear feature, in the negative performance) of the Underlying and the potential profit is not limited (unless there is a cap).

If the specified barrier is reached or breached during the term of the "Bonus Outperformance Certificates", such "Bonus Outperformance Certificates" change into "Outperformance Certificates", with no capital protection. The loss potential then corresponds largely to that of the Underlyings and there is the risk of a total loss, unless there is a partial capital protection.

(e) Twin-Win Certificates (1340)

"Twin-Win Certificates" are primarily targeted at investors that expect (i) the value of the Underlying to increase or to slightly decrease (or, in the case of "Twin-Win Certificates" with a bear feature, to decrease or slightly increase) and (ii) the Underlying not to breach the defined barrier throughout the term of such "Twin-Win Certificates".

"Twin-Win Certificates" allow the investor to participate in the performance of the Underlying. Profits are possible with both an increasing and slightly decreasing value of the Underlying (or, in the case of "Twin-Win Certificates" with a bear feature decreasing or slightly increasing value of the Underlying).

If the value of the Underlying increases above the strike price, the value of the "Twin-Win Certificates" and the profit corresponds largely to that of the Underlyings and the potential profit is not limited (unless there is a cap).

If the value of the Underlyings is below the strike price, but the value of the Underlying did not touch or fall below the barrier throughout the term of such "Twin-Win Certificates", then the negative performance of the Underlying are converted into corresponding profits for investors in the "Twin-Win Certificates".

"Twin-Win Certificates" provide for a conditional minimum redemption amount. The level of the minimal redemption amount representing the level of partial capital protection indicates the percentage of the nominal or par value of the "Twin-Win Certificates" that the investor will be entitled to at the settlement date, provided the barrier is not reached or breached.

If the barrier is reached or breached, such "Twin-Win Certificates" change into "Tracker Certificates" and loss potential then corresponds largely to that of the Underlyings and there is the risk of a total loss, unless there is a partial capital protection.

4. Products with Reference Entities

In addition to the features of the corresponding "Capital Protection Products", "Yield Enhancement Products" or "Participation Products" on which they are based, "Products with Reference Entities" are also affected by the occurrence of a defined credit event in respect of a reference entity or obligation. If a credit event occurs in respect of a reference entity or obligation during the term of the "Products with a Reference Entity", they will be redeemed at a value which may be significantly below their initial value and as low as zero and investors will make a partial or total loss.

If no credit event occurs, "Products with Reference Entities" work in the same manner as the corresponding "Capital Protection Product", "Yield Enhancement Product" or "Participation Product" on which they are based.

(a) Reference Entity Certificates with Conditional Capital Protection (1410)

"Reference Entity Certificates with Conditional Capital Protection" are primarily targeted at investors that (i) expect the value of the Underlying to increase (or, in the case of "Reference Entity Certificates with Conditional Capital Protection" with a bear feature, to decrease), (ii) consider a sharp decrease of the value of the Underlying to be possible (or, in the case of "Reference Entity Certificates with Conditional Capital Protection" with a bear feature, a sharp increase of the value of the Underlying) and (iii) and expect no credit event to occur with regard to a reference entity or obligation.

"Reference Entity Certificates with Conditional Capital Protection" may have one or more underlying reference entities or obligations. If during the term of the "Reference Entity Certificates with Conditional Capital Protection" no credit event occurs in respect of the reference entity or obligation, investors will participate in the performance the Underlying. If the value of the Underlying has developed favorably (i.e., if the value

of the Underlying has increased or, in case of "Reference Entity Certificates with Conditional Capital Protection" with a bear feature, decreased), the return will exceed the minimum redemption amount of the "Reference Entity Certificates with Conditional Capital Protection". Therefore, if no credit event occurs, "Reference Entity Certificates with Conditional Capital Protection" work in the same manner as the corresponding "Capital Protection Product" on which they are based.

If a credit event occurs in respect of the reference entity or obligation during the term of the "Reference Entity Certificates with Conditional Capital Protection", the investor loses the capital protection and the "Reference Entity Certificates with Conditional Capital Protection" and they will be redeemed at a value which may be significantly below their initial value and as low as zero and investors will make a partial or total loss.

(b) Reference Entity Certificates with Yield Enhancement (1420)

"Reference Entity Certificates with Yield Enhancement" are primarily targeted at investors that expect (i) the value of the Underlying to move sideways or to slightly increase (or, in the case of "Reference Entity Certificates with Yield Enhancement" with a bear feature to slightly decrease), with falling volatility, and (ii) no credit event to occur with regard to a reference entity or obligation.

"Reference Entity Certificates with Yield Enhancement" may have one or more underlying reference entities or obligations. If during the term of the "Reference Entity Certificates with Yield Enhancement" no credit event occurs in respect of the reference entity or obligation, investors will receive a coupon or a discount and the "Reference Entity Certificates with Yield Enhancement" will work in the same manner as the corresponding "Yield Enhancement Product" on which they are based.

If a credit event occurs in respect of the reference entity or obligation during the term of the "Reference Entity Certificates with Yield Enhancement", they will be redeemed at a value which may be significantly below their initial value and as low as zero and investors will make a partial or total loss.

(c) Reference Entity Certificates with Participation (1430)

"Reference Entity Certificates with Participation" are primarily targeted at investors that expect (i) the value of the Underlying to increase (or, in the case of "Reference Entity Certificates with Participation" with a bear feature, to decrease) and (ii) no credit event to occur with regard to a reference entity or obligation.

"Reference Entity Certificates with Participation" may have one or more underlying reference entities or obligations. If during the term of the "Reference Entity Certificates with Participation" no credit event occurs in respect of the reference entity or obligation, investors will participate in the performance the Underlying in the same manner as the corresponding "Participation Product" on which they are based.

If a credit event occurs in respect of the reference entity or obligation during the term of the "Reference Entity Certificates with Participation", they will be redeemed at a value which may be significantly below their initial value and as low as zero and investors will make a partial or total loss.

5. Leverage Products

"Leverage Products" are subject to a leverage effect both in the direction of profits and losses, i.e., changes in the value of the Underlying have a disproportionate effect on the value of "Leveraged Products" compared to a direct investment in the Underlying. The leverage effect permits investors to use less capital compared to investing directly in the Underlying.

(a) Warrants (2100)

"Warrants" with a call feature are primarily targeted at investors that expect the value of the Underlying and the volatility to increase. "Warrants" with a put feature are primarily targeted at investors that expect the value of the Underlying to decrease and volatility to increase. "Warrants" are therefore suitable for hedging and speculating.

The essential attribute of "Warrants" is the leverage effect. The leverage effect causes the value of such "Warrants" to react proportionally more strongly to changes in the value of the Underlying below or above the strike price, as applicable. The leverage is the result of the fact that the invested capital in such "Warrants" is smaller than for a direct investment in the Underlying. Therefore, a smaller investment may generate a leveraged performance relative to the Underlying.

(b) Spread Warrants (2110)

"Spread Warrants" with a bull feature are primarily targeted at investors that expect the value of the Underlying to increase. "Spread Warrants" with a bear feature are primarily targeted at investors that expect the value of the Underlying to decrease.

"Spread Warrants" provide for a leverage effect, meaning the value of such "Spread Warrants" will react proportionally more strongly to changes in the value of the Underlying below or above the strike price, as applicable. The leverage is the result of the fact that the invested capital in such "Spread Warrants" is smaller than for a direct investment in the Underlying. Therefore, a smaller investment may generate a leveraged performance relative to the Underlying.

The potential yield of an investment in "Spread Warrants" is limited, namely by the upper cap in the case of "Spread Warrants" with a bull feature and by the lower cap in the case of "Spread Warrants" with a bear feature. This means that an investor may benefit from an increase (in the case of bull feature) or a decrease (in the case of a bear feature) of the value of the Underlying up to a maximum value at the lower or upper cap, as applicable.

(c) Warrants with Knock-Out (2200)

"Warrants with Knock-Out" and a call feature are primarily targeted at investors that expect the value of the Underlying to increase. "Warrants with Knock-Out" and a put feature are primarily targeted at investors that expect the value of the Underlying to decrease.

"Warrants with Knock-Out" provide for a leverage effect, meaning the value of such "Warrants with Knock-Out" will react proportionally more strongly to changes in the value of the Underlying below or above the knock out, as applicable. The leverage is the result of the fact that the invested capital in such "Warrants with Knock-Out" is smaller than for a direct investment in the Underlying. Therefore, a smaller investment may generate a leveraged performance relative to the Underlying. Volatility only has a minor effect on the value of "Warrants with Knock-Out" and also the loss of time value is marginal.

(d) Mini-Futures (2210)

"Mini Futures" (long) are primarily targeted at investors that expect the value of the Underlying to increase. "Mini Futures" (short) are primarily targeted at investors that expect the value of the Underlying to decrease. "Mini Futures" are therefore suitable for hedging and speculating.

"Mini Futures" provide for a leverage effect, meaning the value of such "Mini Futures" will react proportionally more strongly to changes in the value of the Underlying below or above the stop-loss barrier. The leverage effect is the result of the fact that the invested capital in such "Mini Futures" is smaller than for a direct investment in the Underlying. Therefore, a smaller investment may generate a leveraged performance relative to the Underlying.

(e) Constant-Leverage Certificates (2300)

"Constant Leverage Certificates" (long) are primarily targeted at investors that expect the value of the Underlying to increase. "Constant Leverage Certificates" (short) are primarily targeted at investors that expect the value of the Underlying to decrease. "Constant Leverage Certificates" allow investors to make long term-leveraged investments in an Underlying for which the risk and leverage effect are kept constant.

"Constant Leverage Certificates" provide for a leverage effect, meaning the value of such "Constant Leverage Certificates" will react proportionally more strongly to changes in the value of the Underlying. The leverage effect is the result of the fact that the invested capital in such "Constant Leverage Certificates" is smaller than for a direct investment in the Underlying. Therefore, a smaller investment may generate a leveraged performance relative to the Underlying. Unlike other "Leverage Products", the leverage effect of "Constant Leverage Certificates" remains constant. A regular resetting mechanism under which the performance of the Underlying is mirrored with a defined leverage factor (i.e., a constant leverage of 10), ensures that the leverage effect remains constant.

## B. GENERAL TERMS OF THE SECURITIES

The following provisions form the general terms and conditions of the Securities (the "**General Terms of the Securities**") which are, subject to any contrary provisions contained in the applicable Final Terms of a particular Series, applicable to all Securities issued under the Base Prospectus. In the event of any discrepancy or

inconsistency between the General Terms of the Securities or any other part of the Base Prospectus and the Final Terms, the Final Terms shall prevail with respect to the relevant Series.

The General Terms of the Securities do not include all of the information that is necessary to understand and take an investment decision with regard to the Securities. Any investment decision by an Investor should be made only on the basis of full information on the relevant Issuer and on the Securities to be offered which is set out in this section and all other sections of the Base Prospectus, any supplement thereto and the relevant Final Terms.

The Final Terms for a specific Series may deviate significantly from the General Terms of the Securities. Each Investor should read and make sure that he, she or it understands the content set forth in the Final Terms before taking any investment decision with respect to the Securities.

## **I. Form of the Securities**

The Securities are issued in the form of intermediated securities (*Bucheffekten*; "**Intermediated Securities**") pursuant to the Swiss Federal Act on Intermediated Securities, as the same may be amended from time to time (*Bucheffektengesetz*; the "**FISA**"). The Intermediated Securities are created based on global notes (*Globalurkunden*, "**Global Notes**") pursuant to article 973b of the Swiss Federal Code of Obligations, as the same may be amended from time to time ("**CO**"), or uncertificated securities (*Wertrechte*; "**Uncertificated Securities**") pursuant to article 973c CO by (a) depositing the Global Notes with SIX SIS AG, Baslerstrasse 100, 4600 Olten, Switzerland ("**SIX SIS**") or any other a depository (*Verwahrungsstelle*) in accordance with the FISA (including, without limitation, Zürcher Kantonalbank) (each, a "**Main Depository**") or entering the Uncertificated Securities into the main register of a Main Depository, and (b) making a credit entry into one or more securities accounts (*Effektenkonten*). For Intermediated Securities created on the basis of Uncertificated Securities, the relevant Issuer will be the entity maintaining the uncertificated securities book (*Wertrechtbuch*).

The records of the Main Depository determine the number of Securities held by each participant of the Main Depository. The holders of such Securities will be the persons holding the Intermediated Securities in a securities account (*Effektenkonto*) (that is in their own name) with an intermediary, provided that entities qualifying as intermediaries according to the FISA will only be deemed to be "Holders" if they hold the Securities for their own account in a securities account (*Effektenkonto*) (that is in their own name) with another intermediary. Intermediated Securities are transferred and otherwise disposed of in accordance with the provisions of the FISA and the relevant agreements with the respective Main Depository. Neither the Intermediated Securities nor any rights pertaining thereto may be transferred by way of assignment pursuant to articles 164 *et seq.* CO without the prior written consent of the relevant Issuer.

**Holders shall at no time have the right to effect or demand (a) the conversion of Uncertificated Securities into definitive securities (or vice versa) and/or (b) delivery of definitive securities (including Global Notes). The relevant Issuer may convert Global Notes (constituting the basis for Intermediated Securities) into Uncertificated Securities (constituting the basis for Intermediated Securities) and vice versa at any time and without the consent of the Holders.**

## **II. Status of the Securities**

Unless otherwise specified in the relevant Final Terms, the obligations under the Securities constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer which rank *pari passu* with all other present and future unsecured and unsubordinated obligations of such Issuer without any preference among themselves and without any preference one above the other, except for such preferences as are provided by applicable mandatory provisions of law.

## **III. Transferability**

Unless otherwise specified in the relevant Final Terms, the Securities are freely transferable. However, the Securities may be subject to certain selling restrictions (see section "*Selling Restrictions*") which may *de facto* restrict the transferability of the Securities.

#### IV. Security arrangements

##### 1. Zürcher Kantonalbank as Issuer

All claims for payment against Zürcher Kantonalbank are protected by the government guarantee (*Staatsgarantie*) of the Canton of Zurich pursuant to § 6 para. 1 of the Law on the Cantonal Bank of Zurich (*Gesetz über die Zürcher Kantonalbank*), the text of which is as follows: "The canton is liable for all liabilities of the bank to the extent that its own funds are not sufficient. The liability of the canton does not cover subordinated liabilities."

The government guarantee of the Canton of Zurich also covers any liabilities of Zürcher Kantonalbank under the Securities. In case of a default of Zürcher Kantonalbank, each Holder suffering a loss would have to enforce its claims directly against the Canton of Zurich.

##### 2. Zürcher Kantonalbank Finance (Guernsey) Limited as Issuer

Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited, which is a fully-owned (consolidated) subsidiary of Zürcher Kantonalbank, have entered into a Swiss law governed keep-well agreement (the "**Keep-well Agreement**") which provides an indirect protection in respect of the payment claims of Zürcher Kantonalbank Finance (Guernsey) Limited's investors.

In the Keep-Well Agreement, Zürcher Kantonalbank has agreed to capitalize Zürcher Kantonalbank Finance (Guernsey) Limited so that investor and customer confidence in Zürcher Kantonalbank and its Affiliates is not endangered. Holders should note that this contractual relationship does not qualify as a guarantee for the benefit of third parties. Furthermore, the Keep-well Agreement does not confer to any Holder and will not be enforceable against Zürcher Kantonalbank by anyone other than Zürcher Kantonalbank Finance (Guernsey) Limited (and/or its liquidator or administrator in the event of bankruptcy or, as the case may be, moratorium).

For further information with respect to the Keep-well Agreement (including details relating to the possibility to make amendment or modifications to the Keep-well Agreement), reference is made to section "*Keep-well Agreement between Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited*" which sets out the full text of the Keep-well Agreement.

#### V. Currency/-ies of the Securities

Securities may be issued in Swiss francs or any other freely convertible currency. The currency of a particular Series is specified in the relevant Final Terms.

#### VI. Further issuances and purchases of Securities

Each Issuer reserves the right from time to time and without the consent of the Holders, to issue or create additional tranches of securities at any time, which shall be identical to the Securities in respect of their terms and conditions (other than the issue price, the Issue Date, the Payment Date, the interest commencement date (if any) and the first interest payment date (if applicable)), in such way that they form a single Series with the Securities. Any such issuance of additional securities will be communicated to the Holders in accordance with section "*Information on the Securities and the Offering—General Terms of the Securities—Notices*" below.

In addition, the relevant Issuer, the Lead Manager and any of their respective Affiliates may from time to time during the term of the Securities purchase Securities at any price in the open market, by tender, private contract or otherwise. Any Security so purchased may, at the option of the relevant Issuer, the Lead Manager or the respective Affiliate, be cancelled, held, resold, or otherwise disposed of. Neither the relevant Issuer and the Lead Manager nor any of their respective Affiliates shall have an obligation to inform the Holders of such repurchases of Securities. All Securities redeemed in full shall be cancelled forthwith and may not be reissued or resold by the Issuer.

#### VII. Clearing and settlement of the Securities

The Securities will be cleared through SIX SIS or any other clearing system specified as clearing system in the applicable Final Terms from time to time (each a "**Clearing System**").

SIX SIS is a wholly owned subsidiary of SIX Group Ltd. and is a bank supervised by the Swiss Financial Market Supervisory Authority.

SIX SIS acts as the central securities depository and settlement institution for the following Swiss securities: equities, government and private sector bonds, money market instruments, exchange traded funds, conventional investment funds, structured products, warrants and other securities. Apart from providing custody and settlement for Swiss securities, SIX SIS acts as global custodian and offers its participants access to custody and settlement in foreign financial markets. SIX SIS offers direct links to other international central securities depositories including Clearstream, Frankfurt, Clearstream, Luxembourg, and Euroclear.

The address of SIX SIS AG is Baslerstrasse 100, 4600 Olten, Switzerland.

#### **VIII. Payments and deliveries under the Securities and discharge**

Any and all payments in respect of the Securities shall be made, subject to applicable fiscal and other laws, regulations and directives, to the Clearing System or the relevant intermediary or to its order for credit to the accounts of the relevant account holders of the Clearing System or the relevant intermediary in accordance with applicable laws and regulations and the rules and regulations of the relevant Clearing System.

The delivery of any asset(s) in respect of the Securities will be affected to the order of the relevant Holder and ultimately be credited to a securities account which forms part of the relevant Clearing System or the relevant intermediary to which the Securities were accounted to. No Holder will be entitled to receive any interest (if any) declared or paid in respect of the asset(s) to be delivered if the date of such payment falls before the date on which the asset(s) is/are credited into the securities account of the relevant Holder. All Delivery Expenses arising from the delivery of such asset(s) shall be for the account of the relevant Holder and no delivery and/or transfer of the asset(s) in respect of a Security shall be made until all Delivery Expenses have been discharged to the satisfaction of the relevant Issuer by the relevant Holder.

The relevant Issuer shall be discharged from any and all of its payment and/or delivery obligations by payment or delivery to, or to the order of, the relevant Clearing System(s) or the relevant intermediary or intermediaries.

#### **IX. Calculations**

Unless otherwise specified in the relevant Final Terms or these General Terms of the Securities, for the purposes of any calculations to be made with respect to the Securities:

- (a) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);
- (b) (subject to (c) below) all figures shall be rounded to the seventh decimal place (with halves being rounded up); and
- (c) all currency amounts that fall due and payable shall be rounded to the nearest Currency Unit (with halves being rounded up), save in the case of a currency amount in Japanese yen, which shall be rounded down to the nearest Japanese yen.

#### **X. Currency exchange rates**

Any amounts or portions of amounts to be determined by the relevant Issuer or any Agent pursuant to the Terms and Conditions of the Securities which have to be converted in a different currency shall be converted in such currency at the spot exchange rate applied by the converting person in its normal course of business.

#### **XI. Business Day Convention**

If any date scheduled to make a payment under the Securities falls on a calendar day which is not a Business Day then (unless otherwise specified in the relevant Final Terms):

- (a) if the Business Day Convention specified in the relevant Final Terms is "Following", such date shall be postponed to the next following calendar day which is a Business Day;
- (b) if the Business Day Convention specified in the relevant Final Terms is "Modified Following", such date shall be postponed to the next following calendar day which is a Business Day unless that calendar day falls in the next calendar month, in which case such date will be the first preceding



calendar day that is a Business Day; and

- (c) if the Business Day Convention specified in the relevant Final Terms is "Preceding", such date will be the first preceding calendar day which is a Business Day.

If the Final Terms do not make any reference to the applicable Business Day Convention, the Business Day Convention referred to in paragraph (b) above shall apply.

## **XII. Listing and trading of the Securities**

The relevant Issuer may decide to apply for listing and/or admission to trading on or inclusion of the Securities into (as applicable) the SIX and for admittance to trading on the platform of the SIX Structured Products Exchange AG.

The relevant Final Terms will state whether or not the relevant Securities will be listed and/or admitted to trading. However, neither the relevant Issuer nor any Agent represents or assures that the envisaged listing or admission to trading (if any) will be successful and/or that such listing or admission to trading can be maintained during the whole term of the Securities.

Securities which are listed on the SIX may be traded during the trading times of SIX Structured Products Exchange AG up to the last Trading Day which is specified in the relevant Final Terms. The last Trading Day may be before the maturity date. In case of a listing at SIX, Zürcher Kantonalbank, as recognized representative pursuant to article 58a of the Listing Rules, represents Zürcher Kantonalbank Finance (Guernsey) Limited vis-à-vis the SIX.

There are no binding commitments from intermediaries in respect of secondary trading. Zürcher Kantonalbank intends, under customary market terms, to regularly provide bid and/or ask prices for the Securities, but it assumes no legal obligation to do so to the extent not otherwise specified in the Final Terms.

## **XIII. Offering of the Securities**

### **1. Subscription**

Securities can, as specified in the relevant Final Terms of the Securities, be subscribed for during the subscription period during normal banking business hours at the relevant Issuer or any branch of Zürcher Kantonalbank. Any minimum or maximum amounts for the subscription will be specified in the relevant Final Terms.

The relevant Issuer reserves the right, in its sole discretion, to shorten, lengthen or cancel the subscription period. In addition, such Issuer is not obliged to accept subscriptions and can withdraw any Securities that have already been placed.

### **2. Allocation**

During the subscription period, all subscriptions will be received without any special subscription procedure until the maximum issue size is reached. After the maximum issue size is reached, the relevant Issuer is not obliged to accept further subscriptions and the subscription period may be closed without further notice. The relevant Issuer will decide, in its sole discretion, whether an allocation will be made. In case of an oversubscription the relevant Issuer will allot the Securities based on objective criteria.

### **3. Determination of the Issue Price**

The issue price of a Securities will be determined by the Calculation Agent on the Initial Fixing Date on the basis of the then prevailing market situation and the price or level of the Underlying, consistent with the terms published in the relevant Final Terms. Any issue prices specified in the "Indicative" Final Terms relating to the Securities are not legally binding on the Issuer.

The determination of the issue price is made on the basis of the fair value of the components of the Securities in accordance with financial mathematical methods. The issue price can include a surcharge that is not apparent to the Investor, the amount of which is determined in the discretion of the relevant Issuer and that over time reduces the market price of the Securities. Margins and fees can be included in the calculation of the issue price, which in part may be paid as distribution fees.

4. Price quotations

In the case of Securities with interest components, it will be specified in the relevant Final Terms whether the price of the Securities is stated with accrued interest ("dirty price") or if accrued interest is stated separately ("clean price").

**XIV. Rating of the Securities**

Securities issued under the Base Prospectus may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The applicable Final Terms may state whether the Securities are rated or not and, if rated, specify the rating.

**XV. Taxes**

1. In general

Each Holder is responsible for any and all Taxes which are or could be imposed on or levied against it in any jurisdiction or by and governmental or regulatory authority. Neither the relevant Issuer nor any other Agent is obliged to gross up any payments in respect of the Securities and each of the Issuer and any applicable Agent shall have the right, but not the obligation, to withhold or deduct from any amounts payable to the Holders such amount as is necessary for the payment of any such Taxes. In case any governmental or regulatory authority imposes on the Issuer the obligation to pay any such Taxes, the Holder shall promptly reimburse the Issuer.

Holders should inform themselves with regard to any tax consequences particular to their circumstances arising in any relevant jurisdiction (including any jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, redemption or disposal by them of any Securities).

2. Foreign Account Tax Compliance Act, Common Reporting Standard and Section 871(m) of the US Tax Code

Each Holder will (a) provide the relevant Issuer and its respective Agents with any correct, complete and accurate information and any consent to information reporting that may be required to comply with any obligations under FATCA and the CRS and will take any other actions that the Issuer or its respective Agents deem necessary to comply with FATCA and the CRS and (b) update any such information and consent provided in clause (a) promptly upon learning that any such information or consent previously provided has become obsolete or incorrect or an update is otherwise required (a "Change in Circumstances"), in any case no later than thirty (30) days following the occurrence of a Change in Circumstances. In the event the Holder fails to provide such information or consent, take such actions or upon a Change in Circumstances update such information or consent, (i) the relevant Issuer is authorized to withhold amounts otherwise distributable to the Holder if required to do so, and/or as compensation for any cost, loss or liability suffered as a result of such failure and (ii) the relevant Issuer will have the right to compel the Holder to sell its Securities or, if such Holder does not sell its Securities within 10 Business Days after notice from the Issuer, to sell such Securities and to remit the net proceeds of such sale (taking into account any taxes incurred in connection with such sale) to the Holder as payment in full for such Securities. Each such Holder agrees, or by acquiring a Security or an interest in a Security, will be deemed to agree, that the Issuer may provide such information and any other information regarding its investment in the Securities to the IRS or other relevant governmental authority as required under FATCA and under the CRS as implemented in any applicable jurisdictions.

Notwithstanding any other provision in the relevant Final Terms and this Base Prospectus, the Issuer shall be permitted to withhold or deduct from payments in connection with the Securities any amounts required by the rules of U.S. Internal Revenue Code Sections 871(m) ("**871(m)**") and 1471 through 1474 ("**FATCA**") (or any amended or successor provisions), and pursuant to any inter-governmental agreement, or implementing legislation or regulations or other guidance adopted by any jurisdiction in connection with FATCA or 871(m), or pursuant to any agreement of the Issuer or an intermediary with the U.S. Internal Revenue Service in connection with FATCA or 871(m). None of the Issuer, any Paying Agent or any other person will have an obligation to pay additional amounts to, or otherwise indemnify, a Holder that receives reduced amounts on a Security due to any 871(m) or FATCA withholding or deduction.

If 871(m) or FATCA withholding is required on payments on the Securities and this results, or would result, in the Issuer receiving less than it otherwise would have received, the provisions of section "*Information on the Securities and the Offering—General terms of the Securities—Early termination*" may apply and the Issuer may

redeem the Securities as more fully set out in section "*Information on the Securities and the Offering—General terms of the Securities—Early termination*".

Each Holder will provide any further documentation necessary, including without limitation withholding certificates, withholding statements and documentary evidence, requested to establish the tax status and classification of the Holder for U.S. tax purposes.

## **XVI. Extraordinary Events**

### **1. Settlement Disruption Events**

Subject to the immediately following paragraph, if the relevant Issuer or the Paying Agent reasonably determines that a Settlement Disruption Event has occurred and is continuing on any date on which a payment or delivery under the Securities is due to be made, then (a) the relevant due date shall be postponed to the first Business Day following the day on which the Settlement Disruption Event ceases to continue and (b) the Issuer shall give a notice to the Holders describing the relevant Settlement Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the relevant due date provided for in (a) above).

Notwithstanding the above,

- (i) where a Settlement Disruption Event affects some but not all of the relevant payments or assets that are due to be made or delivered, the payments or deliveries which are not affected by the respective Settlement Disruption Event will be unadjusted and the due date with respect to such payments or deliveries shall be the originally designated due date; and
- (ii) following the occurrence of a Settlement Disruption Event, the Issuer may elect in its sole and absolute discretion, but having regard to standard market practice, to satisfy and discharge its obligations in respect of the relevant Securities in such way as it is reasonable practicable in lieu of the scheduled settlement.

Notwithstanding any provisions to the contrary, (i) any payments made in accordance with this section shall be made after deduction of any costs, expenses or liabilities incurred or to be incurred by the relevant Issuer or any Agent in connection with or arising from the resolution of the relevant Settlement Disruption Event and (ii) in any case a Settlement Disruption Event leads to a postponement of a scheduled payment date or any delivery under the Securities, the relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the Issuer. All determinations made by the relevant Issuer or the Paying Agent pursuant to this section shall be conclusive and binding on the Holders and the Issuer. The Holders will not be entitled to any compensation from the Issuer or any Agent or any of their respective Affiliates for any losses suffered as a result of the occurrence of a Settlement Disruption Event.

### **2. FX Disruption Events**

If the relevant Issuer and/or the Calculation Agent reasonably determines that a FX Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of any Underlying, any Basket Component or any underlying constituent or component of the Securities, then (a) the relevant date shall be postponed to the first Business Day following the day on which the FX Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant FX Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the relevant due date provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Business Day following the date which the FX Disruption Event ceases to continue.

Notwithstanding any provisions to the contrary, (i) any payments made in accordance with this section shall be made after deduction of any costs, expenses or liabilities incurred or to be incurred by the relevant Issuer or any Agent in connection with or arising from the resolution of the relevant FX Disruption Event and (ii) in any case an FX Disruption Event leads to a postponement of a scheduled payment date or any delivery under the Securities, the relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the Issuer. All determinations made by the relevant Issuer or the Paying Agent pursuant to this section shall be conclusive and

binding on the Holders and the Issuer. The Holders will not be entitled to any compensation from the Issuer or any Agent or any of their respective Affiliates for any losses suffered as a result of the occurrence of a FX Disruption Event.

### 3. Illiquidity Events

If the relevant Issuer and/or the Calculation Agent reasonably determines that an Illiquidity Event has occurred and is continuing, then the relevant Issuer and/or the Lead Manager or any third party appointed by the relevant Issuer as market maker shall be entitled, but not obligated, to temporarily increase the spread between the bid and offer prices of the Securities (if any) to account for such prevailing market conditions.

If due to the occurrence of such Illiquidity Event and after using commercially reasonable efforts:

- (a) the ability of the Hedging Entity to unwind any hedging transaction(s) or dispose of any asset(s) is limited or impaired and therefore such hedging transaction(s) or asset(s) have to be unwound or disposed of over a certain period of time, the Redemption Amount with respect to the Securities may, instead of the originally pre-defined fixing or value of the Underlying set out in the relevant Final Terms, be calculated on the basis of the average execution price (less transaction costs) as it was obtained on a best efforts basis, as determined by the relevant Issuer and/or the Calculation Agent; or
- (b) the Hedging Entity is unable or partially unable, to acquire, unwind or dispose of any hedging transaction(s) or asset(s) or to realize, recover or remit the proceeds of any such hedging transaction(s) or asset(s) by the time originally stated in the relevant Final Terms, the payment of the Redemption Amount with respect to the Securities or, as the case may be, delivery of any assets with respect to the Securities shall be postponed accordingly by such number of days necessary to account for such prevailing market conditions and the actual redemption shall take place 5 (five) Business Days following the last day of the relevant period required by the Hedging Entity to acquire, unwind or dispose of the hedging transaction(s) or asset(s) or to realize, recover or remit the proceeds of such hedging transaction(s) or asset(s).

## XVII. Term of Securities; capital protection

### 1. Term of Securities

The Securities can either be structured as securities with a fixed duration, being redeemed on the Redemption Date ("**Fixed-end Securities**") or as securities without any fixed maturity date ("**Open-end Securities**"). Fixed-end Securities are, unless otherwise specified in the relevant Final Terms, automatically redeemed on the Redemption Date. The relevant Final Terms may provide for a Put Option of the Holders or a call option of the relevant Issuer which allows each of them to early redeem the relevant Securities. Open-end Securities have no fixed maturity but the relevant Issuer has the right to call and each Holder has the right to put the Securities at the dates and in accordance with the procedures set out in the relevant Final Terms. The applicable Final Terms of the Securities may also provide that the Securities are redeemed immediately upon the occurrence of certain events, such the occurrence of a barrier event. In any case, an early termination of the Securities as per section "*Information on the Securities and the Offering—General Terms of the Securities—Early termination*" remains reserved.

### 2. Capital Protection

It will be specified in the relevant Final Terms whether the Securities have the benefit of a capital protection. To the extent the relevant Securities are capital protected, they will be redeemed at an amount which is equal to the percentage of the nominal amount specified in the relevant Final Terms. No capital protection will be provided for Securities that are redeemed prior to their maturity date (if any) or in the case of a redemption following the occurrence of an early termination event as specified in section "*Information on the Securities and the Offering—General Terms of the Securities—Early termination*". Even if the Securities are capital protected, each Holder is advised to take into account the creditworthiness and, ultimately, the insolvency and credit risk related to the relevant Issuer. If the insolvency or credit risk related to the relevant Issuer materializes, the Holders may sustain a partial or total loss of the amount of their initial investment in the Securities notwithstanding any capital protection.

## **XVIII. Redemption of the Securities**

### **1. In general**

Subject to section "*Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events*" and section "*Information on the Securities and the Offering—General Terms of the Securities—Early termination*" and unless otherwise specified in the relevant Final Terms, each Security shall be redeemed by the relevant Issuer on the Redemption Date at the Redemption Amount (if any) specified in the relevant Final Terms. The Redemption Amount shall be calculated by the Calculation Agent in accordance with the relevant Final Terms and shall be notified to the relevant Clearing System(s). If the relevant Final Terms provide for an option of the relevant Issuer of either Cash Settlement or Physical Settlement, its choice shall be notified to the Holders on the date and in a manner as set out in the relevant Final Terms.

### **2. Redemption procedure**

#### **(a) Cash Settlement**

Subject to section "*Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events*" and unless otherwise specified in the relevant Final Terms, if the relevant Final Terms provide for a Cash Settlement, the relevant Issuer or the Paying Agent shall, on the Payment Date, pay or cause the payment of the Redemption Amount in respect of each Security to the respective Holders for value on the relevant payment date, less any Expenses which the Issuer is required or authorized by law or according to the relevant Final Terms to deduct or withhold.

#### **(b) Physical Settlement**

Subject to section "*Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events*" and unless otherwise specified in the relevant Final Terms, if the relevant Final Terms provide for a physical settlement, the relevant Issuer or the Paying Agent shall, on the delivery date specified in the relevant Final Terms, deliver or cause the delivery of the relevant Underlying, Basket Component or other underlying constituents or components of the Securities to be delivered in accordance with the relevant Final Terms to the respective Holders for value on the relevant delivery date. No delivery and/or transfer of the relevant Underlying, Basket Component or other underlying constituents or components of the Securities to be delivered shall be made until all Delivery Expenses arising from the respective delivery and/or transfer have been paid to the satisfaction of the Issuer by the relevant Holder. To facilitate its delivery obligations, the Issuer shall have the right, but no obligation, to divide any Underlying, Basket Component or other underlying constituents or components of the Securities into such number of lots of such size as it deems appropriate.

Where the relevant Issuer would be obliged to deliver any fraction of an Underlying, Basket Component or another underlying constituent or component of the Securities, the Holders will receive, instead of such fraction of an Underlying, Basket Component or other underlying constituent or component of the Securities, a residual cash amount which corresponds to the value of the respective fraction, it being understood that such residual cash amount shall be determined by the relevant Issuer and/or the Calculation Agent in its sole and absolute discretion having regard to standard market practices. When determining whether the Issuer would be obliged to deliver any fraction of an Underlying, Basket Component or other underlying constituent or component of the Securities, the relevant Issuer and/or the Calculation Agent may (but is not obliged to) aggregate the respective Holder's entire holdings, unless otherwise specified in the relevant Final Terms.

If the delivery of an Underlying, Basket Component or other underlying constituent or component of the Securities is not reasonably possible on the relevant delivery date, the relevant Issuer has the right to pay a cash amount corresponding to the value of the Underlying on the relevant delivery date, such cash amount to be determined by the Issuer or the Calculation Agent in its sole and absolute discretion.

#### **(c) Expenses**

The relevant Issuer is authorized to deduct from the Redemption Amount (a) all Expenses, if any, payable by the Issuer or its Affiliates in connection with the redemption of the Securities, (b) any and all Expenses in relation to any transfer of the Underlying, Basket Component or other underlying constituents or components of the Securities made as a result of such redemption, (c) if the relevant Final Terms specify exercise rights, all Expenses arising in connection with the exercise of the Securities in the place in which the relevant exercise notice is delivered for exercise and (d) if the relevant Final Terms specify exercise rights, all Expenses involved in delivering the relevant exercise notice that are payable by the Issuer or its Affiliates.

## **XIX. Early termination**

If an Early Redemption Event occurs, then the relevant Issuer has the right, but not the obligation, to redeem each Security by giving notice to the Holders.

Subject to applicable fiscal or other laws and regulations, if the relevant Issuer chooses to redeem the Securities early in accordance with this section, the Issuer shall redeem the Securities pertaining to a particular Series in whole (but not in part) on the fifth Business Day (or such other number of Business Days as specified in the relevant Final Terms or the notice of early termination) after the notice of early termination has been published (the "**Early Redemption Date**") and shall pay or cause to be paid the Early Redemption Amount in respect of each Security (in each case together with any accrued interest in the case of interest bearing Securities) to the Holders for value on the Early Redemption Date. Instead of paying a cash amount corresponding to the Early Redemption Amount, the Issuer may in its sole and absolute discretion decide to deliver to the Holders the Underlying(s), Basket Component(s) or other underlying constituents or components of the respective Securities. Payments of any applicable Expenses will be made by the relevant Holder and the Issuer shall not have any liability in respect thereof. Following the payment of the respective Early Redemption Amount or the delivery of the Underlying(s), Basket Component(s) or other underlying constituents or components of the respective Securities, no further amounts will be due to the Holders.

## **XX. Determinations binding**

Save as otherwise provided for in the relevant Final Terms or the Base Prospectus, any determination, calculation, quotation or decision made by the relevant Issuer, the Lead Manager or any Agent shall be made in its sole and absolute discretion having regard to standard market practices, provided such determination, calculation, quotation or decision is made in good faith and in a commercially reasonable manner. All determinations, calculations, quotations, decisions, communications, publications and opinions made, given or expressed by the relevant Issuer, the Lead Manager or any Agent in respect of the Securities shall (in the absence of manifest or proven error or willful misconduct) be conclusive and binding on the other Agents, the Lead Manager, the relevant Issuer and/or the Holders.

## **XXI. Liability of the Issuers and the Agents**

None of the relevant Issuer, the Lead Manager or any Agent shall have any responsibility for any errors or omissions or subsequent corrections made in the calculation, determination, communication or publication of any rate, fixing level, amount, event or any other decision required to be made by it in relation to the Securities, whether caused by negligence or otherwise (other than gross negligence or willful misconduct). Furthermore, no Holder shall be entitled to make any claim against the relevant Issuer, the Lead Manager or any Agent in case where any third party has made any misstatement as to the Underlying or any other aspect of the Securities.

## **XXII. Agents**

### **1. In general**

The Calculation Agent, the Paying Agent and the Exercise Agent (if any) and their respective offices (which can be substituted with other offices) are one of the following, as specified in the relevant Final Terms:

<b>Calculation Agent</b>	<b>Paying Agent</b>	<b>Exercise Agent</b>
Zürcher Kantonalbank Bahnhofstrasse 9 8001 Zurich Switzerland	Zürcher Kantonalbank Bahnhofstrasse 9 8001 Zurich Switzerland	Zürcher Kantonalbank Bahnhofstrasse 9 8001 Zurich Switzerland

Any Agent acts solely as agent of the relevant Issuer and does not assume any obligations vis-à-vis or relationship of agency or trust for any Holder.

Any Agent may, with the consent of the relevant Issuer, delegate any of its obligations under the Securities to a third party.

2. Replacement and termination of appointment

The relevant Issuer may at any time appoint a different Calculation Agent, Paying Agent or Exercise Agent than the one specified above, replace any Agent and/or the Lead Manager or terminate the appointment of any Agent and/or the Lead Manager and appoint additional and/or other Agents who may be persons not affiliated with the Issuer.

**XXIII. Changes with regard to the Issuers**

1. Change of Issuer's office

The relevant Issuer may at any time change the office or branch through which it is acting for the purposes of the Securities. As of the effective date of such change, any reference in the Base Prospectus and the relevant Final Terms to the Issuer shall be construed as Zürcher Kantonalbank or Zürcher Kantonalbank Finance (Guernsey) Limited, as applicable, acting through such office or branch.

2. Substitution of the Issuer

Each relevant Issuer may at any time, without the consent of the Holders, substitute for itself as principal obligor under the Securities any person that is (a) a Swiss or foreign Affiliate of the Issuer, (b) another company with which the Issuer consolidates, into which it merges or to which it sells, leases, transfers or conveys all or substantially all its assets, or (c) any branch of such company referred to in (a) and (b) above (any such company or branch, a "**Substitute Issuer**"), provided that:

- (i) the Substitute Issuer assumes all obligations that the relevant Issuer owes to the Holders under or in relation to the Securities as set forth in the Base Prospectus and the relevant Final Terms;
- (ii) all actions, conditions and things required to be taken, fulfilled and done to ensure that the Securities represent legal, valid and binding obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect; and
- (ii) Zürcher Kantonalbank has entered into a keep-well agreement with the Substitute Issuer with terms equivalent to those of the keep-well agreement between Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited.

As of the fulfilment of the conditions set forth above, the Substitute Issuer assumes in every respect the role of the relevant Issuer and the latter shall be released from any and all obligations in relation to the Holders. Any reference in the Base Prospectus and any relevant Final Terms to the previous Issuer shall be construed as a reference to the Substitute Issuer and the Base Prospectus and the relevant Final Terms shall thereupon be deemed to be amended to give effect to the substitution.

Any substitution shall as soon as reasonably possible be notified to the Holders and to any other person or authority as required by applicable laws or regulations.

3. No liability

In connection with any exercise by the relevant Issuer of its rights provided for above, the Issuer shall not be responsible or liable for any consequences (irrespective of their nature) suffered by any Holder as a result of the exercise by the Issuer of any such rights. Accordingly, no Holder shall be entitled to assert any legal claims or indemnity claims against the Issuer based on or in connection with the exercise of such rights.

**XXIV. Issuer Event of Default**

If an Issuer Event of Default occurs, any Holder may by written notice to the relevant Issuer declare the Securities held by it to be forthwith due and payable, whereupon the Early Redemption Amount of such Securities shall become due and payable on the fifth Business Day after the receipt of such notice by the Issuer, unless the relevant Issuer Event of Default has been remedied prior to such receipt.

**XXV. Default interest**

If the relevant Issuer for any reason (other than due to the occurrence of any of the events set out in section "*Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events*") fails to render any payment in respect of the Securities when due, interest shall accrue at the default rate of 2.00 per cent. per annum on the due amount from and including the due date to but excluding the day on which such

payment is made by the relevant Issuer or the Paying Agent, it being understood that such payment or delivery is deemed to have been made at that time it is made to, or to the order of, the relevant Clearing System(s) or the relevant intermediary or intermediaries. In no event shall the Issuer have any liability for indirect, incidental, consequential or other damages other than default interest.

#### **XXVI. Statute of limitation**

In accordance with Swiss law, any claims for any payment with respect to the Securities shall become time-barred (a) in the case of any interest payment after a period of five years, and (b) otherwise, after a period of ten years, in each case calculated from the date on which the relevant payment first becomes due and payable.

#### **XXVII. Notices**

1. Notices to the Issuer

Unless otherwise specified in the relevant Final Terms or in the Base Prospectus, notice may be given to the relevant Issuer by delivering such notice in writing to the following address (as applicable):

**Zürcher Kantonalbank**  
LOAA  
P.O. Box  
8001 Zurich  
Switzerland  
Tel.: +41 44 292 76 03  
Fax: +41 44 292 86 64

**Zürcher Kantonalbank Finance (Guernsey) Limited**  
Bordage House, Le Bordage  
St. Peter Port  
Guernsey GY1 1BU  
Tel.: +44 1481 705288

**always with a copy to Zürcher Kantonalbank**

2. Notices to the Holders

Notices to Holders relating to the Securities shall be valid and binding once published on the internet under <https://www.zkb.ch/finanzinformationen> (or any succeeding internet website). The relevant Issuer may, in lieu of a publication on the internet deliver relevant notices to the relevant Clearing System or Clearing Systems, for communication by the Clearing System(s) to the Holders, provided that, so long as any Securities are listed on a Relevant Stock Exchange, the rules of the Relevant Stock Exchange permit such form of notice. Any such notice shall be deemed to have been given to the Holders on the day on which the said notice was given to the Clearing System(s). If the Securities are listed on the regulated market of a Relevant Stock Exchange, notices to Holder will further or, at the option of the relevant Issuer, solely be published in accordance with the rules and regulations of such Relevant Stock Exchange in force at the time the relevant notice is given.

Notices to Holders relating to Zürcher Kantonalbank and/or Zürcher Kantonalbank Finance (Guernsey) Limited will be published under <https://www.zkb.ch/finanzinformationen> (or any succeeding internet website).

#### **XXVIII. Severability and amendments**

If, at any time, any part or provision of the relevant Final Terms or the Base Prospectus is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining parts or provisions nor the legality, validity or enforceability of such part or provision under the law of any other jurisdiction shall in any way be affected or impaired.

The Issuers may from time to time modify, amend or supplement the relevant Final Terms of the Securities or the Base Prospectus in each case without the consent of the Holders in such manner as the Issuers deem necessary or desirable, if, in the opinion of the Issuers, such modification, amendment or supplement:

- (a) is of a formal, minor or technical nature;
- (b) is made to correct or supplement any defective provision in the relevant Final Terms or the Base Prospectus;
- (c) is made to cure any uncertainty or ambiguity;
- (d) is made to cure a manifest or proven error;



- (e) is made to correct an error or omission which would, in the absence of such correction, result in relevant Final Terms or the Base Prospectus not representing the intended terms of the Securities on which the Securities were sold and have since traded; or
- (f) will not materially and adversely affect the interests of the Holders.

Notwithstanding the above, the Issuers shall be entitled to modify, amend or supplement any provision in the relevant Final Terms or the Base Prospectus where the relevant Final Terms or the Base Prospectus provide for such modification, amendment or supplement or where the Issuers reasonably believe that such modification, amendment or supplement is necessary or appropriate as a result of a change in any law or regulation or decisions taken by courts of law or governmental authorities in Switzerland or any other jurisdiction.

All modifications, amendments or supplements made in accordance with this section shall be conclusive and binding on the Holders. The Holders will not be entitled to any compensation from the Issuers or any Agent for any losses suffered as a result of such modifications, amendments or supplements. Any modification, amendment or supplement made shall be notified to the Holders in accordance with section "*Information on the Securities and the Offering—General Terms of the Securities—Notices*" provided that any failure to give such notice, or non-receipt thereof, shall have no effect with regard to the validity of the respective modification, amendment or supplement.

## **XXIX. Governing law and jurisdiction**

The Securities are governed by Swiss law.

The exclusive place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Securities shall be the competent courts of the City of Zurich, Switzerland, venue being Zurich 1.

Zürcher Kantonalbank Finance (Guernsey) Limited chooses for this purpose a legal and special domicile in Switzerland at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich.

## **C. ADDITIONAL TERMS WITH RESPECT TO SPECIFIC CATEGORIES OF SECURITIES**

### **I. Additional terms for warrants**

The following additional terms and conditions apply for Securities which fall into the category "Warrant".

#### **1. Types of warrants**

In case of warrants which are defined in the relevant Final Terms as "American Style" warrants, Holders may exercise their option right on any Business Day during the option period until, at the latest, the maturity date.

In the case of warrants which are defined in the relevant Final Terms as "European Style" warrants, Holders may only exercise their option right on the maturity date.

#### **2. Warrants with Cash Settlement**

Warrants with Cash Settlement grant the Holder the right to receive a Cash Settlement Amount if on the Exercise Date (a) in the case of call warrants, the difference between the closing price of the Underlying on the maturity date or the Exercise Date and the Exercise Price and (b) in the case of put warrants, the difference between the Exercise Price and the closing price of the Underlying on the maturity date or the Exercise Date is a positive amount.

Unless otherwise specified in the relevant Final Terms, warrants on indexes, Exchange Rates, precious metals, Commodities and interest rates entitle the investor to demand the payment of a Cash Settlement Amount.

#### **3. Warrants with Physical Settlement**

Warrants with Physical Settlement grant the Holder the right, but not the obligation, to buy (call warrant) or to sell (put warrant) a specified number of an Underlying at a price specified in advance (exercise price) up to a date specified in advance (expiration date).

Unless otherwise specified in the relevant Final Terms, warrants on Shares entitle the investor to demand the physical delivery of the Shares.

4. Methods of exercise

(a) Option period

The option period is specified in the relevant Final Terms and specifies the period in which the option must be exercised.

In the case of warrants on equity securities, the relevant Issuer is entitled, if on a Business Day more than 100,000 warrants are exercised by a Holder or a group of Holders acting in concert, to postpone the exercise date to the next following Business Day for all warrants exceeding this number.

(b) Automatic exercise and notice of exercise

Unless otherwise specified in the relevant Final Terms, all warrants with Cash Settlement are deemed automatically exercised on the expiration date, if (a) in the case of call warrants, the difference between the closing price of the Underlying on the expiration date and the Exercise Price and (b) in the case of put warrants, the difference between the Exercise Price and the closing price of the Underlying is a positive amount. Otherwise, the warrants expire worthless.

If a Holder of a warrant with Cash Settlement which is defined in the relevant Final Terms as "American Style" warrant wants to exercise its option right during the option period, but before the expiration date, the relevant Holder must deliver an exercise notice to the Exercise Agent with a copy to the relevant Issuer. The exercise notice (which cannot be withdrawn) must be received by the Exercise Agent not later than 12:00 a.m. (noon) Zurich time or a different time specified in the relevant Final Terms in order for the warrant to be deemed exercised on the relevant date. An exercise notice received later are deemed delivered on the next following Business Day.

Unless otherwise specified in the relevant Final Terms, the delivery of an exercise notice to the Exercise Agent with a copy to the relevant Issuer is necessary for the exercise of warrants with physical delivery. The written notice of exercise (which cannot be withdrawn) must be received by the Exercise Agent not later than 12:00 Zurich time or a different time specified in the relevant Final Terms in order for the warrant to be deemed exercised on the relevant date. Any exercise notices received later are deemed exercised on the next following Business Day.

Accordingly, warrants with Physical Settlement, or other warrants for which an automatic exercise has not been specified in accordance with the relevant Final Terms, expire worthless if the exercise notice is not received by the Exercise Agent until 12:00 a.m. (noon) Zurich time on the expiration date (or a different time specified in the relevant Final Terms).

5. Effect of exercise

In the case of warrants with Cash Settlement, the Cash Settlement Amount will be paid, in the case of warrants on indexes, Exchange Rates, precious metals and Commodities, on the fourth Business Day after the Exercise Date.

In the case of warrants with Physical Settlement, the delivery of the number of Underlyings specified in the relevant Final Terms will be made on the third Business Day after the Exercise Date against payment of the Exercise Price.

6. Application for registration in case of the physical delivery of registered Shares

In the case of registered Shares which are delivered following the exercise of call warrants, it is the responsibility of the acquirer to submit an application for registration in the share register (or similar register) of the relevant company. The validity of the exercise of the warrant is not affected by a refusal of the company to confirm the status of a shareholder with voting rights.

**II. Additional terms for mini futures**

The following additional terms and conditions apply for Securities which fall into the category "Mini Future".

1. Term

Mini-futures have no fixed term (open ended). The maturity date may occur at any time (even on or immediately after the Issue Date) and is set by (i) a termination by the relevant Issuer, (ii) the occurrence of a stop-loss event or (iii) an exercise notice from the Holder of the mini-futures.

(a) Termination by the Issuer

The relevant Issuer is entitled at all times, without giving any reasons, to terminate the mini-futures. The termination becomes effective at the time of the publication of the notice in accordance with section "*Information on the Securities and the Offering—General Terms of the Securities—Notices*".

(b) Stop-loss event

A stop-loss event occurs if the market price of an Underlying during the trading hours of the Underlying reaches the stop-loss level specified in the relevant Final Terms or exceeds it (in the case of short mini-futures) or falls below it (in the case of long mini-futures).

(c) Exercise notice of the Holder

If a Holder of a mini-future wants to exercise its option right during the term, the relevant Holder must deliver an exercise notice to the Exercise Agent. The exercise notice (which cannot be withdrawn) must be received by the Exercise Agent not later than 11:00 a.m. Zurich time or a different time specified in the relevant Final Terms in order for the mini-futures to be deemed exercised on the relevant date. An exercise notice received later is deemed delivered on the next following Business Day. After the delivery of an effective exercise notice, a transfer or assignment of mini-futures is not permitted.

If a stop-loss event occurs on the date on which the exercise notice becomes effective, the exercise notice takes precedence.

2. Effect of termination, exercise notice and automatic exercise

If mini-futures become due for redemption as a result of a termination, the occurrence of a stop-loss event or an exercise notice from the Holder of the mini-futures, a Cash Settlement will be made in accordance with the specific provisions set forth in the relevant Final Terms.

Unless otherwise specified in the relevant Final Terms, the Cash Settlement Amount will be paid on the fifth Business Day after the termination, the occurrence of the stop-loss event or the effectiveness of the exercise notice from the Holder of the mini-futures.

**D. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO SHARES**

The following additional terms apply to all Securities issued under the Base Prospectus with a Share or Shares as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

**I. Adjustments**

1. In general

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

2. Potential Adjustment Events

If the relevant Issuer and/or the Calculation Agent determines that a Potential Adjustment Event has occurred, it shall in the case of Securities with a Share/Shares or a Basket of Shares as Underlying:

(a) determine whether such Potential Adjustment Event has a diluting or concentrative effect on the

theoretical value or the market value of the relevant Share(s); and, if this is the case,

- (b) make such adjustment (in each case if applicable) to (i) the calculation of the Redemption Amount, the Value of the Strategy and/or the Value of the Certificate, (ii) the number of Underlyings or Basket Components (including, without limitation, any replacement of one or more Basket Components by components which are currently not included in the relevant Basket), (iii) the weighting of the Basket Components, (iv) the amount, number of or type of Shares or other securities which may be delivered in respect of such Securities and/or (v) any other parameter relevant for the exercise, valuation, redemption, settlement or payment terms or any other terms of the relevant Securities as it deems appropriate in order to (1) account for the dilutive or concentrative effect of the respective Potential Adjustment Event or (2) preserve the economic equivalent of the rights of the Holders immediately prior to the occurrence of such Potential Adjustment Event.

The determination whether and to what extent an adjustment should be made following the occurrence of a Potential Adjustment Event shall be made by the relevant Issuer and/or the Calculation Agent in its sole and absolute discretion having regard to standard market practices. When making its determinations, the Issuer and/or the Calculation Agent may take into account any adjustments made to the terms of option or futures contracts (if any) which relate to the Share(s) and which are traded on a Related Exchange, it being understood that the Issuer and the Calculation Agent shall neither be obligated to take into account any such adjustments nor be bound by any such adjustments.

If a Potential Adjustment Event would involve the distribution of Shares and/or other tradable financial instruments to existing shareholders, then the Issuer and the Calculation Agent will endeavor to carry out the adjustments to the extent possible by way of amending the relevant Final Terms of the respective Securities such that they provide for the right to purchase a combination of such Shares and/or other tradable financial instruments.

Any adjustment made pursuant to this section shall be effective as of the date determined by the relevant Issuer and/or the Calculation Agent in its reasonable discretion.

### 3. Extraordinary Events

If the relevant Issuer and/or the Calculation Agent determines that an Extraordinary Event has occurred, then the relevant Issuer may, in the case of Securities with a Share or Shares (but not a Basket of Shares) as Underlying, determine that the relevant Securities shall be redeemed early, in which case (a) the relevant Securities shall cease to be exercisable or redeemable as of the EE Announcement Date (or, in the case of any Securities which have been exercised or redeemed but with regard to which settlement did not yet take place, the entitlements of the respective Holders under the relevant Securities to receive any redemption payment in cash or in kind, as the case may be, shall cease as of the EE Announcement Date), and (b) the relevant Securities shall be redeemed at an amount equal to the EE Redemption Amount.

If the relevant Issuer and/or the Calculation Agent determines that an Extraordinary Event has occurred, then the Issuer or the Calculation Agent may, in the case of Securities with a Basket of Shares as Underlying or in the case of Securities with a Share or Shares as Underlying for which the relevant Issuer did not determine that an Early Redemption shall take place in accordance with the immediately preceding paragraph, make such adjustment (in each case if applicable) to (i) the calculation of the Redemption Amount, the Value of the Strategy and/or the Value of the Certificate, (ii) the number of Underlyings or Basket Components, (iii) the weighting of the Basket Components, (iv) the amount, number of or type of Shares or other securities which may be delivered in respect of such Securities and/or (v) any other parameter relevant for the exercise, valuation, redemption, settlement or payment terms or any other terms of the relevant Securities as it deems appropriate to preserve the economic equivalent of the rights of the Holders immediately prior to the occurrence of such Extraordinary Event.

The determinations by the relevant Issuer or the Calculation Agent pursuant to this section shall be made in the relevant Issuer's or the Calculation Agent's sole and absolute discretion having regard to standard market practices. Any Early Redemption or adjustment made pursuant to this section shall be effective as of the date determined by the relevant Issuer or, as the case may be, the Calculation Agent in its reasonable discretion.

#### 4. Delisting Event

If the relevant Issuer and/or the Calculation Agent determines that a Delisting Event has occurred, then the relevant Issuer may, in the case of Securities with a Share or Shares (but not a Basket of Shares) as Underlying, determine that the relevant Securities shall be redeemed early, in which case (a) the relevant Securities shall cease to be exercisable or redeemable as of the DL Announcement Date (or, in the case of any Securities which have been exercised or redeemed but with regard to which settlement did not yet take place, the entitlements of the respective Holders under the relevant Securities to receive any redemption payment in cash or in kind, as the case may be, shall cease as of the DL Announcement Date), and (b) the relevant Securities shall be redeemed at an amount equal to the DL Redemption Amount. Instead of a payment of the DL Redemption Amount, the relevant Issuer may, but is not obliged to, deliver the corresponding number of the affected Shares, whereas any potential fractional entitlements will be paid in cash.

If the relevant Issuer and/or the Calculation Agent determines that a Delisting Event has occurred, then the Issuer and the Calculation Agent shall, in the case of Securities with a Basket of Shares as Underlying, be entitled to either (i) remove the affected Basket Component from the Basket without replacement or (ii) replace the Basket Component in whole or in part by a successor basket component (each such basket component, a "**Successor Basket Component**"), in each case if applicable by implementing correction factors with respect to the remaining Basket Components. In the case of a replacement of a Basket Component by a Successor Basket Component, such Successor Basket Component shall for all purposes of the Securities be treated as Basket Component.

The determinations by the relevant Issuer or the Calculation Agent pursuant to this section shall be made in the relevant Issuer's or the Calculation Agent's sole and absolute discretion having regard to standard market practices. Any Early Redemption or adjustment made pursuant to this section shall be effective as of the date determined by the relevant Issuer or, as the case may be, the Calculation Agent in its reasonable discretion.

#### 5. Further adjustments

The above sections shall apply *mutatis mutandis* to any other event which, in the reasonable opinion of the relevant Issuer and/or the Calculation Agent, has a comparable effect as the events described in these sections.

#### 6. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment.

### II. Market Disruption Events

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant Share in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of Shares as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.

### III. Definitions

For the purposes of this section D:

**"Delisting Event"** means, in respect of any Share which is the Underlying of the Securities or, as the case may be, any Share which is part of a Basket of Shares which is the Underlying of the Securities, that during the lifetime of the Securities the relevant Share or Shares cease(s) to be listed, traded or publicly quoted on the Related Exchange or an exchange or quotation system located in the same jurisdiction as the Relevant Stock Exchange (if applicable).

**"DL Announcement Date"** means the date on which the Related Exchange or an exchange or quotation system located in the same jurisdiction as the Relevant Stock Exchange announces that pursuant to its rules a Delisting Event will occur.

**"DL Redemption Amount"** means an amount which the Calculation Agent in its reasonable discretion and in accordance with established market practices determines to be the Market Value of the Securities.

**"EE Announcement Date"** means (a) in respect of any of the events described in (a), (b) and (c) of the definition of "Extraordinary Event", the date upon which the holders of the requisite number of Shares to constitute an Extraordinary Event have agreed to or have irrevocably become obliged to transfer their Shares, (b) in respect of a Nationalization Event, the date of the first public announcement of a firm intention, to nationalize (whether or not amended or on the terms originally announced) that leads to the occurrence of the Nationalization Event and (c) in respect of an Insolvency Event, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the occurrence of the Insolvency Event.

**"EE Redemption Amount"** means an amount which the Calculation Agent in its reasonable discretion having regard to standard market practices determines to be the Market Value of the Securities.

**"Extraordinary Event"** means, in respect of any Share which is the Underlying of the Securities or, as the case may be, any Share which is part of a Basket of Shares which is the Underlying of the Securities, that during the lifetime of the Securities (a) the relevant Share or Shares is/are reclassified or changed in a way that results in a transfer of or an irrevocable commitment to transfer 50 per cent. or more of such Shares that are outstanding, (b) the person which has issued the relevant Share(s) consolidates, amalgamates or merges with or into another person (other than a consolidation, amalgamation or merger following which such person is the surviving entity), (c) the relevant Share or Shares is/are subject to a Takeover Event, (d) the relevant Share or Shares is/are subject to a Nationalization Event or (e) relevant Share or Shares is/are subject to an Insolvency Event.

**"Insolvency Event"** means, with respect to any Shares, that by reason of a voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the person issuing the relevant Shares (i) all of the Shares are required to be transferred to a trustee, liquidator or similar official or (ii) the shareholders become legally prohibited from transferring the Shares.

**"Market Disruption Event"** means, in respect of any Share which is the Underlying of the Securities or, as the case may be, any Share which is part of a Basket of Shares which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) any suspension or material disruption of or material limitation imposed on trading in such Share by the Related Exchange or otherwise;
- (b) any suspension or material disruption of or material limitation imposed on trading of options or futures referencing such Share on any exchange on which option or futures contracts referencing such Share are traded;
- (c) failure by the respective Related Exchange or other price source, as applicable, to announce or publish the final closing in respect of such Share (including, without limitation, due to an ordinary or extraordinary exchange holiday); and

- (d) any other event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for such Share or option or futures contracts referencing such Share,

it being understood that for the purpose of this definition (i) a limitation with regard to the hours and number of days of trading does not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Related Exchange or, with respect to (b) above, the exchange on which option or futures contracts referencing the relevant Share are traded and (ii) a limitation on trading imposed during the course of a day by reason of price movements otherwise exceeding levels permitted by the Related Exchange and/or the relevant exchange on which option or futures contracts referencing the respective Share are traded does constitute a Market Disruption Event.

**"Nationalization Event"** means, in respect to any Shares, that all of the Shares or all or substantially all of the assets of the person issuing the relevant Shares are nationalized, expropriated or otherwise required to be transferred to any governmental agency, authority or entity.

**"Potential Adjustment Event"** means, in respect of any Share which is the Underlying of the Securities or, as the case may be, any Share which is part of a Basket of Shares which is the Underlying of the Securities, any event that may have a diluting or concentrative effect on the theoretical value or market value of the relevant Share(s) and includes, without limitation, the declaration of the relevant person issuing the respective Share(s) to:

- (a) split, subdivide, consolidate or reclassify the Share(s) (other than a subdivision, consolidation or reclassification which qualifies as an Extraordinary Event pursuant to section D.I.3 (*Extraordinary Events*));
- (b) distribute to existing equity holders (a) additional Shares (either for free or against consideration) or (b) other financial instruments granting the right to payment of dividends and/or liquidation proceeds in respect of the relevant person equally or proportionally with such payments to equity holders or (c) any other type of financial instruments, rights or other assets, in any case for payment at less than the prevailing market price as determined by the Calculation Agent; or
- (c) distribute to existing equity holders an extraordinary dividend.

**"Successor Basket Component"** has the meaning ascribed to it in section D.I.4 (*Delisting Event*).

**"Takeover Event"** means that, in relation to any Shares, the Calculation Agent has reasonably determined that a person or several persons acting in concert has or have acquired (whether through a single transaction or a series of transactions) Shares amounting to a total of 50 per cent. or more of (a) the aggregate nominal value of all issued Shares then outstanding less (b) the aggregate nominal value of any Shares held by such person or persons as of the Payment Date.

## **E. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO NON-EQUITY SECURITIES**

The following additional terms apply to all Securities issued under the Base Prospectus with a non-equity security or securities as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

### **I. Adjustments**

#### **1. In general**

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

2. Changes in the market conditions on the reference market

If, in the determination of the Issuer and/or Calculation Agent, a material change in the market conditions has occurred on the reference market for the relevant non-equity security, the Issuer and/or Calculation Agent shall be entitled to effect adjustments to the Terms and Conditions of the Securities to account for these changed market conditions.

3. Changes in the calculation of the non-equity security

Any changes in the calculation (including corrections) of the non-equity security shall not lead to an adjustment unless the Issuer and/or Calculation Agent determine that as a result of the changes (including corrections) the underlying concept and/or the calculation of the non-equity security are no longer comparable to the underlying concept and/or calculation of the non-equity security applicable prior to such change. Adjustments may also be made as a result of the removal of the non-equity security and/or its substitution by another underlying or the Delisting of the non-equity security. For the purpose of this section, "**Delisting**" means that the reference market for the relevant non-equity security announces that pursuant to the rules of such reference market, the non-equity security ceases (or will cease) to be listed, traded or publicly quoted on the reference market for any reason and is not immediately relisted, re-traded or re-quoted on a market or quotation system located in the same country as the reference market.

For the purpose of making any adjustments, the Issuer and/or Calculation Agent shall determine an adjusted value of the non-equity security which shall be used for the determination of the relevant price of the non-equity security for the Securities and which in its economic result shall correspond to the provisions prior to this change, and shall determine the day on which the adjusted value of the non-equity security shall apply for the first time taking into account the time the change occurred.

4. Termination, Early Redemption and other events relating to the terms and conditions of the non-equity security

In the event that the non-equity security is terminated and/or redeemed early or replaced by another non-equity security, provided that such circumstance does not occur in connection with any insolvency or general settlement proceedings or other similar proceedings of the issuer of the non-equity security, or in the event of changes to the terms and conditions of the non-equity security, the non-equity security may be replaced for the purposes of the Terms and Conditions of the Securities by another financial instrument, if necessary after making the appropriate adjustments pursuant to the above sections (the "**Successor Instrument**"). In this case any reference in the Terms and Conditions of the Securities to the non-equity security shall, to the extent permitted by the context, be deemed to refer to the Successor Instrument.

5. Replacement of the reference market

If the quotation of or trading in the non-equity security on the reference market for such instrument is permanently discontinued while concurrently a quotation or trading is started up or maintained on another market, the Issuer and/or Calculation Agent shall be entitled to stipulate such other market as relevant reference market (the "**Substitute Reference Market**"). In the case of such a substitution, any reference in the Terms and Conditions of the Securities to the reference market thereafter shall be deemed to refer to the Substitute Reference Market.

6. Correction of a relevant price

In the event that a price for the non-equity security determined and published by the reference market for such instrument which is relevant for the Securities is subsequently corrected and the correction (the "**Corrected Price**") is published by the reference market after the original publication, the Issuer and/or Calculation Agent shall be entitled to effect adjustments to the Terms and Conditions of the Securities taking into account the Corrected Price, to account for the correction.



7. Further adjustments

The above sections shall apply *mutatis mutandis* to any other events which, in the reasonable opinion of the relevant Issuer and/or the Calculation Agent, have a comparable effect as the events described in these sections.

8. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment.

II. Market Disruption Events

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant non-equity security in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of non-equity securities as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.

III. Definitions

For the purposes of this section E:

**"Business Day"** means, in respect of the non-equity security, any Scheduled Trading Day on which the reference market is open for trading during its regular trading sessions, notwithstanding any such reference market closing prior to its Scheduled Closing Time.

**"Early Closure of the Reference Market"** means, in respect of the non-equity security, the closure on any Business Day of the reference market for such instrument prior to its Scheduled Closing Time unless such earlier closing time is announced by such reference market at least one hour prior to the actual closing time for the regular trading session on the reference market on such Business Day.

**"Market Disruption Event"** means in respect of any non-equity security which is the Underlying of the Securities or, as the case may be, any non-equity security which is part of a Basket of non-equity securities which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) the suspension or absence of the announcement of a price of the non-equity security relevant for the Securities on the reference market for such instrument;
- (b) the suspension or limitation of trading with respect to the non-equity security or any futures or options contracts relating to the non-equity security which the Issuer and/or the Calculation Agent determine to be material;

- (c) the Early Closure of the Reference Market;
- (d) the occurrence at any time of an event that disrupts or impairs (as determined by the Issuer and/or the Calculation Agent) the ability of market participants in general (i) to obtain market values for the non-equity security, or (ii) to sell or transfer the non-equity security or to exercise the rights conveyed by the non-equity security, or (iii) to effect transactions in, or obtain market values for, futures or options contracts relating to the non-equity security on a futures exchange where such contracts are usually traded;
- (e) any event other than such listed above which in its consequences is commercially comparable to those events;
- (f) the suspension or limitation of banking activities in the in the country where the reference market for the relevant non-equity security is located of which the Issuer and/or Calculation Agent determine material.

**"Scheduled Closing Time"** means, in respect of the non-equity security and in respect of a reference market for such instrument and a Scheduled Trading Day, the scheduled weekday closing time of such reference market on such Scheduled Trading Day, without regard to after hours or any other trading outside the regular trading session hours.

**"Scheduled Trading Day"** means, in respect of the non-equity security, any day on which the reference market for such instrument is scheduled to open for trading during its regular trading sessions.

## **F. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO INTEREST RATES OR REFERENCE RATES**

The following additional terms apply to all Securities issued under the Base Prospectus with interest rates or reference rates as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

### **I. Adjustments**

#### **1. In general**

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

#### **2. Determination of the interest rate or reference rate**

The interest rate or reference rate serving as Underlying, Basket Component or other underlying component or constituent of the Securities will be determined by the relevant Issuer and/or the Calculation Agent for the purpose of any fixing, observation or valuation of the Underlying, Basket Component or other underlying component or constituent of the Securities on the following basis:

- (a) the Issuer or the Calculation Agent will, in its discretion, determine the respective interest rate or reference rate which appears on the Screen Page as of the Relevant Time on the respective fixing, observation or valuation date with respect to the Underlying, Basket Component or other underlying component or constituent of the Securities;
- (b) if on a fixing, observation or valuation date with respect to the Underlying, Basket Component or

other underlying component or constituent of the Securities, the relevant interest rate or reference rate does not appear on the relevant Screen Page or the relevant Screen Page is unavailable, the Issuer or the Calculation Agent will (i) request four (or such other number as the Issuer or the Calculation Agent may determine having regard to market conventions) Reference Banks to provide a quotation for the relevant interest rate or reference rate at approximately the Relevant Time on the applicable fixing, observation or valuation date in an amount that is representative for a single transaction in that market at that time, and (ii) determine the arithmetic mean of such quotations (rounded upward or downwards in accordance with applicable market conventions), provided that if fewer than two such quotations are provided as requested under (i) above, then the relevant interest rate or reference rate shall be determined by the Issuer or the Calculation Agent in its reasonable discretion;

- (c) if the Issuer or the Calculation Agent has determined, in its reasonable discretion, that a Reference Rate Event has occurred, it is notwithstanding the provisions set forth in paragraphs (a) and (b) above entitled:
  - (i) if a successor reference rate has been determined for the respective interest rate or reference rate by a public announcement issued by the administrator of the respective interest rate or reference rate, a competent central bank or a regulatory and/or supervisory authority or a successor administrator, to set such rate as the successor reference rate (the "**Successor Reference Rate**") and to use it instead of the respective interest rate or reference rate on the relevant fixing, observation or valuation date and on any subsequent fixing, observation or valuation date for the Securities;
  - (ii) if a Successor Reference Rate has not been determined by such announcement, to set as the successor reference rate a rate which is comparable to the respective interest rate or reference rate at its reasonable discretion and taking into account market practices (the "**Successor Reference Rate**") and to use such Successor Reference Rate on the relevant fixing, observation or valuation date and any subsequent fixing, observation or valuation date for the Securities, where, if the Issuer or the Calculation Agent determines that an appropriate rate exists which is generally accepted in the financial sector as the Successor Reference Rate for the respective interest rate or reference rate, it will set such rate as the Successor Reference Rate for the Securities and will use that Successor Reference Rate for the Securities on the relevant fixing, observation or valuation date and any subsequent fixing, observation or valuation date,

provided that, in the event that a Successor Reference Rate is determined by the Issuer or the Calculation Agent pursuant to subparagraphs (i) or (ii) above, the Issuer and Calculation Agent shall be entitled to determine in their reasonable discretion (1) the method for periodically determining the amount of the Successor Reference Rate and/or (2) any adjustment factor as may be necessary to make the Successor Reference Rate comparable to the original interest rate or reference rate had no Reference Rate Event occurred with respect to such rate, in each case consistent with industry-accepted practices for the Successor Reference Rate and, if necessary, to make adjustments to the provisions of the Terms and Conditions of the Securities with respect to the calculation of the Successor Reference Rate, any interest or coupon payments under the Securities (if any) and the redemption of the Securities (including an adjustment of any interest period, the calculation of interest and the time at which the relevant interest rate or reference rate is determined).

### 3. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment.

## II. Definitions

For the purposes of this section F:

"**Reference Banks**" means major banks or leading dealers in the relevant market selected by the Issuer or the Calculation Agent in its reasonable discretion and acting in a commercially reasonable manner.

**"Reference Rate Event"** means (a) any permanent and final termination of the determination, provision or publication of the relevant interest rate or reference rate by any administrator in circumstances where no successor administrator exists, or any other permanent and final discontinuation of the existence of the respective interest rate or reference rate or (b) a material change in the methodology of determining or calculating the relevant rate of the respective interest rate or reference rate as compared to the methodology used at the Issue Date if such change results in the respective rate, calculated in accordance with the new methodology, no longer representing, or being apt to represent adequately, the (original) rate or in terms of economic substance no longer being comparable to the (original) rate determined or calculated in accordance with the methodology used at the Issue Date or (c) the entry into force of any law or any other legal provision, or of any administrative or judicial order, decree or other binding measure, pursuant to which the relevant rate may no longer be used to determine the payment obligations under the Securities, or pursuant to which any such use is subject to not only immaterial restrictions or adverse consequences.

**"Relevant Time "** means the relevant time of a fixing, observation or valuation in connection with the Securities, as indicated in the Final Terms.

**"Screen Page"** means the screen page in relation to the relevant interest rate or reference rate serving as Underlying indicated in the Final Terms.

## **G. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO AN INDEX OR INDICES**

The following additional terms apply to all Securities issued under the Base Prospectus with an Index or Indices as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

### **I. Adjustments**

#### **1. In general**

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

#### **2. Change with regard to the Index Sponsor**

If an Index Sponsor ceases to calculate and/or publish an Index which is the Underlying of the Securities or an Index which is part of a Basket of Indices which is the Underlying of the Securities but such Index is calculated and/or published by a successor index sponsor which (a) as reasonably determined by the relevant Issuer uses the same or a substantially similar formula for, and method of calculation of, the Index as the Index Sponsor and (b) is acceptable to the relevant Issuer (each such successor index sponsor, a **"Successor Index Sponsor"**), then the relevant Successor Index Sponsor shall for all purposes of the Securities be treated as Index Sponsor with respect to the affected Index.

#### **3. Modification of the calculation of an Index**

If during the lifetime of the Securities the relevant Issuer reasonably determines that the Index Sponsor makes a material change in the formula for, or the method of calculating of, an Index which is the Underlying of the Securities or an Index which is part of a Basket of Indices which is the Underlying of the Securities, or in any other way materially modifies such Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock and capitalization or other routine

events), then the relevant Issuer may, regardless of whether such change or alteration was made based on an autonomous decision of the Index Sponsor or upon the request from or a decision made by a governmental body or any other third party, either:

- (a) based on an independent third-party expert opinion from an expert selected by the relevant Issuer in its sole and absolute discretion, determine that all calculations and determinations with respect to the Securities shall be made on the basis of such modified Index multiplied, if necessary, by a linking coefficient allowing to ensure continuity in the evolution of the Index which is the Underlying of the Securities or, as the case may be, the Index which is part of the Basket of Indices which is the Underlying of the Securities; or
- (b) choose any of the options provided for in section G.I.5 (*Termination of the publication of an Index or termination of license agreement*).

#### 4. Replacement of an Index

If during the lifetime of the Securities the Index which is the Underlying of the Securities or an Index which is part of a Basket of Indices which is the Underlying of the Securities is being replaced by a substitute index (a "**Substitute Index**"), then the following shall apply:

- (a) If the relevant Issuer reasonably determines that the Substitute Index is (a) calculated on the basis of a substantially similar formula and calculation method as the Index which is being replaced and (b) acceptable to it, then the relevant Substitute Index shall for all purposes of the Securities be treated as Index instead of the Index which is being replaced.
- (b) If the relevant Issuer reasonably determines that the Substitute Index is calculated on the basis of a formula and/or calculation method which is materially different from the formula and/or calculation method used with respect to the Index which is being replaced or if the Index is materially altered in any other way, then the relevant Issuer may, regardless of whether such change or alteration was made based on an autonomous decision of the Index Sponsor or upon the request from or a decision made by a governmental body or any other third party, either:
  - (i) based on an independent third-party expert opinion from an expert selected by the relevant Issuer in its sole and absolute discretion, determine that all calculations and determinations with respect to the Securities shall be made on the basis of such Substitute Index multiplied, if necessary, by a linking coefficient allowing to ensure continuity in the evolution of the Index which is the Underlying of the Securities or, as the case may be, the Index which is part of the Basket of Indices which is the Underlying of the Securities; or
  - (ii) choose any of the options provided for in section G.I.5 (*Termination of the publication of an Index or termination of license agreement*).

#### 5. Termination of the publication of an Index or termination of license agreement

If, for any reason, on or prior to any fixing date or observation date under the Securities the relevant Index Sponsor permanently ceases the calculation and publication of an Index which is the Underlying of the Securities or an Index which is part of a Basket of Indices which is the Underlying of the Securities without replacing such Index with a Substitute Index or the license agreement between the Index Sponsor and the relevant Issuer is terminated, then the relevant Issuer shall:

- (a) in the case of Securities with an Index (but not a Basket of Indices) as Underlying, redeem the relevant Securities early at an amount which the relevant Issuer and/or the Calculation Agent in its reasonable discretion having regard to standard market practices determines to be the Market Value of the Securities.
- (b) in the case of Securities with a Basket of Indices as Underlying, at its option, either:
  - (i) make all calculations and/or determinations with respect to the Securities on the basis of the other Indices which are part of the Basket of Indices by (A) increasing the respective Weight of each remaining Index pro rata to its Weight immediately prior to the cessation of the calculation and publication of the affected Index or termination of the license agreement between the Index

Sponsor and the relevant Issuer with respect to such Index and (B) reducing the Weight of the affected Index to zero.

- (ii) redeem the relevant Securities early at an amount which the relevant Issuer and/or the Calculation Agent in its reasonable discretion having regard to standard market practices determined to be the Market Value of the Securities.

Any amendment with regard to the weight of the remaining Indices upon the cessation of the calculation and publication of an Index or termination of the license agreement between the Index Sponsor and the relevant Issuer described in paragraph (ii)(a) of this section shall be effective as of the date determined by the relevant Issuer in its reasonable discretion.

6. Further adjustments

The above sections shall apply *mutatis mutandis* to any other events which, in the reasonable opinion of the relevant Issuer and/or the Calculation Agent, have a comparable effect as the events described in these sections.

7. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment. In case of a redemption of the Securities pursuant to and in accordance with paragraphs (a) or (b)(ii) of section G.I.5 (*Termination of the publication of an Index or termination of license agreement*), the Market Value determined by the relevant Issuer and/or the Calculation Agent shall be notified to the Holders within a time period of seven (7) Business Days following its determination and paid to the Holder as soon as reasonably practicable after the determination of the Market Value by the relevant Issuer and/or the Calculation Agent. Upon payment of the Market Value of each Security to the Holders, no further amounts shall be due and payable by the relevant Issuer.

## II. Market Disruption Events

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Issuer or the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant Index in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of Indices as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.

### III. Definitions

For the purposes of this section G:

**"Market Disruption Event"** means, in respect of any Index which is the Underlying of the Securities or, as the case may be, any Index which is part of a Basket of Indices which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) any suspension or disruption of or limitation imposed on trading (including, without limitation, any failure by the respective Related Exchange or other price source, as applicable, to announce or publish the final closing in respect of Index components due to an ordinary or extraordinary exchange holiday or for any other reason) in one or several Index components;
- (b) any suspension or disruption of or limitation imposed on trading of options or futures referencing such Index or one or several Index components on any exchange on which option or futures contracts referencing such Index are traded; and
- (c) any other event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for (i) one or several Index components or (ii) option or futures contracts referencing such Index or one or several Index components,

it being understood that for the purpose of this definition (a) a limitation with regard to the hours and number of days of trading does not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Related Exchange or, with respect to (ii) above, the exchange on which option or futures contracts referencing the relevant Index or one or several Index components are traded and (b) a limitation on trading imposed during the course of a day by reason of price movements otherwise exceeding levels permitted by the relevant exchange on which option or futures contracts referencing the respective Index are traded does constitute a Market Disruption Event.

**"Substitute Index"** has the meaning ascribed to it in section G.I.4 (*Replacement of an Index*).

**"Successor Index Sponsor"** has the meaning ascribed to it in section G.I.2 (*Change with regard to the Index Sponsor*).

### H. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO COMMODITIES

The following additional terms apply to all Securities issued under the Base Prospectus with Commodities as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

#### I. Adjustments

##### 1. In general

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

##### 2. Replacement of fixing level

If on or prior to any fixing date or observation date under the Securities, the relevant Issuer and/or the Calculation Agent determines in its sole discretion having regard to standard market practices that the fixing level

with respect to a Commodity which is the Underlying of the Securities or a Commodity which is part of a Basket of Commodities which is the Underlying of the Securities is either:

- (a) not calculated and published by the Related Exchange or any other person responsible for the calculation and/or publication but is calculated and published by a successor of such Related Exchange or other person which is acceptable to the relevant Issuer; or
- (b) replaced by a successor fixing level calculated on the basis of a substantially similar formula and calculation method as the fixing level which is being replaced,

then, in each case, such fixing level shall for all purposes of the Securities be treated as fixing level with respect to the relevant Commodity instead of the fixing level which is being replaced.

3. Correction to published fixing level

If a fixing level with respect to a Commodity which is the Underlying of the Securities or a Commodity which is part of a Basket of Commodities which is the Underlying of the Securities published on any day during the lifetime of the Securities and used or to be used by the Calculation Agent to determine a redemption amount or other amount to be paid under the Securities is subsequently corrected and the relevant correction is published by the Related Exchange or any other person responsible for the calculation and/or publication of such fixing level no later than two (2) Underlying Business Days prior to the date on which such payment is due to be made, such corrected fixing level shall be deemed to be the fixing level for the purpose of the determination of the respective payment amounts and the relevant Issuer shall have the right to make such adjustments to the Terms and Conditions of the Securities as it deems necessary to account for such correction.

4. Further adjustments

The above sections shall apply *mutatis mutandis* to any other events which, in the reasonable opinion of the relevant Issuer and/or the Calculation Agent, have a comparable effect as the events described in these sections.

5. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment.

## II. Market Disruption Events

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant Commodity in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of Commodities as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.



### III. Definitions

For the purposes of this section H:

**"Market Disruption Event"** means in respect of any Commodity which is the Underlying of the Securities or, as the case may be, any Commodity which is part of a Basket of Commodities which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) any suspension or material disruption of or material limitation imposed on trading in such Commodity by the Related Exchange or otherwise;
- (b) any suspension or material disruption of or material limitation imposed on trading of options or futures referencing such Commodity on any exchange on which option or futures contracts referencing such Commodity are traded;
- (c) failure by the respective Related Exchange or other price source, as applicable, to announce or publish a price or level in respect of such Commodity (including, without limitation, due to an ordinary or extraordinary exchange holiday);
- (d) failure of trading to commence, or the permanent discontinuation of trading (a) in the Commodity on the respective Related Exchange or (b) in option or futures contracts referencing such Commodity on any exchange on which option or futures contracts referencing such Commodity are traded;
- (e) any other event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for such Commodity or option or futures contracts referencing such Commodity;
- (f) the occurrence since the Initial Fixing Date of a material change in (a) the formula for or method used for the calculation of the price or level of such Commodity or (b) the content, composition or constitution of such Commodity or option or futures contracts referencing such Commodity; and
- (g) the imposition of, change in, or removal of any Taxes on, or measured by reference to, such Commodity or option or futures contracts referencing such Commodity (other than a Tax on, or measured by reference to, overall gross or net income) by any government authority or other body having the power to Tax, if the direct impact of such imposition, change or removal is to raise or lower a relevant level or price on the Underlying Business Day from what it would have been without such imposition, change or removal,

it being understood that for the purpose of this definition (i) a limitation with regard to the hours and number of days of trading does not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Related Exchange or, with respect to (b) above, the exchange on which option or futures contracts referencing the relevant Commodity are traded and (ii) a limitation on trading imposed during the course of a day by reason of price movements otherwise exceeding levels permitted by the Related Exchange and/or the relevant exchange on which option or futures contracts referencing the respective Commodity are traded does constitute a Market Disruption Event.

#### I. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO FX RATES

The following additional terms apply to all Securities issued under the Base Prospectus with foreign-exchange rates as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

#### I. Adjustments

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity

dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

## **II. Market Disruption Events**

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant foreign exchange rate in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of foreign exchange rates as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.

## **III. Definitions**

For the purposes of this section I:

**"Market Disruption Event"** means in respect of any foreign exchange rate which is the Underlying of the Securities or, as the case may be, any foreign exchange rate which is part of a Basket of foreign exchange rates which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) any suspension or material disruption of or material limitation imposed on foreign exchange trading in at least one of the currencies related to the Exchange Rate or Exchange Rates which is/are the Underlying(s) of the Securities;
- (b) a restriction on the convertibility of at least one of the currencies related to the Exchange Rate or Exchange Rates which is/are the Underlying(s) of the Securities;
- (c) the impossibility to obtain an Exchange Rate or Exchange Rates which is/are the Underlying(s) of the Securities;
- (d) any suspension or material disruption of or material limitation imposed on trading of options or futures referencing the Exchange Rate or Exchange Rates which is/are the Underlying(s) of the Securities on any exchange on which option or futures contracts referencing the Exchange Rate or Exchange Rates are traded; and
- (e) any other event that disrupts or impairs the ability of market participants in general to effect transactions in at least one of the currencies related to the Exchange Rate or Exchange Rates or

option or futures contracts referencing the Exchange Rate or Exchange Rates which is/are the Underlying(s) of the Securities or to obtain the levels of the respective Exchange Rate or Exchange Rates.

## **J. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO FUTURES CONTRACTS**

The following additional terms apply to all Securities issued under the Base Prospectus with a futures contract or futures contracts as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

### **I. Adjustments**

#### **1. In general**

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

#### **2. Substitution of reference market and/or price source**

If the quotation of or trading in the futures contract on the relevant reference market of such futures contract or the publication of the price of the futures contract by the relevant price source of such futures contract is permanently discontinued while concurrently the quotation or trading is maintained or is commenced on another reference market or if the relevant price of the futures contract is published by another price source, the Issuer shall be entitled to stipulate such other reference market as the new reference market and/or such other price source as the price source (the "**Substitute Reference Market**" or the "**Substitute Price Source**"). In the case of such a substitution, any reference in the Terms and Conditions of the Securities to the reference market and/or price source thereafter shall be deemed to refer to the Substitute Reference Market and/or Substitute Price Source.

#### **3. Changes in the futures contract**

If at any time the relevant futures contract is terminated and/or replaced by another value or if the relevant contract characteristics and/or conditions of the futures contract or the underlying of the futures contract are changed, the Issuer and/or the Calculation Agent are entitled to make an adjustment to the Terms and Conditions of the Securities, which in the assessment of the Issuer and/or the Calculation Agent is appropriate to reflect the amendments and/or to replace the futures contract with a successor futures contract (the "**Successor Futures Contract**") which is economically equivalent to the original relevant concept of the futures contract. As the case may be, the Issuer and/or the Calculation Agent will multiply the relevant price of the futures contract by an adjustment factor in order to ensure the continuity of the development of the reference value(s) underlying the Securities. Any reference in the Terms and Conditions of the Securities to the futures contract shall, to the extent appropriate, be deemed to refer to the Successor Futures Contract.

#### **4. Further adjustments**

The above sections shall apply *mutatis mutandis* to any other events which, in the reasonable opinion of the relevant Issuer and/or the Calculation Agent, have a comparable effect as the events described in these sections.

5. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment.

II. **Market Disruption Events**

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant futures contract in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of futures contracts as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.

III. **Definitions**

For the purposes of this section J:

**"Market Disruption Event"** means in respect of any futures contract which is the Underlying of the Securities or, as the case may be, any futures contract which is part of a Basket of futures contracts which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) (i) the failure of a price source of the futures contract(s) to announce or publish a price relevant for the Securities; or (ii) the temporary or permanent discontinuance or unavailability of such price source; or (iii) the disappearance or permanent discontinuance or unavailability of a price relevant for the Securities (notwithstanding the availability of the related price source or the status of trading in the relevant futures contract);
- (b) the material suspension or limitation of trading in the futures contract on the Related Exchange;
- (c) the failure of trading to commence, or the permanent discontinuation of trading, (i) in the futures contract on the Related Exchange;
- (d) the occurrence of a material change (i) in the formula for or method of calculating the price relevant for the Securities; or (ii) in the content, composition or constitution of the futures contract or of the underlying on which the futures contract is based; or
- (e) the imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar Tax on, or measured by reference to, the futures contract or the underlying on which the futures contract is based (other than a Tax on, or measured by reference to, overall gross or net income) by any government or tax authority, if the direct effect of such imposition, change or removal is to raise or lower a relevant price on a fixing, observation or valuation date from what it would have been without such imposition, change or removal.

## K. ADDITIONAL TERMS WITH RESPECT TO SECURITIES LINKED TO FUND UNITS

The following additional terms apply to all Securities issued under the Base Prospectus with a fund unit or fund units as Underlying(s) and shall always be read together with the applicable Final Terms of the relevant Securities.

### I. Adjustments

#### 1. In general

The relevant Issuer has the right to adjust the parameters of the Securities and/or to modify the Terms and Conditions of the Securities upon the occurrence of certain events or incidents, some of which are listed in this section. The Holders acknowledge that this section does not purport to contain an exhaustive or comprehensive list of all possible events or incidents upon the occurrence of which the relevant Issuer shall be entitled to make certain adjustments to the parameters of the Securities and/or modifications to the Terms and Conditions of the Securities. Similarly, the relevant Issuer further has the right to modify agreed maturity dates and times as well as any other date, deadline, time or period set out in the relevant Final Terms to the extent it deems such modification necessary in light of the then prevailing market circumstances.

All adjustments and/or modifications made by the relevant Issuer and/or the Calculation Agent pursuant to this section shall be conclusive and binding on the Holders. Furthermore, the relevant Final Terms may contain additional or specific provisions for events which may lead to an adjustment to the parameters of the Securities and/or a modification of the Terms and Conditions of the Securities. The Holders will not be entitled to any compensation from the relevant Issuer or any Agent for any losses suffered as a result of such adjustments or modifications.

#### 2. Potential Adjustment Events

If the relevant Issuer and/or the Calculation Agent determines that a Potential Adjustment Event has occurred or is likely to occur, it may in the case of Securities with a fund unit or a Basket of fund unit as Underlying:

- (a) make any adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms in respect of the Securities that it determines at its reasonable discretion to be appropriate to account for the effect of such Potential Adjustment Event, and/or
- (b) select, by using reasonable efforts for a period of no longer than five (5) business days from the date when such a Potential Adjustment Event has occurred, one or more suitable alternative funds with reasonably similar investment mandates – subject to the following suitability criteria – (each a "**Replacement Fund**") and replace the fund used as Underlying, Basket Component or other underlying component by such fund(s).

The replacement of the fund used as Underlying, Basket Component or other underlying component of the Securities by one or more alternative Replacement Funds is only possible provided that all of the following suitability criteria are met:

- (i) there is no legal or regulatory restriction on referencing the fund in respect of the Securities;
- (ii) the relevant fund management company / fund manager publishes the fund's net asset value or bid price on a regular basis; and
- (iii) the Issuer is able to fully hedge its position with respect to the fund to the extent necessary.

The determination whether and to what extent an adjustment should be made following the occurrence of a Potential Adjustment Event shall be made by the relevant Issuer and/or the Calculation Agent in its sole and absolute discretion having regard to standard market practices.

Any adjustment made pursuant to this section shall be effective as of the date determined by the relevant Issuer and/or the Calculation Agent in its reasonable discretion.

#### 3. Correction of price

In the event that the price of the fund unit used as the Underlying, Basket Component or other underlying component of the Securities as determined and published by a Fund Service Provider on behalf the fund is subsequently corrected and the correction (the "**Corrected Price**") is published by a Fund Service Provider or

otherwise on behalf of the fund after the original publication, but still within one settlement cycle, the relevant Issuer and/or the Calculation Agent shall be entitled to effect, under consideration of the Corrected Price, adjustments to the Terms and Conditions of the Securities at its reasonable discretion, to account for the correction.

4. Further adjustments

The above sections shall apply *mutatis mutandis* to any other event which, in the reasonable opinion of the relevant Issuer and/or the Calculation Agent, has a comparable effect as the events described in these sections.

5. Notices of adjustment

The relevant Issuer shall give notice to the Holders of any adjustment or modification which has been made according to the above sections, provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the respective adjustment or amendment.

## II. Market Disruption Events

If the relevant Issuer and/or the Calculation Agent reasonably determines that a Market Disruption Event has occurred and is continuing on any day relevant for the fixing, observation or valuation of the Underlying, Basket Component or other underlying constituent or component of the Securities, then (a) such day shall be postponed to the first Underlying Business Day following the day on which the Market Disruption Event ceases to continue and (b) the relevant Issuer shall give a notice to the Holders describing the relevant Market Disruption Event (provided that any failure to give such notice, or non-receipt thereof, shall not affect the validity of the postponement of the day for such fixing, observation or valuation provided for in (a) above). In the case of such postponement, any payment(s) or delivery/-ies under the Securities dependent on the relevant fixing, observation or valuation may be suspended until one Underlying Business Day following the date on which the Market Disruption Event ceases to continue. The relevant Issuer shall not be obliged to pay any interest or other amounts due to such postponement and such postponement shall not constitute an event of default in respect of the relevant Issuer.

If the relevant Market Disruption Event continues for five (5) consecutive Underlying Business Days, then the relevant Issuer and/or the Calculation Agent may determine that the relevant day for the fixing, observation or valuation of the Underlying, Basket Component or other relevant underlying constituent or component of the Securities may not be further postponed, in which case the Calculation Agent shall determine the day relevant for such fixing, observation or valuation as well as the respective fixing, observation or valuation level of the relevant fund unit in its sole and absolute discretion having regard to standard market practices.

In the case of Securities with a Basket of fund units as Underlying, the day relevant for the fixing, observation or valuation for each Basket Component which is not affected by the Market Disruption Event shall be the originally designated day for such fixing, observation or valuation.

## III. Definitions

For the purposes of this section K:

**"Fund Change in Law"** means any of the following (taking place after the Issue Date):

- (a) the adoption, taking effect or implementation of any law, order rule, regulation, decree, notice or treaty;
- (b) any change in any law, order, rule, regulation, decree, notice or treaty or in the administration, interpretation, implementation or application thereof, whether formal or informal, by any court, tribunal, regulatory authority, governmental authority or similar administrative or judicial body; or
- (c) the making or issuance of any request, rule, guideline or directive (whether formal or informal or not having the force of law) by any court, tribunal, regulatory authority, governmental authority or similar administrative or judicial body; or
- (d) the holding, acquisition or sale of the fund units of the fund is or becomes wholly or partially illegal; or
- (e) the costs associated with the obligations under the Securities have increased substantially

(including but not limited to an increase in tax obligations, the reduction of tax benefits or negative consequences with regard to tax treatment).

**"Market Disruption Event"** means, in respect of any fund unit which is the Underlying of the Securities or, as the case may be, any fund unit which is part of a Basket of Shares which is the Underlying of the Securities, and unless otherwise specified in the relevant Final Terms, the occurrence or existence of any one or more of the following events:

- (a) a suspension or a failure of the announcement of the price of the fund unit on any day relevant for determining any amounts under these Terms and Conditions of the Securities; or;
- (b) the occurrence of any other event that, in the opinion of the relevant Issuer and/or the Calculation Agent at its reasonable discretion, disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for the fund unit.

**"NAV"** means, in respect of any relevant fund unit, the net asset value calculated in accordance with the terms of the prospectus or other documents prepared in connection with the marketing of the fund such fund units relates to.

**"Potential Adjustment Event"** means, in respect of any fund unit which is the Underlying of the Securities or, as the case may be, any fund unit which is part of a Basket of Shares which is the Underlying of the Securities, any of the following events:

- (a) A material change in the investment strategy, underlying portfolio liquidity or the risk/return profile of the fund used as Underlying, Basket Component or other underlying component of the Securities, a material modification of or deviation from any of the investment objectives, investment restrictions, investment process or investment guidelines of the fund used as Underlying, Basket Component or other underlying component of the Securities (howsoever described, including the underlying type of assets in which the fund invests) from those set out in the fund offer documentation or other constitutional documents or any announcement regarding a potential modification or material deviation, except where such modification or deviation is of a formal, minor or technical nature;
- (b) the fund used as Underlying, Basket Component or other underlying component of the Securities or any service provider to the fund such as investment advisors, investment managers, custodians, depositaries, administrators, management companies etc. (each a **"Fund Service Provider"**) (i) ceases trading and/or, in the case of a Fund Service Provider, ceases to provide its services to the fund and is not immediately replaced in such capacity by a successor acceptable to the relevant Issuer and/or the Calculation Agent, (ii) is dissolved or has a resolution passed, or there is any proposal, for its dissolution, winding-up, official liquidation or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights (other than pursuant to a consolidation, amalgamation or merger); or (iii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an effect analogous to any of the events specified above;
- (c) any suspension, a change in the periodicity and/or material modification of the method of calculating the NAV per fund unit set out in the fund documents on a particular fixing date;
- (d) the occurrence of a Fund Change in Law which has an effect on the fund;
- (e) any other event or circumstance, which, in the reasonable determination of the relevant Issuer and/or the Calculation Agent, causes the terms of these Securities (for economic or other reasons) to no longer reflect the original commercial terms agreed by the Issuer and the Holders or adversely affects the economic basis on which the Issuer issued the Securities.

## **L. INFORMATION ON THE UNDERLYINGS**

The Securities may be based on the performance of any kind of underlying, including, without limitation, a share (including a certificate representing shares), a participation certificate (*Partizipationsschein*) or a profit participation certificate (*Genussschein*), an index (which may or may not be published and/or maintained by the relevant Issuer or any of its Affiliates), a currency exchange rate, a precious metal, a commodity, an interest rate, a non-equity security, an exchange traded fund unit, a not exchange traded fund unit, a futures contract, a standardized option contract or, as the case may be, and as specified in the relevant Final Terms,

a reference rate (including, but not limited to, interest rate swap (IRS) rates, currency swap rates or, as the case may be, credit default swap levels), as well as a Basket or portfolio comprising the aforementioned assets (each such asset, an "**Underlying**").

If an Index is used as Underlying or, as the case may be, a Basket Component, and such Index is provided by a legal entity acting in association with, or on behalf of, the Issuer, the complete set of rules of the Index and information on the performance of the index will be freely accessible on Zürcher Kantonalbank's website.

The applicable Final Terms will specify the relevant Underlying, if any, and, to the extent appropriate and/or required by applicable laws and regulations, state where information on the relevant Underlying can be found and whether or not the relevant Issuer intends to provide further information on the Underlying.

Information about the historical or current performance of the relevant Underlying or Basket Component as well as its volatility may be obtained from the relevant issuer of the relevant Underlying or Basket Component, an Index Sponsor or the Related Exchange. Investors should note that the past performance of an Underlying or Basket Component at the time of issuance of the Securities should neither be regarded as indicative of any future performance of such underlying asset nor as an indication of the range of, trends or fluctuations in the price or value of such Underlying or Basket Component that may occur in the future. It is not possible to predict the future value of the Securities based on such past performance.



## FORM OF FINAL TERMS

*[Attached as separate documents]*

THIS IS A NON-BINDING ENGLISH TRANSLATION OF THE ISSUERS' "MUSTER DER ENDGÜLTIGEN BEDINGUNGEN (FINAL TERMS) FÜR ANDERE STRUKTURIERTE PRODUKTE (OHNE WARRANTS UND MINI-FUTURES)" PUBLISHED IN GERMAN. THE GERMAN TEXT SHALL BE CONTROLLING AND BINDING. THE ENGLISH LANGUAGE TRANSLATION IS PROVIDED FOR CONVENIENCE ONLY.

# Template of the Final Terms

## for other Structured Products (excl. Warrants und Mini-Futures)

[NAME OF THE PRODUCT]

[Subscription period and Swiss Security Code] [●]

[Summary

*[Summary to be inserted]*

### 1. Product Specific Conditions and Product Description

**New Issue[/indicative Final Terms]**

[\*\* The information contained herein is purely of an indicative nature. The Issuer/Calculation Agent shall fix the legally binding parameters on the Initial Fixing Date. The Investor acknowledges that the Final Terms of the present Structured Product shall not be fixed until the Initial Fixing Date, and by subscribing to the present Structured Product is indicating his agreement with the Final Terms.] [●]

**Product Category/Name**

[●] ([●], according to the Swiss Derivative Map provided by the Swiss Structured Products Association) of [●]

**Regulatory Notification**

**This is a Structured Product. It does not constitute a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA) and it is not subject to authorisation or supervision by the Swiss Financial Market Supervisory Authority FINMA. The issuer risk is borne by Investors.**

**[Investment Profile**

[●]

**[Title Universe**

[●]

**[Rebalancing**

[●]

**Issuer**

[Zürcher Kantonalbank, Zurich] [Zürcher Kantonalbank Finance (Guernsey) Limited, Saint Peter Port, Guernsey  
Zürcher Kantonalbank Finance (Guernsey) Limited, Guernsey is a wholly owned and fully consolidated subsidiary of Zürcher Kantonalbank. It is not subject to any direct prudential supervision neither in Guernsey nor in Switzerland and does not have a rating.]

**[Keep-Well Agreement**

Zürcher Kantonalbank Finance (Guernsey) Limited is a fully owned subsidiary of Zürcher Kantonalbank. Zürcher Kantonalbank obtains the following ratings: Standard & Poor's: [●], Moody's: [●], Fitch: [●]. Zürcher Kantonalbank is committed to Zürcher Kantonalbank Finance (Guernsey) Limited with sufficient financial means, allowing to satisfy any claims of its creditors in due time. The full text of the

	Keep-Well Agreement can be found under Annex [●] of the Base Prospectus.]
<b>[Rating of the Issuer</b>	Standard & Poor's [●], Moody's [●], Fitch [●]
<b>[Lead Manager, Paying Agent, Exercise Agent and Calculation Agent]</b>	[Zürcher Kantonalbank, Zurich] [●]
<b>[Investment Manager</b>	[●]
<b>[Symbol/]Swiss Security Code/ISIN</b>	[●] [(not listed)]/[●]
<b>Notional Amount/Denomination/ Trading Units</b>	[●]
<b>[Number of Structured Products</b>	Up to [●][, with the right to increase]]
<b>Issue Price [per Structured Product]</b>	[●]
<b>Currency</b>	[Quanto] [●]
<b>Quotation Type</b>	[●]
<b>Underlying [per Initial Fixing Date]</b>	[●]
<b>[Basket Value</b>	[●] on Initial Fixing Date]
<b>[Knock-in Level</b>	[●]% of Initial Fixing Value]
<b>[Cap/Cap Level</b>	[●] / [●]% of [●]
<b>[Ratio</b>	[●]
<b>[Dividend Payments</b>	[●]
<b>[Minimum Repayment Price</b>	[●]
<b>[Maximum Repayment Price</b>	[●]
<b>[Maximum Redemption Amount</b>	[●]
<b>[Maximum Return</b>	[●]% [for the entire investment period] / [●]% p.a.]
<b>[Bonus Payment</b>	[●]
<b>[Participation Rate</b>	[●]%, [●]
<b>[Exercise Price</b>	[●]
<b>[Multiplier</b>	[●]
<b>[Call Level</b>	[●] / [●]% of [●]
<b>[Knock-in Level</b>	[●] / [●]% of the Underlying on the Initial Fixing Date]
<b>[Knock-out Level</b>	[●] / [●]% of the Underlying on the Initial Fixing Date]

<b>[Rebate-Payment</b>	[●]]
<b>[Coupon</b>	[●] / [●] % (Coupon p.a./[●]%) interest payment p.a. [●] / premium payment p.a. [●]]
<b>[Coupon Date(s)</b>	[●]  [The Coupon will be paid in equal parts on each Coupon Dates.]]
<b>[Observation Dates/Early Redemption Dates</b>	[●]  The bank working days of the Exercise Agent shall apply for the observation days. [If the exchange is closed on an Observation Date, the next following day where the exchange is open will be used for the calculation of the Underlying (modified following business day convention).]]
<b>[Minimum Coupon</b>	[●]%
<b>[Day Count Fraction</b>	[30/360 (German)][, modified following] [●]]
<b>[Coupon Fixing</b>	[●]]
<b>[Coupon Calculation</b>	[●]]
<b>[Return Cap</b>	[●]]
<b>[Return Floor</b>	[●]]
<b>[Participation Rate</b>	[●]]
<b>[Subscription Period]</b>	[Subscriptions for these Structured Products can be made <b>until</b> [●]. The Issuer shall have the right, to reduce the number of Structured Products issued or to withdraw them from the issue for any reason. Furthermore, the Issuer shall have the right to close the offer prematurely or to postpone the Subscription Period.] [●]
<b>Initial Fixing Date</b>	[●]
<b>[Issue Date/Payment Date]</b>	[●]
<b>[Redemption Right of the Issuer]</b>	[The Issuer has the right to redeem the outstanding Structured Products [●] on [●] (fixing date; modified following), for the first time on [●]. On the fixing date, the redemption amount is determined, which is governed by the information under the section Redemption Method. The announcement and thus the declaration of intent to exercise the Redemption right is made with a notice period of 20 banking days [via the official publication channel of the SIX Swiss Exchange][on the website of Zürcher Kantonalbank]. No statement of reasons is required. The redemption will be executed with a value date of 5 bank working days after the fixing date (Redemption Date).] [●]

<b>[Right to return of the Investor]</b>	<p>[In addition to the possibility of selling the Structured Products in the secondary market, the Investor has the right to return the Structured Product [●] per [●] (fixing date, modified following), to the Issuer, for the first time on [●]. On the fixing date, the redemption amount is determined, which is governed by the information under the section Redemption Method. The declaration of intent to exercise the Right to return must be received no later than 5 banking days before the respective fixing date (exercise date) by Zürcher Kantonalbank and must be sent to the following addressees: by letter post to Zürcher Kantonalbank, Sales Structured Products, IHHV, P.O. Box, 8010 Zürich, or by email to <a href="mailto:derivate@zkb.ch">derivate@zkb.ch</a>. The repayment will be executed with a value date of 5 bank working days after the fixing date (Redemption Date).</p> <p>Should the Structured Products of the Investor be deposited in a custodian bank, the Investor needs additionally and in due time advise/inform his custodian bank according the notice of redemption.] [●]</p>
<b>[Last Trading Date]</b>	[●]
<b>[Final Fixing Date]</b>	[●]
<b>[Redemption Date/Date of Delivery]</b>	[●] [, prematurely possible, for the first time on [●]]
<b>Initial Fixing Value</b>	[●]
<b>[Final Fixing Value]</b>	[●]
<b>[Coupon Payment Dates/Payments]</b>	[●]
<b>[Observation Dates/Early Redemption Dates]</b>	[●]
<b>[Stop Loss Level]</b>	[●]
	<p>[The Structured Product will be redeemed prematurely if the Calculation Agent determines during the lifetime of the Product that the bid price of the Structured Product is below the Stop Loss Mark. In this case, the Calculation Agent shall dissolve the product in the interests of the customer. The actual selling price achieved for the Underlying is used to calculate the Redemption Amount. The Stop Loss Level is not a guaranteed Redemption. Especially in volatile markets, the Early Redemption price may deviate from the Stop Loss Level. Early Redemption takes place 5 working days after completion of the sale of the Underlying. The Investor is not obliged to make additional contributions.]]</p>
<b>[Certificate Value]</b>	[●]
<b>[Redemption Method]</b>	[●]
<b>Listing</b>	<p>[Application to list on the SIX Swiss Exchange will be filed, the first provisory Trading Date will be [●]]</p> <p>[The Structured Product shall not be listed on an official exchange. The Issuer shall provide a secondary market with a bid-ask spread of no more than [●] % under normal market conditions.]</p>

	[●]
<b>[Annual Fee]</b>	[[●]% The Annual Fee will be charged based on the value of the Structured Product and is pro rata temporis included in the trading price. Of the Annual Fee, the Issuer receives [●] % for the administration and the Investment Manager receives [●] % for the discretionary management of the Structured Product.]
	[●]
<b>[Performance Fee]</b>	[[●]% of the positive performance of the Underlying in favour of the Investment Manager. The Performance Fee is deducted on a daily basis, provided that the value of the Certificate is higher than the previous maximum price of the Certificate (high watermark).] [●]
<b>[Rebalancing Fee]</b>	[●]
<b>Clearing house</b>	[SIX SIS Ltd./Euroclear/Clearstream] [●]
<b>[Distribution Fees]</b>	[In the case of this Structured Product, [no] distribution fees will have been paid to one or more distributors in the form of a discount on the issue price, as compensation for part of the issue price or in the form of other one-time and/or periodic fees.]] [The sales compensation to distributors can be up to [●].] [●]
<b>[Distribution fees to partners outside the group]</b>	[No sales compensation is paid to non-group sales partners for this Structured Product.] [Distribution Fees are paid out to distribution partners of this Structured Product outside the group and may amount up to [●] p.a.]] [●]
<b>[Distribution fees to partners inside the group]</b>	[Distribution fees are paid out to the Lead Manager and may amount up to [●].] [●]
<b>[Sales: Tel [●]]</b>	[SIX Telekurs: .zkb Reuters: ZKBSTRUCT Internet: <a href="http://www.zkb.ch/strukturierteprodukte">www.zkb.ch/strukturierteprodukte</a> Bloomberg: ZKBY <go>] [●]
<b>[Essential Product Features]</b>	[●]
<b>Taxes</b>	[●]  The information above is a summary only of the Issuer's understanding of current law and practice in Switzerland relating to the taxation of Structured Products. The relevant tax law and practice may change. The Issuer does not assume any liability in connection with the above information. The tax information only provides a general overview and can not substitute the personal tax advice to the Investor.
<b>Documentation</b>	[This document is a non-binding English translation of the Endgültige Bedingungen (Final Terms) published in German and constituting the [indicative] Final Terms in accordance with article 21 of the Additional Rules for the Listing of Derivatives of the SIX Swiss Exchange. The English language translation is provided for convenience only.  The binding German version of these [indicative] Final Terms supplements the Base Prospectus approved by [SIX Swiss Exchange] published in German by the Issuer in the version

which is effective at the time of issue. [These [indicative] Final Terms constitute a simplified prospectus pursuant to article 5 para. 2 CISA in the version dated 1 March 2013.] Together with the Base Prospectus, these [indicative] Final Terms form the product documentation for this issue. Except as otherwise defined in these [indicative] Final Terms, capitalised terms used in these [indicative] Final Terms have the meaning given to them in the Base Prospectus. If there is any inconsistency between the information or provisions in these [indicative] Final Terms and those in the Base Prospectus, the information and provisions in these [indicative] Final Terms shall prevail. In the event of a listing of the Structured Products, the product documentation will be adapted, if and to the extent necessary, in accordance with the requirements of the relevant exchange. Structured Products will be issued in the form of uncertificated securities (*Wertrechte*) and registered as book-entry securities (*Bucheffekten*) with [●]. Investors have no right to require the issuance of any certificates or any proof of evidence for the Structured Products.

**These [indicative] Final Terms and the Base Prospectus can be ordered free of charge at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich, dept. VRIE, or by e-mail at [documentation@zkb.ch] [●] .] [●]**

## Information on the Underlying

[Information to be inserted.]

[Information on the performance of the Underlying / a component of the Underlying is publicly available on [www.bloomberg.com] [●]. [Current annual reports are published on the website of the respective business entity/Index Provider.] [The transfer of the Underlying / a component of the Underlying is conducted in accordance with their respective statutes.]] [The Underlying / a component of the Underlying may include a management fee.]

## Notices

[Any notice by the Issuer in connection with these Structured Products, in particular any notice in connection with modifications of the terms and conditions will be validly published on the website [https://zkb-finance.mdgms.com/products/stp/index.html] [●]. With the valor search function (Valorensuchfunktion) the relevant Structured Product can be located. [If this Structured Product is listed on the SIX Swiss Exchange, the notices will be published in accordance with the rules issued by the SIX Swiss Exchange for IBL (Internet Based Listing) on the website [https://www.six-exchange-regulation.com/en/home/publications/official-notices.html] [●].] [●]

## Governing Law / Jurisdiction

**Swiss law / Zurich**

[Insert further details of the product description, if applicable]

## 2. Profit and Loss Expectation at Maturity

### Profit and Loss Expectation at Maturity[/year 1]

[●]

[The table above is valid [●] and is by no means meant as a price indication for this Structured Product throughout its lifetime. During the term of this Structured Product additional risk factors may have a material effect on the value of the Structured Product. The price

quoted on the secondary market may deviate considerably from the above list. [It was assumed that in the table above [●] was the worst performing Underlying. This selection is just a representative example of the possible alternatives.] [For presentation purposes, it is assumed that the currency of the Underlying has not changed during the term.]]

### 3. Material Risks for Investors

#### Credit Risk relating to Issuer

[Obligations under these Structured Products constitute direct, unconditional and unsecured obligations of the Issuer and rank pari passu with other direct, unconditional and unsecured obligations of the Issuer. The value of the Structured Products does not only depend on the performance of the Underlying and other developments in the financial markets, but also on the solvency of the Issuer, which may change during the term of this Structured Product.] [●]

#### Specific Product Risks

[●]

### 4. Additional Terms

#### Modifications

[●]

#### [Change of Obligor

[●]]

#### Market Disruptions

[●]

#### [Risks related to the Underlying

[●]]

#### [Early Termination in Case of Change of Law

[●]]

#### [Substitution of Underlying

[●]]

#### Selling Restrictions

**The Selling Restrictions listed in the Base Prospectus apply - [EEA, U.S.A./U.S. persons, Guernsey] [●]. [●]**

#### Recording of Telephone conversations

Investors are reminded that telephone conversations with trading or sales units of Zürcher Kantonalbank are recorded. Investors, engaging in telephone conversations with these units provide their tacit consent to the recording of their conversations.

#### Further Information

This document constitutes neither an offer nor a recommendation or invitation to purchase financial instruments and can't replace the individual investor's own judgement. The information contained in this document does not constitute investment advice but is intended solely as a product description. An investment decision should in any case be made on the basis of these Final Terms and the Base Prospectus. Particularly, before entering into a transaction, the investor should, if necessary with the assistance of an advisor, examine the conditions for investment in the Product in consideration of his personal situation with regard to legal, regulatory, tax and other consequences. Only an investor who is aware of the risks of the transaction and has the financial capacity to bear any losses should enter into such transactions.



**[Insert further provisions, if applicable]**

**Material Changes**

[Since the end of the last financial year or the date of the interim financial statements, there have been no material changes in the assets, financial or revenue position of the Issuer [insert if Structured Products have been issued by Zürcher Kantonalbank Finance (Guernsey) Limited: and Zürcher Kantonalbank]]. [●]

**Responsibility for the Final Terms**

Zürcher Kantonalbank, Zurich, [insert if Structured Products have been issued by Zürcher Kantonalbank Finance (Guernsey) Limited: and Zürcher Kantonalbank Finance (Guernsey) Limited] assume[s] responsibility for the content of these Final Terms and hereby declare[s] that, to [its] [their] knowledge, the information contained in these Final Terms is correct and no material circumstances have been omitted.

THIS IS A NON-BINDING ENGLISH TRANSLATION OF THE ISSUERS' "MUSTER DER ENDGÜLTIGEN BEDINGUNGEN (FINAL TERMS) FÜR MINI-FUTURES" PUBLISHED IN GERMAN. THE GERMAN TEXT SHALL BE CONTROLLING AND BINDING. THE ENGLISH LANGUAGE TRANSLATION IS PROVIDED FOR CONVENIENCE ONLY.

# Template of the Final Terms for Mini-Futures

[NAME OF THE PRODUCT]

[Subscription period and Swiss Security Code] [●]

[Summary

*[Summary to be inserted]*

## 1. Product Specific Conditions and Product Description

<b>Product Category/Name</b>	Mini-Future certificates ([●]), in accordance to the Swiss Derivative Map provided by the Swiss Structured Products Association of [●])
<b>Regulatory Notification</b>	<b>This product does not constitute a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA) and is not subject to authorisation or supervision by the Swiss Financial Market Supervisory Authority FINMA. The issuer risk is borne by investors.</b>
<b>Key Features of the Product</b>	[Mini-Futures enable a greater participation in the price performance of the Underlying, in keeping with the leverage. Mini-Futures [Long][Short] benefit from [rising][falling] prices of the Underlying. Mini-Futures [Long][Short] do not have a fixed term, but have a Stop-Loss Level, which is adjusted daily or periodically. Upon reaching the Stop-Loss Level the Mini-Future [Long][Short] expires immediately and any realisable residual value is repaid to the Investor. A daily interest rate consisting of a Money Market Interest Rate and a Financing Spread is offset against the leveraged capital in the amount of the Financing Level provided by the Issuer. Any investment income from the Underlying will be deducted from the Financing Level.] [●]
<b>Issuer</b>	[Zürcher Kantonalbank, Zurich] [Zürcher Kantonalbank Finance (Guernsey) Limited, Saint Peter Port, Guernsey Zürcher Kantonalbank Finance (Guernsey) Limited is a 100% and fully consolidated Group Company of Zürcher Kantonalbank. Zürcher Kantonalbank Finance (Guernsey) Limited is not directly subject to prudential supervision in Guernsey or Switzerland and has no rating.]
<b>[Keep-Well Agreement]</b>	Zürcher Kantonalbank Finance (Guernsey) Limited is a 100% subsidiary of the Zürcher Kantonalbank. Zürcher Kantonalbank has the following three ratings: Standard & Poors [●], Moody's [●], Fitch [●]. Zürcher Kantonalbank is obliged at all times to provide Zürcher Kantonalbank Finance (Guernsey) Limited with sufficient financial resources to enable it to satisfy the claims of creditors in a timely manner at all times. The entire wording of the Keep-Well Agreement, which is subject to Swiss law, can be found under Annex [●] of the publicly available Base Prospectus.]

<b>[Rating of the Issuer</b>	Standard & Poor's [●], Moody's [●], Fitch [●]
<b>[Paying Agent, Exercise Agent and Calculation Agent]</b>	[Zürcher Kantonalbank, Zurich] [●]
<b>[Symbol/]Swiss Security Code /ISIN</b>	[●] [(not listed)]/[●]
<b>Underlying</b>	[●]
<b>Underlying's Spot Reference Price</b>	[●]
<b>Ratio</b>	[●]
<b>Reference Currency</b>	[●]
<b>Issue Price</b>	[●]
<b>Issue Volume</b>	[Up to [●] Mini-Futures, with the right to increase] [●]
<b>Financing Level at Initial Fixing</b>	[●]
<b>Stop-Loss Level at Initial Fixing</b>	[●]
<b>Initial Fixing Date</b>	[●]
<b>First Trading Date</b>	[●]
<b>[Issue Date/Payment Date]</b>	[●]
<b>Duration</b>	Open End
<b>Initial Financing Spread</b>	[●]%
<b>Maximum Financing Spread</b>	[●]%
<b>Initial Stop-Loss Buffer</b>	[●]%
<b>Maximum Stop-Loss Buffer</b>	[●]%
<b>Rounding of Financing Level</b>	[●]
<b>Rounding of Stop-Loss Level</b>	[●]
<b>Observation Period</b>	Continuous monitoring from Initial Fixing
<b>Initial Leverage</b>	[●] (Spot Reference Price of the Underlying, multiplied by FX rate, divided by Ratio, divided by Issue Price)
<b>Current Financing Level</b>	<p>At the end of each adjustment day, the Financing Level is adjusted by offsetting the interest and debiting any investment income of the Underlying. The Current Financing Level is determined by the Calculation Agent using the following formula:</p> <p>[●]</p> <p>The result of the calculation is rounded [up][down] to the nearest multiple according to the rounding of the Financing Level.</p>
<b>Adjustment Dates</b>	[Every trading day of the Mini-Future] [●]

<b>Trading and Execution Units</b>	[●] Mini-Future/s or a multiple thereof
<b>Money Market Interest Rate</b>	[The current Money Market Interest Rate determined by the Calculation Agent for overnight deposits in [●][●].] [●]
<b>Financing Spread</b>	[Value determined by the Calculation Agent on each Adjustment Day which is at least zero and at most equals to the Maximum Financing Spread.] [●]
<b>Stop-Loss Event</b>	[A Stop-Loss Event occurs, if the price of the Underlying touches or [falls below][exceeds] the Current Stop-Loss Level during the Underlying's trading hours. In this case, the Mini-Futures are considered automatically exercised and expired.] [●]
<b>Current Stop-Loss Level</b>	<p>The Current Stop-Loss Level is determined by the Calculation Agent on each Stop-Loss Level Fixing Date after the Financing Level has been adjusted, according to the following formula:</p> <p>[●]</p> <p>The result of the calculation is rounded [up][down] to the next multiple of the rounding of the Stop-Loss Level.</p>
<b>Stop-Loss Level Fixing Dates</b>	[Each first banking day of the month, each ex-dividend day of the Underlying and, at the discretion of the Issuer, each banking day on which the Issuer deems it necessary to adjust the Stop-Loss Level.] [●]
<b>Stop-Loss Buffer</b>	[A value determined by the Calculation Agent on each Stop-Loss Level Fixation Day that is equal to or greater than zero and equal to or less than the Maximum Stop-Loss Buffer.] [●]
<b>Stop-Loss Liquidation Price</b>	[A price for the relevant Underlying determined by the Payment Agent and Calculation Agent within a period of one hour during the trading hours of the Certificate following the occurrence of the Stop-Loss Event. If a Stop-Loss Event occurs less than one hour before the end of any trading period, the period will be extended to the next trading day. The Stop-Loss Liquidation Price may deviate significantly from the Stop-Loss Level.] [●]
<b>Investor Put Option</b>	[From the first trading day of the Mini-Futures, the investor has the right to exercise his Mini-Futures on this and any subsequent trading day - subject to the occurrence of a stop-loss event - or to demand payment of the corresponding redemption amount. The corresponding written exercise declaration must be received by the exercise office by 11.00 a.m. CET at the latest.] [●]
<b>Issuer Call Option</b>	[The Issuer is entitled at any time, without giving reasons, to cancel unexercised Mini-Futures, for the first time 3 months after provisory trade approval at SIX Swiss Exchange.] [●]
<b>Final Fixing Date</b>	[The trading day on which a Stop-Loss Event occurs, the Mini-Futures are cancelled by the Issuer or exercised by the investor. The occurrence of a Stop-Loss Event takes precedence over termination or exercise.] [●]
<b>Redemption Amount on Exercise, Termination or Stop-Loss Event</b>	Per Mini-Future, an amount calculated according to the following formula in the Reference Currency will be paid out upon the

occurrence of a Stop-Loss Event, upon exercise by the investor or upon redemption by the Issuer:

[●]

The repayment will be paid five trading days after the Final Fixing Day.

## **Listing**

[Application to list on the SIX Swiss Exchange will be filed, the first provisory trading day will be [●]]

[The product is not listed on a recognised stock exchange. The Issuer offers a secondary market with a maximum bid-ask spread of [●] under normal market conditions.]

[●]

## **[Secondary market/Tradability]**

[The Issuer intends (without legal obligation), under normal market conditions, to constantly provide indicative bid and offer prices for this Product during continuous trading. Actual bid/offer prices are available on <https://zkb-finance.mdgms.com/products/warrants/index.html> and on SIX Swiss Exchange.] [●]

## **Clearing Agent**

[SIX SIS Ltd./Euroclear/Clearstream] [●]

## **[Sales: Tel [●]]**

[SIX Telekurs: .zkb Reuters: ZKBWTS  
Internet: [www.zkb.ch/strukturierteprodukte](http://www.zkb.ch/strukturierteprodukte)  
Bloomberg: ZKBW <go>] [●]

## **Taxes**

[Any profits or losses arising from Mini-Futures are considered capital gains or losses for private investors domiciled in Switzerland for tax purposes and are therefore not subject to income tax. The product is not subject to federal withholding tax. The product may be subject to further withholding taxes or duties, in particular under the rules of FATCA or Sect. 871(m) U.S. Tax Code or foreign financial transaction taxes. All payments from this product are made after deduction of any withholding taxes and levies.] [●]

The information above is a summary only of the Issuer's understanding of current law and practice in Switzerland relating to the taxation of derivatives. The relevant tax law and practice may change. The Issuer does not assume any liability in connection with the above information. The tax information only provides a general overview and can not substitute the personal tax advice to the investor.

## **Documentation**

[This document is a non-binding English translation of the Endgültige Bedingungen (Final Terms) published in German and constituting the [indicative] Final Terms in accordance with article 21 of the Additional Rules for the Listing of Derivatives of the SIX Swiss Exchange. The English language translation is provided for convenience only.]

The binding German version of these [indicative] Final Terms supplements the Base Prospectus of the Issuer approved by [SIX Swiss Exchange] published in German in the version which is effective at the time of issue. [These [indicative] Final Terms constitute a simplified prospectus pursuant to article 5 para. 2 CISA in the version dated 1 March 2013.] Together with the Base Prospectus, these [indicative] Final Terms form the product

documentation for this issue. Except as otherwise defined in these [indicative] Final Terms, capitalised terms used in these [indicative] Final Terms have the meaning given to them in the Base Prospectus. In case of discrepancies between information or the provisions in these [indicative] Final Terms and those in the Base Prospectus, the information and provisions in these [indicative] Final Terms shall prevail. In the event of a listing of the Mini-Futures, the product documentation will be adapted, if and to the extent necessary, in accordance with the requirements of the relevant exchange. Mini-Futures will be issued in the form of uncertificated securities (*Wertrechte*) and registered as book-entry securities (*Bucheffekten*) with [●]. Investors have no right to require the issuance of any certificates or any proof of evidence for the Structured Products.

**These [indicative] Final Terms and the Base Prospectus can be ordered free of charge at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich, dept. VRIE, or by e-mail at [documentation@zkb.ch][●].**

#### Information on the Underlying

[Information to be inserted.]

[Information on the performance of the Underlying is publicly available on [www.bloomberg.com][●]. Current annual reports are published on the website of the respective index provider.]

#### Notifications

Any notice by the Issuer in connection with these Mini-Futures, in particular any notice in connection with modifications of the terms and conditions will be validly published on the website [https://zkb-finance.mdgms.com/products/warrants/index.html] [●] to the corresponding product. The Swiss security code search button will lead you directly to the relevant product. The notices will be published in accordance with the rules issued by SIX Swiss Exchange for IBL (Internet Based Listing) on the website [https://www.six-exchange-regulation.com/de/home/publications/official-notices.html] [●].

#### Governing Law/Jurisdiction

**Swiss Law/Zurich**

**[Insert further details of the product description, if applicable]**

## 2. Profit and Loss Expectation at Maturity

#### Profit and Loss Expectation at Maturity[/year 1]

[●]

[[LONG][SHORT] Mini-Futures offer the opportunity to benefit disproportionately from a positive/negative performance of the Underlying. The profit outlook [LONG][SHORT] Mini-Futures is basically unlimited. The potential loss of [LONG][SHORT] Mini-Futures is limited to the capital invested.

Mini-Futures are Derivatives whose risk is correspondingly greater than the risk of the Underlying due to the leverage effect.

In the event of a Stop-Loss Event, the actual execution price of the closing out of the Mini-Future may diverge sharply from the Current Stop-Loss Level, which is only to be seen as the trigger of a

Stop-Loss Event, not as an actual indication of the Redemption Amount of the certificate that can be effectively reached.]

### 3. Material Risks for Investors

#### Credit Risk relating to Issuer

[Obligations under these Derivatives constitute direct, unconditional and unsecured obligations of the Issuer and rank pari passu with other direct, unconditional and unsecured obligations of the Issuer. The value of the Derivatives does not only depend on the performance of the Underlying and other developments in the financial markets, but also on the solvency of the Issuer, which may change during the term of this Series of Derivatives.] [●]

#### Specific Product Risks

[Mini-Futures involve the risk of losing the entire capital initially paid (the Issue Price). They are meant only for experienced investors who understand the associated risks and can bear them. [LONG][SHORT] Mini-Futures do not generate continuous income; Mini-Futures generally lose value if there is no price [increase][decrease] of the Underlying or if the price of the Underlying remains constant. Mini-Futures are investment products whose risk is greater than a direct investment in the Underlying due to the Leverage effect.] [●]

### 4. Additional Terms

#### Modifications

[●]

#### Market Disruptions

[●]

#### Selling Restrictions

**The Selling Restrictions listed in the Base Prospectus apply - [EEA, U.S.A./U.S. persons, United Kingdom] [●]**

#### Recording of Telephone conversations

Investors are reminded, that telephone conversations with trading or sales units of the Zürcher Kantonalbank are recorded. Investors, who have telephone conversations with these units consent tacitly to the recording.

#### Further Information

This document constitutes neither an offer nor a recommendation or invitation to purchase financial instruments and can't replace the individual investor's own judgement. The information contained in this document does not constitute investment advice but is intended solely as a product description. An investment decision should in any case be made on the basis of these Final Terms and the Base Prospectus. Particularly, before entering into a transaction, the investor should, if necessary with the assistance of an advisor, examine the conditions for investment in the Product in consideration of his personal situation with regard to legal, regulatory, tax and other consequences. Only an investor who is aware of the risks of the transaction and has the financial capacity to bear any losses should enter into such transactions.

### Material Changes

**[Since the end of the last financial year or the date of the interim financial statements, there have been no material changes in the assets, financial or revenue position of the Issuer [insert if**



**Structured Products have been issued by Zürcher Kantonalbank Finance (Guernsey) Limited: and Zürcher Kantonalbank]]. [●]Responsibility for the Final Terms**

Zürcher Kantonalbank, Zurich, [insert if Mini-Futures have been issued by Zürcher Kantonalbank Finance (Guernsey) Limited: and Zürcher Kantonalbank Finance (Guernsey) Limited] assume[s] responsibility for the content of these Final Terms and hereby declare[s] that, to [its] [their] knowledge, the information contained in these Final Terms is correct and no material circumstances have been omitted.

THIS IS A NON-BINDING ENGLISH TRANSLATION OF THE ISSUERS' "MUSTER DER ENDGÜLTIGEN BEDINGUNGEN (FINAL TERMS) FÜR WARRANTS (INKL. KNOCK-OUT WARRANTS)" PUBLISHED IN GERMAN. THE GERMAN TEXT SHALL BE CONTROLLING AND BINDING. THE ENGLISH LANGUAGE TRANSLATION IS PROVIDED FOR CONVENIENCE ONLY.

# Template of the Final Terms

## for Warrants (incl. Knock-out Warrants)

[NAME OF THE PRODUCT]

[Subscription period and Swiss Security Code] [●]

[Summary

*[Summary to be inserted]*]

### 1. Product Specific Conditions and Product Description

<b>Product Category/Name</b>	[Warrant]/[Warrant with Knock-Out]/[●], in accordance to the Swiss Derivative Map provided by the Swiss Structured Products Association of [●]
<b>Regulatory Notification</b>	<b>This product does not constitute a collective investment scheme within the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA) and is not subject to authorisation or supervision by the Swiss Financial Market Supervisory Authority FINMA. The issuer risk is borne by investors.</b>
<b>Key Elements of the Product</b>	<p>[The Investor benefits both from a [rising]] [falling] Underlying and [marginally] from the rising volatility of the Underlying. [The investor has the right (not the obligation) to [buy (call)] [sell (put)] the Underlying against payment of the Exercise Price [during the exercise period (American)] [on expiration date (European)].</p> <p>Warrants are appropriate for Investors with a high risk tolerance who invest the Issue Price in order to speculate on the future performance of the Underlying or to hedge a portfolio against market fluctuations. Due to the Leverage, the potential return from the amount invested is disproportionately higher than a direct investment in the Underlying. [Knock-out warrants are similar to Warrants with no Knock-Out feature. If during the life time of the Knock-Out Warrant the Underlying lies at or [below] [above] the Knock-out Price, the Warrant expires worthless.]] [●]</p>
<b>Issuer</b>	[Zürcher Kantonalbank, Zurich] [Zürcher Kantonalbank Finance (Guernsey) Limited, Saint Peter Port, Guernsey] Zürich Kantonalbank Finance (Guernsey) Limited is a 100% and fully consolidated Group Company of Zürcher Kantonalbank. Zürcher Kantonalbank Finance (Guernsey) Limited is not directly subject to prudential supervision in Guernsey or Switzerland and has no rating.]
<b>[Keep-Well Agreement]</b>	Zürcher Kantonalbank Finance (Guernsey) Limited is a 100% subsidiary of the Zürcher Kantonalbank. Zürcher Kantonalbank has the following three ratings: Standard & Pools [●], Moody's [●], Fitch [●]. Zürich Kantonalbank is

obliged at all times to provide Zürcher Kantonalbank Finance (Guernsey) Limited with sufficient financial resources to enable it to satisfy the claims of creditors in a timely manner at all times. The entire wording of the Keep-Well Agreement, which is subject to Swiss law, can be found under Annex [●] of the publicly available Base Prospectus.]

<b>[Rating of the Issuer]</b>	Standard & Poor's [●], Moody's [●], Fitch [●]
<b>[Paying Agent, Exercise Agent and Calculation Agent]</b>	[Zürcher Kantonalbank, Zurich] [●]
<b>[Symbol/]Swiss Security Code /ISIN</b>	[●] [(not listed)]/[●]
<b>Number of Warrants/Trading Units</b>	[Up to [●] Warrants, with the right to increase/1 Warrant or a multiple thereof] [●]
<b>[Minimum Exercise Amount]</b>	[●] Warrant(s) or a multiple thereof]
<b>Exercise Price</b>	[●]
<b>[Knock-out Price]</b>	[●]
<b>Currency</b>	[●]
<b>Underlying</b>	[●]
<b>Ratio</b>	[●]
<b>Issue Price</b>	[●]
<b>[Reference Price of the Underlying]</b>	[●]
<b>Implied Volatility</b>	[●]%
<b>Exercise Style [/ Option Type]</b>	[●]
<b>[Exercise Right]</b>	<p>[A number of Warrants (determined by the ratio) entitles to purchase/to sale 1 Underlying at the strike price. Payments/deliveries are due 5 bank working days after the exercise date. If the exercise is suspended, the investor will receive a cash value. The exercise of the Warrants shall be made through the custodian bank.</p> <p>Exercise Agent: Zürcher Kantonalbank, Asset Servicing, P.O. Box, 8010 Zurich, Tel.: +41 44 292 98 94, E-Mail: corporateactions@zkb.ch] [●]</p>
<b>[Exercise Period]</b>	[●]
<b>Type of Settlement</b>	[Cash Settlement][Physical Delivery] [●]
<b>[Premium]</b>	<p>[●] % ([●] % p.a.)</p> <p>The premium indicates how much the Underlying's price must rise/fall until expiry for the investment to break-even.]</p>
<b>[Initial Leverage]</b>	[●] (Reference price Underlying, divided by Ratio, divided by Issue Price)]

<b>[Issue Date/Payment Date]</b>	[●]
<b>[Termination Right of the Issuer]</b>	[Right of the issuer to terminate the outstanding Warrants monthly at the end of the month (Exercise Date) with a notice period of 5 bank working days without giving reasons for repayment. The information to the holders of the Warrants will be published on the official publication channel of the SIX Swiss Exchange.] [●]
<b>Listing</b>	<p>[Application to list on the SIX Swiss Exchange will be filed, the first provisory trading day is [●]]</p> <p>[The product is not listed on a recognised stock exchange. The Issuer offers a secondary market with a maximum bid-ask spread of [●] under normal market conditions.]</p> <p>[●]</p>
<b>Expiry Date</b>	[●]
<b>Last Trading Date</b>	[●]
<b>Clearing house</b>	[SIX SIS Ltd./Euroclear/Clearstream] [●]
<b>Taxes</b>	<p>[For private investors with tax domicile in Switzerland, the income from the product is generally treated as tax-free capital gains. No federal withholding tax is levied. Warrants are not subject to the Federal Turnover Tax in the secondary market. [The Federal Turnover Tax is levied on a possible delivery of the Underlying. The Product may be subject to further withholding taxes or duties, in particular under the rules of FATCA or Section 871(m) U.S. Tax Code or foreign financial transaction taxes. All payments under this Product will be made after deduction of any applicable withholding taxes and duties.] [●]</p> <p>The information above is a summary only of the Issuer's understanding of current law and practice in Switzerland relating to the taxation of this series of Derivatives. The relevant tax law and practice may change. The Issuer does not assume any liability in connection with the above information. This general information cannot replace the individual investor's consultation with their own tax advisors.</p>
<b>Documentation</b>	<p>[This document is a non-binding English translation of the Endgültige Bedingungen (Final Terms) published in German and constituting the [indicative] Final Terms in accordance with article 21 of the Additional Rules for the Listing of Derivatives of the SIX Swiss Exchange. The English language translation is provided for convenience only.</p> <p>The binding German version of these [indicative] Final Terms supplements the Base Prospectus approved by [SIX Swiss Exchange] published in German by the Issuer in the version which is effective at the time of issue. [These [indicative] Final Terms constitute a simplified prospectus pursuant to article 5 para. 2 CISA in the version dated 1 March 2013.] Together with the Base Prospectus, these [indicative] Final Terms form the product documentation</p>

for this issue. Except as otherwise defined in these [indicative] Final Terms, capitalised terms used in these [indicative] Final Terms have the meaning given to them in the Base Prospectus. In case of discrepancies between information or the provisions in these [indicative] Final Terms and those in the Base Prospectus, the information and provisions in these [indicative] Final Terms shall prevail. In the event of a listing of the Warrants, the product documentation will be adapted, if and to the extent necessary, in accordance with the requirements of the relevant exchange. Warrants will be issued in the form of uncertificated securities (*Wertrechte*) and registered as book-entry securities (*Bucheffekten*) with [●]. Investors have no right to require the issuance of any certificates or any proof of evidence for the Structured Products.

**These [indicative] Final Terms and the Base Prospectus can be ordered free of charge at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich, dept. VRIE, or by e-mail at [documentation@zkb.ch] [●] .] [●]**

## Information on the Underlying

[Information to be inserted.]

[Information on the performance of the Underlying is publicly available on [www.bloomberg.com] [●]. [Current annual reports are published on the website of the respective business entity/index provider. [The transferability of the Underlying is conducted in accordance with its respective statutes.]]

## Notices

[Any notice by the Issuer in connection with this series of Warrants, in particular any notice in connection with modifications of the terms and conditions will be validly published on the website [https://zkb-finance.mdgms.com/products/warrants/index.html] [●]. The Swiss security code search button will lead you directly to the relevant Warrant. [The notices will be published in accordance with the rules issued by SIX Swiss Exchange for IBL (Internet Based Listing) on the website [https://www.six-exchange-regulation.com/en/home/publications/official-notices.html] [●].] [●]

## Governing Law / Jurisdiction

**Swiss Law / Zurich**

**[Insert further details of the product description, if applicable]**

## 2. Profit and Loss Expectation at Maturity

### Profit and Loss Expectation at Maturity[/year 1]

[●]

[Warrants provide an opportunity to profit from changes in the Underlying asset through leverage effect.

[Profit Expectations for Call Warrants are basically unlimited] [The Profit Prospects are limited for Put Warrants and are reached when the price of the Underlying falls to zero.] Loss Expectations are limited to the invested capital.

The value of a Warrant changes more than the value of the Underlying, owing to the leverage effect. The value of a Call/Put Warrant generally falls as the price of the Underlying falls/rises. The value of a Warrant can fall even if the value of the Underlying remains unchanged, because of a lower time value or an unfavourable shift in supply and demand.]

### 3. Material Risks for Investors

#### Issuer Risk

[Obligations under this Warrant constitute direct, unconditional and unsecured obligations of the Issuer and rank pari passu with other direct, unconditional and unsecured obligations of the Issuer. The value of a Warrant depends not only on the performance of the Underlying asset and other developments in the financial markets, but also on the solvency of the Issuer, which may change during the term of these Warrants.] [●]

#### Specific Product Risks

[Warrants entail the risk to lose the initial capital (Issue Price) entirely. They are only suitable for investors who have the requisite knowledge and experience and understand thoroughly the risks connected with an investment in these Warrants and are capable of bearing the economic risks.  
If the Warrants are in a different Currency to that of the Underlying, the investor shall bear all exchange rate risks between the product Currency and the Currency of the Underlying. Warrants do not generate continuous income. If the price of the Underlying rises/falls and/or there is a decrease in volatility, a Call/Put-Warrant usually drops in value and becomes worthless when it expires at the end of its term. The maximum risk is therefore the loss of the amount invested.] [●]

### 4. Additional Terms

#### Modifications

[●]

#### Market Disruptions

[●]

#### Selling Restrictions

**The Selling Restrictions listed in the Base Prospectus apply - [EEA, U.S.A./U.S. persons, Guernsey]. [●]**

#### [Sales: Tel [●]

[SIX Telekurs: .zkb Reuters: ZKBWTS  
Internet: www.zkb.ch/strukturierteprodukte  
Bloomberg: ZKBW <go>] [●]

#### Recording of Telephone conversations

Investors are reminded, that telephone conversations with trading or sales units of the Zürcher Kantonalbank are recorded. Investors, who have telephone conversations with these units consent tacitly to the recording.

#### Further Information

This document constitutes neither an offer nor a recommendation or invitation to purchase financial instruments and can't replace the individual investor's own judgement. The information contained in this document does not constitute investment advice but is intended solely as a product description. An investment decision should in any case be

made on the basis of these Final Terms and the Base Prospectus. Particularly, before entering into a transaction, the investor should, if necessary with the assistance of an advisor, examine the conditions for investment in the Product in consideration of his personal situation with regard to legal, regulatory, tax and other consequences. Only an investor who is aware of the risks of the transaction and has the financial capacity to bear any losses should enter into such transactions.

**[Insert further provisions, if applicable]**

**Material Changes**

[Since the end of the last financial year or the date of the interim financial statements, there have been no material changes in the assets, financial or revenue position of the Issuer [insert if Structured Products have been issued by Zürcher Kantonalbank Finance (Guernsey) Limited: and Zürcher Kantonalbank]]. [●]

**Responsibility for the Final Terms**

Zürcher Kantonalbank, Zurich, [insert if Warrants have been issued by Zürcher Kantonalbank Finance (Guernsey) Limited: and Zürcher Kantonalbank Finance (Guernsey) Limited] assume[s] responsibility for the content of these Final Terms and hereby declare[s] that, to [its] [their] knowledge, the information contained in these Final Terms is correct and no material circumstances have been omitted.



**KEEP-WELL AGREEMENT BETWEEN ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FI-  
NANCE (GUERNSEY) LIMITED**

*[Attached as separate document]*

# KEEP-WELL AGREEMENT

Agreement dated: May 31, 2010 (this Agreement shall entirely replace the previous Agreement dated as of May 2, 2001) between Zürcher Kantonalbank (the Parent) and Zürcher Kantonalbank Finance (Guernsey) Limited (the Subsidiary).

WHEREAS the Parent owns directly all the capital stock of the Subsidiary and

WHEREAS the Subsidiary plans to incur indebtedness, liabilities and obligations to third parties from time to time for interest rate and currency swap transactions as well as for other financial transactions including but not limited to structured products such as «RUNNERS» and «PROTEINS» and others (all such forms of indebtedness, liabilities and obligations being herein referred to as «Debt»).

NOW, THEREFORE the Subsidiary and the Parent agree as follows:

1. Stock ownership of the Subsidiary. As long as there is any Debt outstanding, the Parent shall directly or indirectly own and hold the legal title to and beneficial interest in all the outstanding shares of stock of the Subsidiary having the right to vote for the election of members of the Board of Directors of the Subsidiary and will not directly or indirectly pledge or in any other way encumber or otherwise dispose of any such shares of stock, unless required to dispose of any or all such shares of stock pursuant to a court decree or order of any government authority which, in the opinion of counsel to the Subsidiary, may not be successfully challenged.

2. Maintenance of a liquidity reserve designated for fulfillment of payment obligations on Debt issued under any law other than German law. The Parent agrees that it shall cause the Subsidiary to maintain a liquidity reserve designated for payment obligations on Debt issued under any law other than German law of at least CHF 1'000'000.00 (Swiss Francs one million) or its equivalent in any other currency, at all times. If the Subsidiary at any time will run short of cash or other liquid assets to meet any payment obligation on its Debt issued under any law other than German law then or subsequently to mature and shall have insufficient unused commitments then the Subsidiary will promptly notify the Parent of the Shortfall and the Parent will make available to the Subsidiary, before the due date of any such payment obligation, funds sufficient to enable it to fulfil any such payment obligation in full as it falls due. The Subsidiary will use the funds made available to it by the Parent solely for the payment at maturity of its Debt issuance under any law other than German law.

3. Waiver. The Parent hereby waives any failure or delay on the part of the Subsidiary in asserting or enforcing any of its rights or in making any claims or demands hereunder.

4. Not a guarantee. This Agreement is not, and nothing herein contained and nothing done pursuant hereto by the Parent shall be deemed to constitute a guarantee, direct or indirect, by the Parent of any Debt or other obligation arising out of a swap or other transaction, indebtedness and liability, of any kind or character whatsoever, of the Subsidiary.

The Subsidiary has undertaken that, whenever it incurs any Debt, it will in advance in the documentation for the borrowing directed to note holders or other lenders properly refer to this agreement and in particular include information substantially in accordance with Schedule I hereto.

5. Modification amendment or termination. This Agreement may be modified, amended or terminated only by the written agreement of the Parent and the Subsidiary, provided, however, that no such modification, amendment or termination shall have any adverse effect upon any holder of any Debt of the Subsidiary outstanding at the time of such modification, amendment or termination. The Parent and the Subsidiary agree that they shall give written notice to each statistical rating agency that has issued a rating in respect of the Subsidiary or any of its obligations, at least 30 days prior to making any modification, amendment or termination of this Agreement.

6. Bankruptcy, liquidation or moratorium. Any rights or obligations which either of the parties has under this Agreement will remain valid and binding notwithstanding any bankruptcy or liquidation of, or moratorium involving, the Subsidiary.

7. Successors. The agreements herein set forth shall be mutually binding upon, and inure to the mutual benefit of, the Parent and the Subsidiary and their respective successors.

8. Governing law. This Agreement shall be governed by **the laws of Switzerland**.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers hereunto duly authorised as of the day and year first above written.

Zürcher Kantonalbank, Zürich

Dr. Philipp Halbherr  
Head Investment Banking

Christoph Theler  
Deputy Head Investment Banking

Zürcher Kantonalbank Finance (Guernsey) Limited, St. Peter Port

Dr. Stephanino Isele  
Chairman

Beat Gabathuler  
Vice-Chairman

General

The Subsidiary is directly wholly owned Subsidiary of the Parent.

Keep-Well Agreement

The Subsidiary and the Parent have entered into a keep-well agreement dated as of May 31, 2010 (the «Keep-Well Agreement») and governed by the laws of Switzerland. The following is a summary of certain of the terms of the Keep-Well Agreement, a copy of which is available for inspection in connection the prospectus of any issued structured products and/or Debt.

(i) The Parent will own, directly or indirectly, all the outstanding capital stock of the Subsidiary so long as the Subsidiary has any indebtedness, liabilities or obligations for interest rate or currency swap transactions or for other financial transactions entered into by the Subsidiary with parties other than the Parent (all such forms of indebtedness, liabilities and obligations herein being referred to as «Debt»).

(ii) The Parent agrees that it shall cause the Subsidiary to maintain a liquidity reserve designated for payment obligations on Debt issued under any law other than German law of at least CHF 1'000'000.00 (Swiss Francs one million) or its equivalent in another currency, at all times.

(iii) If the Subsidiary at any time will run short of cash or other liquid assets to meet any payment obligation on its Debt issued under any law other than German law then or subsequently to mature and shall have insufficient unused commitments then the Subsidiary will promptly notify the Parent of the shortfall and the Parent will make available to the Subsidiary, before the due date of any such payment obligation, funds sufficient to enable it to fulfil any such payment obligation in full as it falls due. The Subsidiary will use the funds made available to it by the Parent solely for the payment at maturity of its Debt issuance under any law other German law.

The Keep-Well Agreement provides that it may be modified, amended or terminated by the written agreement of Parent and Subsidiary at any time, provided, however, that no such modification, amendment or termination shall have any adverse effect upon any holder of any Debt of the Subsidiary outstanding at the time of such modification, amendment or termination.

The Parent and the Subsidiary have agreed that they shall give written notice to each statistical rating agency that has issued a rating in respect of the Subsidiary or any of its obligations, at least 30 days prior to making any modification, amendment or termination of the Keep-Well Agreement.

The Keep-Well Agreement is not a guarantee by the Parent of the payment of any indebtedness, liability or obligation of the Subsidiary. Holders of notes or other Debt are not parties to the Keep-Well Agreement. The only parties to the Keep-Well Agreement are the Subsidiary and the Parent. Consequently, the Keep-Well Agreement does not confer to any note holders or holders of other Debt any rights or claims against the Parent. The Keep-Well Agreement will not be enforceable against the Parent by anyone other than the Subsidiary (and/or its liquidator or administrator in the event of bankruptcy or, as the case may be, moratorium). In the event of a breach by the Parent in performing a provision of the Keep-Well Agreement and of the Insolvency of the Subsidiary while any notes or other Debt were outstanding, the remedies of note holders or holders of other Debt could include the acceleration of the Debt (if it has not already matured) and (if the Debt remained unpaid or unless such a proceeding had already been commenced by another creditor for the Subsidiary) the filing as a creditor of the Subsidiary of a petition for the winding-up of the Subsidiary, with a view to the liquidator (appointed by the competent court) pursuing the Subsidiary's rights under the Keep-Well Agreement against the Parent. The granting of a winding-up order would be in the discretion of the court and might be delayed

by the grant of a moratorium order, in which event the Subsidiary's rights against the Parent would be exercisable by the court-appointed administrator and the managing directors of the Subsidiary jointly.

Financial and other information concerning the Parent is provided for background purposes only in view of the importance to the Subsidiary of the Keep-Well Agreement: it should not be treated as implying that the Keep-Well Agreement can be viewed as a guarantee.

## DEFINITIONS

*The following definitions are applicable to all Securities issued under the Base Prospectus and shall be read in conjunction with the Terms and Conditions of the Securities, including the relevant Final Terms related to the relevant Securities. Definitions used in the Final Terms, but not defined or not defined otherwise herein, shall have the meaning given to them in the Final Terms. If a term is neither defined herein nor in the Final Terms, it shall have the meaning in relation to the relevant Securities that corresponds to standard market practice taking into account the concrete features of the relevant Securities.*

**"2020/2021 Registration Document"** means the Registration Document dated 15 April 2020 for Debt Instruments (excluding Derivatives) and for Derivatives of Zürcher Kantonalbank and Zürcher Kantonalbank (Guernsey) Limited (as supplemented from time to time).

**"871(m)"** means U.S. Internal Revenue Code Section 871(m) and any regulations or guidance promulgated thereunder.

**"Additional Terms"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Affiliate"** means an entity that is controlled, directly or indirectly, by Zürcher Kantonalbank, any entity that controls, directly or indirectly, Zürcher Kantonalbank or any entity directly or indirectly under common control with Zürcher Kantonalbank. For this purpose "control" means ownership of a majority of the voting power of the entity or Zürcher Kantonalbank.

**"Agent(s)"** means the Calculation Agent, the Paying Agent or any other agent appointed by the relevant Issuer as specified in the relevant Final Terms, or all of them together, subject to a replacement or termination of appointment in accordance with section *"Information on the Securities and the Offering–General Terms of the Securities–Agents–Replacement and termination of appointment"*.

**"American Style"** or **"American"** means a warrant which gives the holder the right, but not the obligation, to buy from the relevant Issuer (**"Call Option"**) or sell to the relevant Issuer (**"Put Option"**) a specified quantity of a specific Underlying during the term of the warrant up to a specified time at an agreed price (**"Exercise Price"**). If the Terms and Conditions of the Securities provide for Cash Settlement, the closing price of the Underlying on the Exercise Date is relevant for the determination of the Cash Settlement Amount.

**"Base Prospectus"** has the meaning ascribed to it on the first page of the Base Prospectus.

**"Basket"** means in respect of any Underlying, the basket such Underlyings, as specified in the relevant Final Terms, subject to adjustments.

**"Basket Component(s)"** means the component or components of the Basket which may vary during the lifetime of the Securities in accordance with the terms and conditions set out in the relevant Final Terms and this Base Prospectus.

**"Bloomberg"** means Bloomberg Limited Partnership (and any successor thereto).

**"Borrowing Entity"** means the Issuer or any Affiliate(s) of the Issuer or any other entity (or entities) acting on behalf of the Issuer engaged in any borrowing or other transactions in respect of the Issuer's obligations under or in connection with the Securities.

**"Breakage Costs"** means the amount of losses or costs of the relevant Issuer or any of its Affiliates that are or would be incurred in (a) terminating any hedging arrangement or in replacing or (b) providing the relevant Issuer the economic equivalent of the material terms that the relevant Issuer would have had under the Securities but for the occurrence of the relevant event that led to the early termination of the Securities.

**"Business Day"** means in connection with any payment procedure (a) a day on which foreign exchange markets settle payments in the Settlement Currency; (b) if the payment procedure relates to a payment in euro, any day on which TARGET2 (the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 or any successor

thereto) is open; and (c) any other day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are generally open to settle payments in Zurich.

**"Business Day Convention"** means the business day convention specified in the relevant Final Terms (if any) and further described in section *"Information on the Securities and the Offering—General Terms of the Securities—Business Day Convention"*.

**"Calculation Agent"** means the person specified as calculation agent in the relevant Final Terms.

**"Cash Settlement"** means the redemption of the Securities by means of a payment in cash.

**"Cash Settlement Amount"** means the amount defined as such in the Final Terms, expressed as fixed amount, as percentage of the Nominal Value or par value or as an amount to be determined by the relevant Issuer or the Calculation Agent on the basis of a formula. The Cash Settlement Amount will be converted into the Settlement Currency at the Exchange Rate on the Business Day immediately after the Final Fixing Date or, if this day is not a Business Day, the immediately following date that is a Business Day. The Cash Settlement Amount will be rounded to two decimal places, provided that 0.005 is rounded down.

**"Change of Law"** means that, on or after the Issue Date of the Securities (i) due to the adoption of or any change in any applicable law or regulation (including, without limitation, tax law), or (ii) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that (a) it has become illegal to hold, acquire or dispose of the underlying relating to the Securities and/or to enter into any hedging or borrowing transactions that the Issuer, the Hedging Entity or the Borrowing Entity would enter into in the normal course of business, or (b) it will incur a materially increased cost, fee, expense or other burden in performing its obligations under the Securities (including, without limitation, any increase in capital charges, decrease in capital charge benefits or other effect on its capital charges or any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

**"CISA"** means the Swiss Federal Act on Collective Investment Schemes (*Bundesgesetz über die kollektiven Kapitalanlagen*), as the same may be amended from time to time.

**"Clearing System(s)"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Clearing and Settlement of the Securities"*.

**"CO"** means the Swiss Code of Obligations (*Bundesgesetz betreffend die Ergänzung des Schweizerischen Zivilgesetzbuches (Fünfter Teil: Obligationenrecht)*), as the same may be amended from time to time.

**"Commodity"** means, in respect of any Security with a Commodity/Commodities or a Basket of Commodities as Underlying, any commodity, as specified in the relevant Final Terms.

**"Commodity Index"** means, with respect to Securities with a Commodity Index or Commodity Indices as Underlying, the relevant commodity index, as specified in the relevant Final Terms.

**"Composite"** means a Security which is denominated in a currency other than the currency of the Underlying or a Basket Component and there exists no hedging for the benefit of the Holders to take into account the resulting currency risk. In case of a Security qualifying as "Composite", any conversions of market prices for the relevant Underlying or Basket Component into the currency of the relevant Security are made at current Exchange Rates. Unless the description of the Security expressly uses the term "Quanto" or "Quanto Security", all Securities issued under the Base Prospectus which are denominated in a currency other than the currency of the Underlying or a Basket Component do not provide for any hedging for the benefit of the Holders, even if the relevant Securities are not identified as "Composite".

**"Corporate Action"** means an event which has a dilutive or concentrative effect on the value of a Share, such as, without limitation, (a) distributions of unusually high dividends, bonuses or other cash distributions, as well as dividends which are not paid in accordance with the regular dividend policy or which are not declared as regular dividends

by the relevant Issuer of the relevant Share (e.g., special dividends or anniversary bonuses), (b) the granting of subscription rights, (c) capital increases from company funds, (d) capital reductions through the reduction of the par value of the Shares for purposes of returning share capital to the shareholders, (e) a split or reverse split of the Shares, (f) the spin-off of a part of the company in a manner that creates an independent entity or if that part of the business is acquired by a third-party business or (g) another event with similar effect on the value of a Share.

**"Coupon"** means the interest payable on the Nominal Value of the Securities specified in the relevant Final Terms (if any).

**"Coupon Date(s)"** means the coupon date(s) specified in the relevant Final Terms (if any).

**"CRS"** means the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development, and any local implementing legislation, regulations and guidance issued thereunder.

**"Currency Unit"** means the lowest amount of a currency that is available as legal tender in the country or countries of such currency.

**"Day Count Fraction"** means, unless otherwise specified in the relevant Final Terms, the day count fraction 30/360. This means that a year with 360 days and 12 months of 30 days each will be applied. The 31<sup>st</sup> day of a month is treated as the 30<sup>th</sup>. February also counts with 30 days, unless the last day of the determination period is the last day of February.

**"Delivery Expenses"** means all expenses, including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax and/or other Taxes or duties, that arise from the delivery and/or transfer of any Underlying, Basket Component or other underlying constituent or component of the Securities.

**"Digital Option"** or **"Binary Option"** means an option which has two payout profiles. In the case of a "Cash-or-Nothing Warrant", a fixed amount will be paid if the Underlying at the end of the term (in the case of an "American Style" warrant, during the term) is above (Digital Call) or below (Digital Put) a predefined exercise price, otherwise it expires worthless. An "Asset-or-Nothing Warrant" differs in that instead of the payment of a fixed amount, the delivery of the Underlying or the payment of the price of the Underlying is made. In the case of a "One-touch Warrant", it depends on whether it is "in-the-money" at specified points in time during the term of the product.

**"Early Redemption"** means a redemption of the Securities following the occurrence of an Early Redemption Event.

**"Early Redemption Amount"** means, in respect of each Security, an amount in the Settlement Currency/-ies to be determined by the relevant Issuer and/or the Calculation Agent on the basis of the Market Value of the Securities (including any accrued but unpaid interest) less any Breakage Costs, taking into account the event that led to the early termination, determined by the relevant Issuer and/or the Calculation Agent in its sole and absolute discretion having regard to standard market practices.

**"Early Redemption Date"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Early Termination"*.

**"Early Redemption Event"** means a Change of Law, a Tax Event, Increased Costs of Hedging, a Hedging Disruption, Increased Costs of Collateralization, a Permanent Market Disruption, a Non-Adjustment Event and any other early redemption event specified in the relevant Final Terms.

**"European Style"** or **"European"** means a warrant which gives the Holder of a specified number of warrants the right, but not the obligation, to buy from ("Call Option") or sell to the relevant Issuer ("Put Option") a specified quantity of a specified Underlying at the end of the term of the warrant at an agreed price ("Exercise Price"). If the Terms and Conditions of the Securities provide for Cash Settlement, the closing price of the Underlying on the Exercise Date is relevant for the determination of the Cash Settlement Amount.

**"Exchange Rate"** means, with respect to the Underlying and any relevant date, the exchange rate on or around the specified time on that date between the Reference Currency and the Settlement Currency (indicated as a number of



units or fractions of units of the Reference Currency which show the corresponding value of a unit of the Settlement Currency), which will be determined by the relevant Issuer and/or the Calculation Agent in accordance with sources which it considers, in its sole and absolute discretion, to be appropriate.

**"Exercise Agent"** means the person specified as exercise agent in the relevant Final Terms.

**"Exercise Date"** means (a) with respect to Securities which do not provide for an automatic exercise, the Business Day on which the exercise notice to the relevant Issuer is effective in accordance with section *"Information on the Securities and the Offering–Additional Terms with respect to specific categories of Securities–Additional terms for Warrants"* and (b) with respect to Securities which provide for an automatic exercise, the maturity date.

**"Expenses"** means all expenses, costs, Taxes or other payments including, without limitation, all depositary, custodial, registration, transaction and exercise charges and all stamp, issues, registration or securities transfer or other similar Taxes incurred by the relevant Issuer and/or any of its Affiliates in respect of the relevant Issuer's obligations under the Securities.

**"FATCA"** means Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended (enacted in 2010 as part of the Foreign Account Tax Compliance Act), and the regulations and other guidance promulgated thereunder, including any intergovernmental agreements concluded between the United States and any other jurisdiction, and any such other jurisdiction's implementing legislation, regulations and guidance related thereto.

**"Final Fixing Date"** means, subject to the occurrence of a Market Disruption Event, the calendar day specified in the relevant Final Terms or, if this day is not an Underlying Business Day, the next Underlying Business Day.

**"Final Fixing Level" or "Final Fixing Value"** means, subject to any amendments in accordance with the Terms and Conditions of the Securities, an amount equal to the Reference Value determined by the Calculation Agent on the Final Fixing Date, regardless of any later reported corrections.

**"Final Terms"** has the meaning ascribed to it on the first page of the Base Prospectus.

**"FINMA"** means the Swiss Financial Market Supervisory Authority.

**"FISA"** means the Swiss Federal Act on Intermediated Securities (*Bundesgesetz über Bucheffekten*), as the same may be amended from time to time.

**"Fixed-end Securities"** has the meaning ascribed to it in section *"Information on the Securities and the Offering–General Terms of the Securities–Term of Securities; Capital Protection"*.

**"FX Disruption Events"** means the occurrence of an event that makes it impossible for the Issuer and/or its Affiliates to either (a) convert the Relevant Currency into the Settlement Currency or (b) deliver the Settlement Currency from accounts within the Relevant Country to accounts outside such jurisdiction or (c) deliver the Relevant Currency between accounts within the Relevant Country to a person that is a non-resident of that jurisdiction.

**"General Terms of the Securities"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Global Notes"** has the meaning ascribed to it in section *"Information on the Securities and the Offering–General Terms of the Securities–Form of the Securities"*.

**"Hedging Disruption"** means that the Hedging Entity is unable, after using commercially reasonable efforts, to (a) enter into any transaction it deems necessary to hedge price risks of issuing and performing any of its or (if different) the Issuer's obligations with respect to the Securities, or (b) realize, recover or remit the proceeds of any such transaction.

**"Hedging Entity"** means the Issuer or any of its Affiliates or any other entity (or entities) acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations under or in connection with the Securities.

**"Highest Amount" or "Cap"** means, if applicable, the maximum Cash Settlement Amount specified in the relevant Final Terms, which is owed in respect of the relevant Security on the Redemption Date (increased, if applicable, by a bonus amount).

**"Highest Amount Factor"** means, if applicable, the amount in the Final Terms specified as a percentage of the nominal amount of the relevant Securities which on the Redemption Date is the maximum Cash Settlement Amount which is owed (increased, if applicable, by a bonus amount).

**"Holder(s)"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Illiquidity Event"** means a low or missing trading volume in the Underlying or the difficulty to buy and/or sell the Underlying in a short period of time without its price being affected.

**"Increased Costs of Collateralization"** means that the Borrowing Entity would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of Tax, expense, fee or other cost (other than brokerage commissions) to acquire, hold, substitute or maintain any transaction(s) or asset(s) it deems necessary to borrow in order to collateralize the Securities provided such collateralization is applicable.

**"Increased Costs of Hedging"** means that the Hedging Entity would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of Tax, expense, fee or other cost (other than brokerage commissions) to (a) enter into any hedging transactions in connection with the Securities or (b) realize any proceeds of any such transactions, provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be regarded as an Increased Cost of Hedging.

**"Index"** means, in respect of any Security with an index as Underlying, each index specified in the relevant Final Terms and published by the relevant Index Sponsor.

**"Index Sponsor"** means the index sponsor specified in the relevant Final Terms (if any).

**"Indices"** means, in respect of any Security with several indices or a Basket of indices as Underlying, the indices specified in the relevant Final Terms and published by the relevant Index Sponsor(s).

**"Information on the Underlyings"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Initial Fixing Date"** means, subject to the occurrence of a Market Disruption Event, the calendar day specified in the relevant Final Terms or, if this day is not a Business Day, the next Business Day.

**"Initial Fixing Level" or "Initial Fixing Value"** means, subject to any amendments in accordance with the Terms and Conditions of the Securities, an amount equal to the Reference Value determined by the Calculation Agent on the Initial Fixing Date, subject to any corrections published later.

**"Intermediated Securities"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Form of the Securities"*.

**"Investor(s)"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Issue Date"** means the issue date of the Securities specified in the relevant Final Terms.

**"Issuer(s)"** means Zürcher Kantonalbank and/or Zürcher Kantonalbank Finance (Guernsey) Limited, as specified in the relevant Final Terms.

**"Issuer Event of Default"** means the occurrence of any of the following events: (a) there is a default for more than 30 calendar days in any payment due in respect of the Securities; or (b) any order is made by any competent court or authority in any jurisdiction or any resolution is passed by the relevant Issuer (i) for the dissolution or winding-up of the Issuer, or (ii) for the appointment of a liquidator, receiver or similar person with respect to the Issuer or of all or a substantial part of the assets of the Issuer, or (iii) with analogous effect for the relevant Issuer, it being understood that anything in connection with a solvent reorganization, reconstruction, consolidation, amalgamation, merger or similar arrangement shall not constitute an event of default; or (c) the relevant Issuer is generally unable or admits in

writing its general inability to pay its debts as they fall due or otherwise acknowledges its insolvency. For the avoidance of doubt, any postponement or other action taken pursuant to and in accordance with section *"Information on the Securities and the Offering—General Terms of the Securities—Extraordinary Events"* or relating to any Market Disruption Event (as defined in these General Terms of the Securities) or otherwise in accordance with the Terms and Conditions of the Securities shall not constitute an Issuer Event of Default.

**"Keep-well Agreement"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Security Arrangements"*.

**"Knock-in Level"** means the value specified in the relevant Final Terms which must be reached during the Observation Period that the exercise rights under a down-and-in option component or an up-and-in option component of certain categories of Securities can be exercised.

**"Knock-Out Level"** means the value specified in the relevant Final Terms which must be reached during the Observation Period that the exercise rights under a down-and-out option component or an up-and-out option component of certain categories of Securities can be exercised.

**"Lead Manager"** means the lead manager specified in the relevant Final Terms.

**"Main Depository"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Form of the Securities"*.

**"Market Value"** means the market value of the Securities less any Breakage Costs as determined by the relevant Issuer and/or the Calculation Agent in its sole and absolute discretion having regard to standard market practices.

**"Minimum Coupon"** means, if applicable, a minimum interest, payable on the Nominal Value of the Securities. The Minimum Coupon provides a minimum return per Security for the period between the Issue Date and the Redemption Date.

**"Minimum Redemption Amount"** or **"Floor"** means, if applicable, the minimum Cash Settlement Amount specified in the relevant Final Terms which on the Redemption Date is owed in respect of the relevant Securities (increased, if applicable, by a bonus amount).

**"Minimum Repayment Factor"** means, if applicable, the factor specified in the relevant Final Terms specified as a percentage of the nominal amount of the relevant Securities which on the Redemption Date is the minimum Cash Settlement Amount payable to the Holders (increased, if applicable, by a bonus amount).

**"Nominal Value"** means, subject to possible amendments in accordance with the Terms and Conditions of the Securities, the nominal value of each of the Securities.

**"Non-Adjustment Event"** means that in the reasonable determination of the Issuer and/or the Calculation Agent it is impracticable or impossible to make an adjustment to the Terms and Conditions of the Securities pursuant to section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to Shares"*, section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to Non-Equity Securities"*, section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to interest rates or reference rates"*, section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to an Index or Indices"*, section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to Commodities"*, section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to FX rates"*, section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to futures contracts"* or section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to fund units"*.

**"Observation Period"** means, in relation to any Series, the period of time from (and including) the Issue Date to (but excluding) the first Observation Time, and, if several Coupons are paid, each period of time from (and including) the relevant interest payment date to (but excluding) the next following interest payment date and, if interest is to be calculated for a period of time which does not end on the relevant interest payment date (and does not include it),

then the period of time from an including the immediately preceding interest payment date (or if none, from the Issue Date) until (and excluding) the relevant payment date.

**"Observation Time(s)"** means the Observation Time(s) specified in the relevant Final Terms.

**"Open-end Securities"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Term of Securities; Capital Protection"*.

**"Paying Agent"** means the person specified as paying agent in the relevant Final Terms.

**"Payment Date"** means the payment date of the Securities specified in the relevant Final Terms (if any).

**"Permanent Market Disruption"** means, in respect of a Commodity or futures contract, any one or more of the events set out in the definitions of "Market Disruption Event" in section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to Commodities"* or section *"Information on the Securities and the Offering—Additional Terms with respect to Securities linked to futures contracts"*, if such event is in the determination of the Issuer and/or the Calculation Agent permanent.

**"Physical Settlement"** means the redemption of the Securities by means of delivery of the Underlying, Basket Components or other underlying constituents or components of the Securities at expiry or the agreement to deliver the Underlying, Basket Component or other underlying constituents or components of the Securities deliverable in accordance with the relevant Final Terms upon exercise of the Securities, it being understood that (a) instead of any fractions of the Underlying, Basket Component(s) or other underlying constituents or components of the Securities which are to be delivered the relevant Issuer will make a cash payment to the Holder corresponding to the value of such fractional amounts and (b) it is not possible to consolidate fractional amounts originating from several Securities into deliverable units of the respective Underlying, Basket Component(s) or other underlying constituents or components of the Securities unless the holdings of the respective Holder are aggregated by the Calculation Agent (such aggregation to be made in the sole and absolute discretion of the Calculation Agent).

**"Primary Listing"** means the primary listing of a participating security, a bond or a Securities on an official exchange.

**"Quanto"** or **"Quanto Security"** means a Security which is denominated in a currency other than the currency of the Underlying or a Basket Component and there does exist a hedging for the benefit of the Holders to take into account the resulting currency risk, such hedging to have the effect that the redemption methods are modified in such way that a change in the Exchange Rate between the relevant currencies does not have any impact on the redemption but just on the relative performance of the Underlying in its Reference Currency.

**"Redemption Amount"** means the ordinary redemption amount specified in the relevant Final Terms (if any).

**"Reference Currency"** means the reference currency specified in the relevant Final Terms.

**"Reference Value"** means, with respect to any particular day, subject to any amendments in accordance with the Terms and Conditions of the Securities, an amount (to be considered a monetary equivalent in the Settlement Currency or Reference Currency) equal to the closing price of the Underlying, Basket Component or other underlying constituent or component of the Securities, as reported by the Related Exchange and determined by the Calculation Agent.

**"Related Exchange"** means (a) the exchange(s) or quotation system(s) on which the relevant Underlying, Basket Component or other underlying constituents or components of the Securities are traded; (b) any successor to or substitute of such exchange(s) or quotation system(s) referred to in (a) (provided that the relevant Issuer or the Calculation Agent has determined that the relevant exchange(s) or quotation system(s) shall qualify as successor or substitute exchange(s) or quotation system(s)); or (c) the exchange(s) or quotation system(s) specified in the relevant Final Terms.

**"Relevant Country"** means, with respect to any currency, the country or countries which use such currency as legal tender.

**"Relevant Currency"** means the currency in which the Underlying is trading on the Related Exchange.

**"Relevant Stock Exchange"** means the stock exchange where the Securities are listed, if applicable, as set out in the relevant Final Terms.

**"Security"** or **"Securities"** has the meaning ascribed to it on the first page of the Base Prospectus.

**"Series"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Settlement"** means either Cash Settlement or Physical Settlement, as specified in the relevant Final Terms.

**"Settlement Currency/-ies"** means the settlement currency/-ies specified in the relevant Final Terms, provided that if the Final Terms do not provide for a specific settlement currency/-ies, the settlement currency shall be the currency of the relevant Securities.

**"Settlement Date"** or **"Redemption Date"** means the calendar day specified in the relevant Final Terms on which the Cash Settlement or the Physical Settlement, as applicable, has to be made. For the avoidance of doubt, the Settlement Date or Redemption Date can, in particular for warrants, also be specified as a number of calendar days following the Exercise Date.

**"Settlement Disruption Event"** means an event beyond the control of the Issuer and/or the Paying Agent as a result of which the Issuer and/or the Paying Agent cannot make (a) a payment and/or (b) a delivery of one or more asset(s), in each case to the relevant Clearing System or intermediary as and when such payment or delivery is due to be made.

**"Share"** means, in respect of any Security with a Share/Shares or a Basket of Shares as Underlying, each share, depository receipt, participation certificate (*Partizipationsschein*), profit participation certificate (*Genussschein*) or any other equity or equity related instrument or unit of an investment fund, as specified in the relevant Final Terms.

**"SIX"** means SIX Swiss Exchange AG.

**"SIX SIS"** means SIX SIS AG, Olten, Switzerland, or any successor thereof.

**"Structured Product"** has the meaning ascribed to it on the first page of the Base Prospectus.

**"Substitute Issuer"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Changes with regard to the Issuer"*.

**"Summary"** has the meaning ascribed to it in section *"Summary of this Base Prospectus"*.

**"Tax"** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

**"Tax Event"** means any of the following, provided, that such obligation cannot be avoided by the Issuer taking reasonable measures (other than the substitution of the Issuer) available to it: (a) that the Issuer on the occasion of a payment or delivery due under the Securities, has or will become obliged to pay additional amounts as a result of (i) any change in, or amendment to, the laws or regulations of any jurisdiction in which the Issuer is or becomes subject to tax or any authority thereof or therein having power to tax, or (ii) any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; or (b) any amount is or will be required to be deducted or withheld, including under FATCA or 871(m), and this results, or would result, in the Issuer receiving amounts that are smaller than the Issuer would have received had no such withholding been imposed.

**"Terms and Conditions of the Securities"** has the meaning ascribed to it on the second page of the Base Prospectus.

**"Trading Day"** means any day that is a scheduled trading day of the Related Exchange, subject to the occurrence of a Market Disruption Event.

**"Uncertificated Securities"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—General Terms of the Securities—Form of the Securities"*.

**"Underlying Business Day"** means, unless otherwise specified in the relevant Final Terms (i) in respect of Securities with a Share/Shares or, as the case may be, a Basket of Shares as Underlying, a Trading Day on which (a) the Related Exchange is operating, on which the relevant Share(s) is/are quoted and (b) the futures or options on the relevant Share(s) (if any) are traded on an exchange on which option or futures contracts referencing the relevant Share(s) generally are traded, subject to any Market Disruption Event; (ii) in respect of Securities with an Index/Indices or, as the case may be, a Basket of Indices as Underlying, a day on which the relevant Index is calculated and published by the Index Sponsor, subject to any Market Disruption Event; (iii) in respect of Securities with any Underlying other than a Share/Shares or an Index/Indices or, as the case may be, a Basket of Shares or a Basket of Indices, if the value of such Underlying is determined (a) by way of a reference to a publication of an official fixing, a day on which such fixing is scheduled to be determined and published by the respective fixing sponsor, subject to any Market Disruption Event; (b) by way of reference to an official cash settlement price, a day on which such official cash settlement price is scheduled to be determined and published by the respective exchange or any other official announcing party, subject to any Market Disruption Event; (c) by way of reference to a price or value source including, without limitation, information providers such as Reuters or Bloomberg, a day on which such price or value source still exists and officially provides for the respective price or value, subject to any Market Disruption Event; (d) by way of reference to an official settlement price a day on which the Related Exchange is scheduled to be open for trading for its respective regular trading session, notwithstanding any such Related Exchange closing prior to its scheduled closing time; (e) by the Calculation Agent at a specific time on a specific date, without reference to any source, a day on which the Calculation Agent can enter into a spot transaction with another counterparty, depending on both parties' respective opening hours; (iv) in respect of Securities with more than one Underlying, irrespective of their nature, and with an income deriving from the calculated number of Underlying Business Days within a pre-defined period of time, a day, on which at least one of the relevant Underlyings can be determined in accordance with (i) to (iii) above, it being understood that for the purpose of the respective income calculation only, the other Underlyings for which such day is not a scheduled Underlying Business Day will be assessed based on their levels of the previous Underlying Business Day.

**"Underlying(s)"** has the meaning ascribed to it in section *"Information on the Securities and the Offering—Information on the Underlyings"*.

**"Value of the Certificate"** means, if applicable, the value of the Security as determined by the Calculation Agent in its reasonable discretion in accordance with the formula set out in the relevant Final Terms.

**"Value of the Strategy"** means, if applicable, the sum of the value/spot price of all Basket Components contained in the Basket at a specific point in time as determined by the Calculation Agent in its reasonable discretion in accordance with the formula set out in the relevant Final Terms.

**"Weight"** means for each Basket of Shares, Indices or any other Underlyings, the weight specified for such Underlying or underlying constituents or components of the Securities, as specified in the relevant Final Terms.

## **RESPONSIBILITY STATEMENT**

Zürcher Kantonalbank, having its registered office at Bahnhofstrasse 9, 8001 Zurich, Switzerland, accepts responsibility for the information contained in the Base Prospectus and declares that, to its knowledge, the information contained in the Base Prospectus is accurate and does not omit any material circumstances.

Zürcher Kantonalbank Finance (Guernsey) Limited, having its registered office at Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU, accepts responsibility for the information contained in the Base Prospectus and declares that, to its knowledge, the information contained in the Base Prospectus, to the extent it relates to Zürcher Kantonalbank Finance (Guernsey) Limited, is accurate and does not omit any material circumstances.

## INCORPORATION BY REFERENCE

The following documents shall be incorporated or shall be deemed to be incorporated into, and form part of, the Base Prospectus (the "**Incorporation Documents**"). Only those parts of the Incorporation Documents which are set out in the table below shall be incorporated or shall be deemed to be incorporated into, and form part of, the Base Prospectus. The other parts of the Incorporation Documents which are not set out in the table below are expressly not incorporated into, and do not form part of, the Base Prospectus.

Document	Information incorporated by reference	Place of publication
Annual Report 2018 of Zürcher Kantonalbank	Sections "Management Report" (S. 20–55), "Corporate Governance" (S. 57–75), "Financial Report" (S. 87–179) und "Glossary" (S. 180–183)	<a href="https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html">https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html</a>
Annual Report 2019 of Zürcher Kantonalbank	Sections "Management Report" (S. 20–61), "Corporate Governance" (S. 63–81), "Financial Report" (S. 94–185) und "Glossary" (S. 186–189)	<a href="https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html">https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html</a>



## SELLING RESTRICTIONS

### A. IN GENERAL

The Securities are intended for an offering to the public in Switzerland. The relevant Issuer has not taken any action and will not take any action to permit the public offer, the holding or the distribution of the offering documentation with respect to the Securities in any jurisdiction outside Switzerland. The delivery of this Base Prospectus or other issuance documentation and the offer of the Securities may be restricted in certain countries by legal requirements. Persons which want to buy Securities are hereby requested by the relevant Issuer to verify and adhere to the then applicable restrictions.

### B. EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area, each Issuer has represented and agreed that it has not made and will not make an offer of Securities which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may make an offer of such Securities to the public in that Member State:

- (a) if the Final Terms in relation to the Securities specify that an offer of those Securities may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Securities which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
  - (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
  - (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
  - (d) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,
- provided that no such offer of Securities referred to in (b) to (d) above shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Securities and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

### C. UNITED KINGDOM

An invitation to engage in investment activity (within the meaning of Section 21 of the FSMA) was / is only communicated or prompted in connection with the issuing or sale of Securities in conditions in which Section 21(1) of the FSMA does not apply to the issuer; furthermore, all applicable provisions of the FSMA with regard to all activities in connection with Securities conducted within or from the United Kingdom or in which the latter is otherwise involved were / are complied with.

In relation to Securities with a term of less than one year, it should be noted that no Securities are offered or sold except to persons whose normal business activity is to purchase, hold, manage or sell Securities in accordance with the purpose of their business (as principal or agent) or where it can reasonably be assumed that they acquire, hold, manage or sell investments (as principal or agent) for their own business purposes, since the issuing of Securities would otherwise constitute a violation by the issuer of Section 19 of the Financial Services and Markets Act of 2000 (the "FSMA").

### D. UNITED STATES OF AMERICA

The Securities have not been and will not be registered under the Securities Act of 1933 (the "Securities Act") in its current form and trading in the Securities has not been and will not be approved by the United States

Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act (the "**Commodity Exchange Act**"). The Securities may not, directly or indirectly, be offered, sold, resold, delivered or traded at any time in the U.S.A. or to or for account of U.S. persons. Securities may not be exercised or redeemed for the benefit of a U.S. person or a person in the U.S.A. In this context, "U.S.A." means the United States of America (the states and the District of Columbia), its territories and possessions and other sovereign territory and "U.S. persons" means "U.S. persons" as defined in Rule 902 of Regulation S under the Securities Act, as well as persons not falling under the definition of "Non-United States Persons" in accordance with Section 4.7 of the CFTC regulations.

**E. BAILIWICK OF GUERNSEY**

Securities issued by the Issuer Zürcher Kantonalbank Finance (Guernsey) Limited have not and will not be sold to persons in the Bailiwick of Guernsey.

## GENERAL INFORMATION

### I. FORM OF DOCUMENT

This document, including all information incorporated by reference herein or otherwise forming part of this Base Prospectus, constitutes a SIX Swiss Exchange-registered issuance programme pursuant to article 22 (1) no. 2 of the SIX Additional Rules for the Listing of Derivatives in its version of 25 August 2017. Final Terms will be prepared in respect of the Securities and will contain the information which is to be determined at the time of the individual issue of Securities under the Base Prospectus.

### II. PUBLICATION

The Base Prospectus has been published on the website of Zürcher Kantonalbank at <http://www.zkb.ch/strukturierteprodukte> (or a successor or replacement address thereto). In case of admission to trading of Securities on a regulated market of a stock exchange, the Base Prospectus will be published in accordance with the rules of such stock exchange.

Final Terms, together with any translations thereof (if any), may be published on the website of Zürcher Kantonalbank at <https://www.zkb.ch/finanzinformationen> (or a successor or replacement address thereto). In case of admission to trading of Securities on a regulated market of a stock exchange, Final Terms will also be published in accordance with the rules of such stock exchange.

The Base Prospectus and the Final Terms will also be available at the registered office of each of the Issuers.

### III. AUTHORISATION

The issue of Securities on the basis of the Base Prospectus has been approved by the appropriate corporate bodies of both Issuers.

### IV. THIRD PARTY INFORMATION

Where the Base Prospectus contains information obtained from third parties, the Issuers confirm that such information was reproduced accurately, and as far as the Issuers are aware and are able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### VII. AVAILABILITY OF DOCUMENTS

So long as any of the Securities are outstanding copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), at the offices of Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited:

- i. the Base Prospectus (together with any supplement including any Final Terms hereto);
- ii. all documents incorporated by reference as set out in the section "*Incorporation by Reference*".

Copies of the documents referred to above (other than the Base Prospectus, copies of which shall be maintained in printed format, for free distribution, until all Securities issued under the Base Prospectus have been redeemed) and information which refers to sources such as Bloomberg shall also be maintained in printed format, for free distribution, at the offices of Zürcher Kantonalbank, for a period of twelve months after the publication of the relevant document or information, as the case may be. In addition, any annual and quarterly reports of Zürcher Kantonalbank are published on the internet on the website <https://www.zkb.ch> or a successor or replacement address thereto notified to the Holders by way of publication on <https://www.zkb.ch/finanzinformationen>.

For **Zürcher Kantonalbank**:

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Name:

Title:

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Name:

Title:

For **Zürcher Kantonalbank Finance (Guernsey) Limited**:

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Name:

Title:

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Name:

Title:

15 April 2020

**ZÜRCHER KANTONALBANK FINANCE  
(GUERNSEY) LIMITED**

**ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS**

**For the year ended 31 December 2018**

# **ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

## **CONTENTS**

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<b>Reports:</b>	<b>Pages</b>
Company Information	1
Directors' Report	2
Independent Auditor's Report	3 - 4
<b>Financial statements:</b>	
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 26

# **ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	F O Oegerli, Chairman (i) S Stadelmann, Vice Chairman (i) P D H Hodgson J W Renouf (ii)  (i) Member of Audit Committee (ii) Chairman of Audit Committee
<b>Secretary</b>	Butterfield Management Services (Guernsey) Limited
<b>Registered office</b>	Regency Court Gategny Esplanade St Peter Port Guernsey GY1 3AP
<b>Administrator</b>	Butterfield Trust (Guernsey) Limited PO Box 25 Regency Court Gategny Esplanade St Peter Port Guernsey GY1 3AP
<b>Auditor</b>	Ernst & Young LLP Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 4AF
<b>Bankers</b>	Zürcher Kantonalbank Bahnhofstrasse 9 PO Box 8010 Zürich Switzerland  Butterfield Bank (Guernsey) Limited Regency Court Gategny Esplanade St Peter Port Guernsey GY1 3AP
<b>Custodian</b>	Zürcher Kantonalbank Bahnhofstrasse 9 PO Box 8010 Zürich Switzerland

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## DIRECTORS' REPORT

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The Directors submit their report and the audited financial statements for the year ended 31 December 2018.

### Activities

The principal activity of Zürcher Kantonalbank Finance (Guernsey) Limited ("the Company") is to carry on business as a finance company and to borrow or raise money by the issue of financial instruments of whatsoever nature.

### Results

The results of the Company are shown in the Statement of Comprehensive Income on page 5.

### Dividend

The Directors do not recommend the payment of a dividend.

### Directors

The Directors of the Company are those listed in the Company Information.

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.



For and on behalf of the Board

For and on behalf of Butterfield Management Services (Guernsey) Limited  
Secretary

14 March 2019  
Date



Rodney Smith



Holly C Woodford



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**

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## **Opinion**

We have audited the financial statements of Zürcher Kantonalbank Finance (Guernsey) Limited (the "Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the results for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

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## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

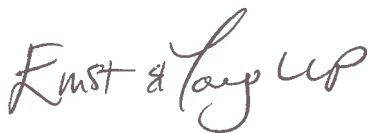
## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ernst & Young LLP  
Guernsey, Channel Islands

Date: 14 March 2019

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2018**

	Notes	Year ended 31 December 2018		Year ended 31 December 2017	
		CHF	CHF	CHF	CHF
Net trading income	6		11,085,356		21,995,832
Other operating income					
Bank interest receivable			236		380
Other operating income			<u>236</u>		<u>380</u>
Total income			<u>11,085,592</u>		<u>21,996,212</u>
Operating expenses	7		(12,303,986)		(13,023,309)
Net comprehensive (loss)/income for the financial year			<u><u>(1,218,394)</u></u>		<u><u>8,972,903</u></u>

All of the items in the above are derived from continuing operations.

There were no other comprehensive income items in the period.

The notes on pages 9 to 26 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2018**

	Notes	31 December 2018 CHF	31 December 2017 CHF
<b>Assets</b>			
Cash, amounts due from banks, money at call	12	60,031,606	63,461,078
Financial assets at fair value through profit or loss			
Securities held for trading	8	1,456,768,432	1,483,779,361
Derivative financial instruments	8, 9	17,468,859	26,453,275
Accrued interest receivable and prepayments		9,540,952	9,057,267
<b>Total Assets</b>		<u>1,543,809,849</u>	<u>1,582,750,981</u>
<b>Liabilities</b>			
Amounts due to banks	12	41,294,977	51,683,345
Financial liabilities at fair value through profit or loss			
Structured products	8	1,230,161,103	1,382,232,149
Derivative financial instruments	8, 9	168,892,359	44,068,914
Accrued interest payable and accrued expenses		1,711,256	1,798,025
<b>Total Liabilities</b>		<u>1,442,059,695</u>	<u>1,479,782,433</u>
<b>Equity</b>			
Share capital	13	1,000,000	1,000,000
Retained earnings		100,750,154	101,968,548
<b>Total Equity</b>		<u>101,750,154</u>	<u>102,968,548</u>
<b>Total Liabilities and Equity</b>		<u>1,543,809,849</u>	<u>1,582,750,981</u>

The financial statements on pages 5 to 26 were approved by the Board of Directors on *14 March 2019* and are signed on its behalf by:

  
Chairman

  
Director

The notes on pages 9 to 26 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

	Share capital	Retained earnings	Total equity
	CHF	CHF	CHF
<b>At 1 January 2017</b>	1,000,000	92,995,645	93,995,645
Net comprehensive income for the financial year	-	8,972,903	8,972,903
<b>Balance at 31 December 2017</b>	<u>1,000,000</u>	<u>101,968,548</u>	<u>102,968,548</u>
 <b>At 1 January 2018</b>	 1,000,000	 101,968,548	 102,968,548
Net comprehensive loss for the financial year	-	(1,218,394)	(1,218,394)
<b>Balance at 31 December 2018</b>	<u>1,000,000</u>	<u>100,750,154</u>	<u>101,750,154</u>

The notes on pages 9 to 26 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2018**

	Note	Year ended 31 December 2018 CHF	Year ended 31 December 2017 CHF
<b>Operating activities</b>			
Net comprehensive income for the financial year		(1,218,394)	8,972,903
<b>Adjustment for changes in working capital:</b>			
(Increase) / decrease in accrued interest receivable and prepayments		(483,685)	8,258,999
Decrease / (increase) in securities held for trading, designated at fair value through profit or loss		27,010,929	410,486,235
(Decrease) / increase in structured product financial liabilities held at fair value through profit or loss		(152,071,046)	(393,103,833)
Decrease / (increase) in derivative financial instruments held at fair value through profit or loss		133,807,861	(38,618,097)
Decrease in accrued interest payable and accrued expenses		(86,769)	(306,210)
<b>Net cash outflows from operating activities</b>		<u>6,958,896</u>	<u>(4,310,003)</u>
Net cash and cash equivalents at 1 January		11,777,733	16,087,736
<b>Net cash and cash equivalents at 31 December</b>	<b>12</b>	<u><u>18,736,629</u></u>	<u><u>11,777,733</u></u>

The notes on pages 9 to 26 form part of these financial statements.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

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#### 1 Corporate information

Zürcher Kantonalbank Finance (Guernsey) Limited is a finance company and borrows or raises money by the issue of financial instruments of whatsoever nature. The Company was incorporated and is registered in Guernsey with the registered office being at Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3AP.

#### 2 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

##### 2 a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation to fair value through profit or loss of derivative financial instruments, over-the-counter ("OTC") options, securities, term deposits with banks and financial liabilities and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

##### 2 b) Going concern

The Company's financial position, its cash flows and liquidity position are set out in the financial statements. In addition, note 11 to the financial statements includes the Company's risk management and policies, details of its financial instruments, its exposures to credit risk and liquidity risk and its objectives, policies and processes for managing its capital. Based on the review of the 2019 and 2020 financial forecasts, the Directors consider that the Company has adequate financial resources and believe that the Company is well placed to manage its business risks successfully and to continue in operational existence for the foreseeable future. As such the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

##### 2 c) Financial instruments

In the current period, the Company has adopted IFRS 9 Financial Instruments. See note 3 a) for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

##### 2 c) (i) Classification (Policy effective from 1 January 2018 (IFRS 9))

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a designated and effective hedging instrument).

##### 2 c) (i) (1) Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

##### *Financial assets measured at amortised cost*

A financial instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including accrued interest receivable and prepayments.

##### *Financial assets measured at fair value through profit or loss ("FVTPL")*

A financial asset is measured at FVTPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- Equity instruments: these include investments in listed equities;
- Debt instruments: these include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains; and
- Instruments held for trading: this includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

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#### 2 Significant accounting policies (continued)

##### 2 c) (i) (2) Financial liabilities

###### *Financial liabilities measured at FVTPL*

A financial liability is measured at FVTPL if it meets the definition of held for trading.

The Company includes in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

###### *Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category bank overdrafts and other short-term payables.

##### 2 c) (ii) Classification - Policy effective before 1 January 2018 (IAS 39)

The Company classified its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39.

###### *Financial assets and liabilities at FVTPL*

The category of financial assets and liabilities at FVTPL was sub-divided into:

- Financial assets and liabilities held for trading: financial assets were classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category included equity instruments, debt instruments and derivatives. These assets were acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments were classified as held for trading. The Company's policy is not to apply hedge accounting.
- Financial instruments designated at FVTPL upon initial recognition: these include structured products issued by the Company on the basis that they were part of a group of financial instruments that were managed and had their performance evaluated on a basis, in accordance with risk management and investment strategies of the Company.

###### *Loans and receivables*

Other receivables were non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company included in this category accrued interest receivable and prepayments.

###### *Other financial liabilities*

This category included all financial liabilities, other than those classified as at FVTPL. The Company included in this category bank overdrafts and other short-term payables.

##### 2 c) (iii) Recognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### 2 c) (iv) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

##### 2 c) (v) Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income as part of net trading income (see note 6). Interest and dividends earned or paid on these instruments are recorded in the statement of comprehensive income as part of net trading income (see note 6).

Debt instruments, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

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#### 2 Significant accounting policies (continued)

##### 2 c) (v) Subsequent measurement (continued)

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### 2 c) (vi) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

##### 2 d) Impairment of financial assets

##### 2 d) (i) Policy effective from 1 January 2018 (IFRS 9)

The Company holds only trade receivables with no financing component and which are due in less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

##### 2 d) (ii) Policy effective before 1 January 2018 (IAS 39)

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor, or a group of debtors, was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they would enter bankruptcy or other financial reorganisation and, where observable data indicated that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there was objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future ECLs that have not yet been incurred) discounted using the asset's original EIR. The carrying amount of the asset was reduced through the use of an allowance account and the amount of the loss was recognised in profit or loss as credit loss expense.

Impaired debts, together with the associated allowance, were written off when there was no realistic prospect of future recovery and all collateral had been realised or had been transferred to the Company. If a previous write-off was later recovered, the recovery was credited to the credit loss expense.

Interest revenue on impaired financial assets was recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

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#### 2 Significant accounting policies (continued)

##### 2 e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

##### 2 f) Fair value measurement

The Company measures its investments in financial instruments, such as equity instruments, debt instruments, other interest bearing investments and derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets and liabilities that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

##### 2 g) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates. The majority of the Company's transactions are in Swiss francs, the performance is evaluated and its liquidity is managed in Swiss francs, and the functional currency of its parent entity is Swiss francs. Therefore, the Company concludes that the Swiss franc is its functional currency.

The Company's presentation currency is also the Swiss franc.

##### 2 h) Foreign currency translations

Transactions during the period, including purchases and sales of financial instruments, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVTPL are included in profit or loss in the statement of comprehensive income as part of net trading income (see note 6).

##### 2 i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

##### 2 j) Investment income

Investment income comprises of interest receivable on the maturity of the Company's term deposits with banks. Interest income is recognised as it accrues and is included in the statement of comprehensive income.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

## 2 Significant accounting policies (continued)

### 2 k) Net trading income

Net trading income is comprised of gains and losses arising on the purchase, sale and revaluation of financial assets and liabilities at FVTPL, along with gains and losses arising on the revaluation and impairment of financial assets and liabilities held at amortised cost.

### 2 l) Operating expenses

Fees are recognised on an accrual basis. Refer to note 7 for details of administration fees, audit fees, Directors' fees and parent company service costs.

## 3 Changes in accounting policies and disclosures

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the impact of each new standard and amendment is described below:

### 3 a) (i) IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments on its effective date of 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

#### Classification and measurement

The Company has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively. Based on that assessment:

- All financial assets previously held at fair value continue to be measured at fair value;
- Debt instruments and equity instruments are acquired and traded for the purpose of meeting the financial liabilities of the Company as they fall due. Therefore, they meet the held-for-trading criteria and are required to be measured at FVTPL;
- Structured products and derivatives instruments issued by the Company continue to be measured at FVTPL;
- Financial assets previously classified as loans and receivables are held to collect the contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9;
- The measurement of other financial assets and liabilities remains the same under IFRS 9 as under IAS 39.

#### Impairment

IFRS 9 requires the Company to record ECLs on all of its trade receivables, either on a 12-month or lifetime basis. Given the limited exposure of the Company to credit risk, this amendment has not had a material impact on the financial statements. The Company only holds trade receivables with no financing component and that have maturities of less than 12 months at amortised cost. Therefore, it has adopted an approach similar to the simplified approach to ECLs.

#### Hedge accounting

The Company has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

### 3 a) (ii) Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018. However, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018:

	IAS 39 classification	IAS 39 measurement CHF	IFRS9 classification	IFRS 9 measurement CHF
<b>Financial assets</b>				
Securities held for trading	Held for trading at FVTPL	1,483,779,361	FVTPL	1,483,779,361
Derivative financial instruments	Held for trading at FVTPL	26,453,275	FVTPL	26,453,275
Accrued interest receivable and prepayments	Loans and receivables	9,057,267	Amortised cost	9,057,267
Cash and cash equivalents	Other receivables	63,461,078	Amortised cost	63,461,078
<b>Financial liabilities</b>				
Structured product financial instruments	Other financial liabilities	1,382,232,149	Amortised cost	1,382,232,149
Derivative financial instruments	Other financial liabilities	44,068,914	Amortised cost	44,068,914
Amounts due to banks	Held for trading at FVTPL	51,683,345	Amortised cost	51,683,345
Accrued interest payable and accrued expenses	Held for trading at FVTPL	1,798,025	FVTPL	1,798,025

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

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#### 3 Changes in accounting policies and disclosures (continued)

##### 3 a) (ii) Impact of adoption of IFRS 9 (continued)

In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as FVTPL under IAS 39 are still classified as FVTPL under IFRS 9. All financial assets that were classified as loans and receivables and measured at amortised cost continue to be.

In addition, the application of the ECL model under IFRS 9 has not significantly changed the carrying amounts of the Company's amortised cost financial assets. No ECL allowance has been recorded against the Company's trade receivables compared to no impairment recorded under IAS 39.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

##### 3 b) IFRS 15 Revenue from contracts with customers

The Company adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

#### 4 Accounting standards, interpretations and amendments issued by not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations, which have not been applied, were in issue but not yet effective:

##### 4 a) Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

##### 4 b) Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- *IAS 12 Income Taxes*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Company does not expect any effect on its financial statements.

#### 5 Taxation

The Company is taxed at the Company standard rate (0%) in Guernsey.





# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 8 Financial assets and financial liabilities at fair value through profit or loss (continued)

In the comparative period the Company classified its equity instruments and debt instruments as financial assets held for trading and its derivative financial instruments were designated at FVTPL.

Financial liabilities at fair value through profit or loss	2018 CHF	2017 CHF
<b>Structured product financial instruments</b>		
Linked to commodities	971,037	948,457
Linked to credit derivatives	176,478,447	154,860,661
Linked to equities / equity indices	858,108,322	993,705,793
Linked to foreign exchange	105,004,914	96,969,360
Linked to interest instruments	75,973,743	99,743,075
Linked to mixed derivatives	13,624,640	36,004,803
	<u>1,230,161,103</u>	<u>1,382,232,149</u>
<b>Derivative financial instruments</b>		
Credit default swaps	48,804	35,157
Currency forwards	217,686	518,611
Interest rate swaps	9,271,188	11,919,036
Options	95,443,252	21,961,353
Total return swaps	63,911,429	9,634,757
	<u>168,892,359</u>	<u>44,068,914</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u><u>1,399,053,462</u></u>	<u><u>1,426,301,063</u></u>

#### 9 Derivative contracts

Derivative contracts serve as components of the structured product financial liabilities of the Company. The derivative contracts that the Company may hold or issue include: futures; options; forward currency contracts; currency swaps; interest rate caps and floors; interest rate swaps; total return swaps; and credit default swaps.

The Company uses derivative financial instruments to economically hedge its risks associated with fluctuations in the value of structured product financial liabilities and interest rate risk associated with the Guernsey Risk Manager portfolio (the Company does not designate any derivative as a hedging instrument for hedge accounting purposes).

Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the value of the contract.

OTC derivatives may expose the Company to the risks associated with absence of an exchange market on which to close out an open position. The counterparty for all derivative contracts in force at the year-end was the Company's parent entity, Zürcher Kantonalbank, and as such no credit valuation adjustments or debit valuation adjustments have been made to the OTC derivatives in the current or previous year. As at the date of signing these financial statements, Standard & Poor's had assigned Zürcher Kantonalbank a credit rating of AAA.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivative are measured. The notional amounts indicate the volume of transactions outstanding at the reporting dates and are not indicative of either market risk or credit risk.

	2018			2017		
	Assets CHF	Liabilities CHF	Notional Amount CHF	Assets CHF	Liabilities CHF	Notional Amount CHF
<b>Derivatives primarily held for trading purposes</b>						
Credit default swaps	-	48,804	3,300,000	-	35,157	4,155,000
Interest rate caps and floors	9,541	-	6,198,005	27,811	-	6,435,990
Options	5,793,081	95,443,252	482,931,981	9,328,714	21,961,353	477,575,189
Total return swaps	2,218,506	63,911,429	629,236,828	5,445,913	9,634,757	574,318,612
	<u>8,021,128</u>	<u>159,403,485</u>	<u>1,121,666,814</u>	<u>14,802,438</u>	<u>31,631,267</u>	<u>1,062,484,791</u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 9 Derivative contracts (continued)

	2018			2017		
	Assets CHF	Liabilities CHF	Notional Amount CHF	Assets CHF	Liabilities CHF	Notional Amount CHF
Derivatives primarily held for risk management purposes						
Interest rate swaps	8,991,171	9,271,188	1,504,820,340	11,484,485	11,919,036	1,634,820,720
Currency forwards	456,560	217,686	24,944,162	166,352	518,611	33,473,138
	<u>9,447,731</u>	<u>9,488,874</u>	<u>1,529,764,502</u>	<u>11,650,837</u>	<u>12,437,647</u>	<u>1,668,293,858</u>
Total derivatives	<u>17,468,859</u>	<u>168,892,359</u>	<u>2,651,431,316</u>	<u>26,453,275</u>	<u>44,068,914</u>	<u>2,730,778,649</u>

#### 10 Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows financial instruments recognised at fair value:

##### Recurring fair value measurement of assets and liabilities

	2018				2017			
	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Financial assets								
Securities held for trading (note 8)								
Equity instruments	275,918	-	-	275,918	96,125	-	-	96,125
Debt instruments	1,429,850,953	26,641,561	-	1,456,492,514	1,477,832,921	5,850,315	-	1,483,683,236
Derivative financial instruments (note 9)								
Currency forwards	-	456,560	-	456,560	-	166,352	-	166,352
Interest rate caps and floors	-	9,541	-	9,541	-	27,811	-	27,811
Interest rate swaps	-	8,991,171	-	8,991,171	-	11,484,485	-	11,484,485
Options	-	5,793,081	-	5,793,081	-	9,328,714	-	9,328,714
Total return swaps	-	2,218,506	-	2,218,506	-	5,445,913	-	5,445,913
Total	<u>1,430,126,871</u>	<u>44,110,420</u>	<u>-</u>	<u>1,474,237,291</u>	<u>1,477,929,046</u>	<u>32,303,590</u>	<u>-</u>	<u>1,510,232,636</u>

##### Financial liabilities

##### Structured product financial instruments (note 8)

Linked to commodities	-	971,037	-	971,037	-	948,457	-	948,457
Linked to credit derivatives	-	176,478,447	-	176,478,447	-	154,860,661	-	154,860,661
Linked to equities / equity indices	-	858,108,322	-	858,108,322	-	993,705,793	-	993,705,793
Linked to foreign exchange	-	105,004,914	-	105,004,914	-	96,969,360	-	96,969,360
Linked to interest instruments	-	75,973,743	-	75,973,743	-	99,743,075	-	99,743,075
Linked to mixed derivatives	-	13,624,640	-	13,624,640	-	36,004,803	-	36,004,803
Derivative financial instruments (note 9)								
Credit default swaps	-	48,804	-	48,804	-	35,157	-	35,157
Currency forwards	-	217,686	-	217,686	-	518,611	-	518,611
Interest rate swaps	-	9,271,188	-	9,271,188	-	11,919,036	-	11,919,036
Options	-	95,443,252	-	95,443,252	-	21,961,353	-	21,961,353
Total return swaps	-	63,911,429	-	63,911,429	-	9,634,757	-	9,634,757
Total	<u>-</u>	<u>1,399,053,462</u>	<u>-</u>	<u>1,399,053,462</u>	<u>-</u>	<u>1,426,301,063</u>	<u>-</u>	<u>1,426,301,063</u>

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: trade and other receivables; cash and cash equivalents; and trade and other payables.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

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#### 10 Fair value of financial instruments (continued)

There were no changes to valuation techniques or transfers between Levels 1, 2 and 3 during the year.

Where there are quoted prices in an active market for identical assets or liabilities, a security is included in Level 1. Where values are based on inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in markets that are not active, they are included in Level 2.

The fair values of options are calculated using an option pricing model based on direct market data, e.g., bond or share prices, and indirect market data, e.g., interest, implied volatility and dividend estimates. The fair value of such options is included within Level 2.

The fair values of other derivatives are calculated based on quotes from counterparties to the agreements which are corroborated by market data. The fair value of such interest rate swaps is included within Level 2.

The fair values of structured product financial instruments, which are set up as combinations of the components of the respective structured product, are calculated based on the sum of the valuations of its components. As the fair values of the components of the structured products are either Level 1 (securities held for trading) or Level 2 (term deposits with banks and derivative financial instruments), the fair value of such structured products is included within Level 2.

#### 11 Financial risk and management objectives and policies

##### 11 a) Introduction

The main risks that the Company is exposed to are credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk). The Directors regularly review and agree policies for managing each of these risks as summarised below, which includes the use of derivatives and other financial instruments. The risk management guidelines for the Company set out guidelines for identifying, managing and monitoring the risks to which the Company is exposed and in particular:

- define the rules and procedures for managing credit, liquidity and market risks;
- set out the applicable long-term risk policies of the Company and Zürcher Kantonalbank;
- define the entity to which duties and responsibilities in relation to risk monitoring are assigned; and
- provide an overview of relevant powers and responsibilities.

The general guidelines are:

- credit, liquidity and market risks shall be managed in accordance with the rules and policies laid down in the guidelines on risk management for Zürcher Kantonalbank, and its subsidiaries (collectively, the "group") risk policies;
- subject to the constraints of the applicable group risk policies, the Company shall define appropriate limits with a view to mitigating default and market risks;
- Zürcher Kantonalbank shall be responsible for managing risks subject to approved limits;
- Zürcher Kantonalbank shall be responsible for quantifying risk, preparing reports on risk monitoring conducted, and reporting on risks; and
- the Directors of the Company shall be entitled to limit the level of risk exposure and the list of approved products at any time.

There were no changes to the Company's risk management guidelines during the reporting period.

##### 11 b) Risk management structure

The Chief Executive Officer of the Company is responsible for monitoring both the liquidity and solvency of the Company and compliance with the Company's risk limits. Furthermore, the Chief Executive Officer is also responsible for documenting risks limits, defining actions to be taken in the event of a breach of any of those limits, informing the Directors of any limit breaches and subsequent actions taken.

The Directors supervise management and are ultimately responsible for the overall risk management of the Company.

##### 11 c) Risk measurement and reporting system

Risk measurement, preparation of risk monitoring reports and risk reporting have been delegated to Zürcher Kantonalbank. To ensure a constant monitoring of risk by the Company's management, a risk report is prepared by Zürcher Kantonalbank on a daily basis and is sent to the management of the Company.

The Directors of the Company have defined the following sensitivity limits for credit risk, interest rate risk and currency risk, as well as counterparty exposure limits, which are calculated on a daily or weekly basis by Zürcher Kantonalbank.

##### 11 c) (i) Credit spread risk sensitivity limits

Credit spread risk refers to debt instruments and is related to daily changes in the spread of an instrument's yield curve over the zero-coupon Treasury yield curve (the z-spread). The sensitivity limit defines the maximum profit and loss daily change limit permitted on the theoretical hedging costs on the Company's treasury management portfolio. The Directors have defined a maximum credit spread sensitivity ("DV01") per issuer with a view to mitigating the credit risk associated with debt instruments.



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 c) (i) Credit risk spread sensitivity limits (continued)

DV01 is calculated as the sensitivity of a contract to a 1 basis point fluctuation in the credit spread curve and is set at a level that the Directors believe allows for sufficient returns to be generated on the Company's securities held for trading without exposing it to excessive credit risk.

	2018		2017	
	Current	Maximum credit spread	Current	Maximum credit spread
	CHF	CHF	CHF	CHF
DV01 per issuer	6,023	< 35,000	7,517	< 35,000

##### 11 c) (ii) Counterparty exposure limits

Counterparty exposure refers to the debt instruments within securities held for trading and relates to the risk of issuer default. The Directors have defined minimum credit ratings and maximum permitted nominal holdings per issuer for each credit rating category with a view to mitigating the default risk associated with securities.

Counterparty exposure is calculated on an aggregate basis for all securities held for trading within the treasury management portfolio, and is based on the lower of the two ratings provided by Standard & Poors and Moody's ratings agencies.

	2018				2017	
	Nominal limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer	Counterparty limit per issuer	Maximum exposure to any one issuer
	CHF	CHF			CHF	CHF
Counterparty long term rating AAA	100,000,000	6,515,000	no limit	34 months	100,000,000	30,140,000
Counterparty long term rating between AA+ and AA-	50,000,000	42,241,500	no limit	57 months	50,000,000	38,235,000
Counterparty long term rating between A+ and A	30,000,000	29,946,950	no limit	34 months	30,000,000	42,966,065
Counterparty long term rating A-	30,000,000	8,251,986	15 months	21 months	0	6,079,410
Counterparty long term rating BBB+	15,000,000	25,245,000	15 months	14 months	0	-
Counterparty long term rating BBB	15,000,000	550,000	15 months	6 months	0	-
Counterparty long term rating BBB-	15,000,000	-	15 months	-	0	-
Counterparty long term rating BB+ and lower	0	-	n/a	-	0	-

The Directors have approved temporary exceptions to the counterparty limit policy in respect of the below holdings. It is the opinion of the Directors that these securities can continue to be held until their maturity or until market conditions allow for their disposal.

	Long term rating	Nominal holding CHF	Residual term
Issuer A	BBB+	25,245,000	12 months
Issuer B	A-	2,615,000	18 months
Issuer B	A-	5,636,986	21 months

##### 11 c) (iii) Interest rate sensitivity limits

Interest rate sensitivity is measured by reference to Rho, which is the rate at which the price of a derivative changes relative to a change in the risk free rate of interest. It is expressed as the amount of money, per share of the underlying, that the value of the option will gain or lose as the risk free interest rate rises or falls by one basis point.

	2018		2017	
	Limit	Sensitivity	Limit	Sensitivity
	CHF	CHF	CHF	CHF
Effect of 1 basis point movement in risk free interest rate	+/- 100,000	+/- 33,206	+/- 100,000	+/- 38,238

##### 11 c) (iv) Foreign currency limits

The foreign exchange sensitivity limit is the maximum permitted movement in profit or loss caused by a 1% movement in the value of the Swiss franc.

	2018		2017	
	Limit	Sensitivity	Limit	Sensitivity
	CHF	CHF	CHF	CHF
Effect of 1% movement in the value of the Swiss franc	+/- 1,000,000	+/- 756	+/- 1,000,000	+/- 614

##### 11 d) Risk mitigation

The Company uses derivatives and other financial instruments for trading purposes to manage exposures resulting from changes in credit risks, interest and foreign currency rates.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 e) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The Company is exposed to the risk of credit-related loss that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, derivative assets, short term receivables and cash and cash equivalents.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

##### 11 e) (i) Financial assets subject to IFRS 9's impairment requirements

The Company's only financial assets subject to the ECL model within IFRS 9 are short term trade and other receivables. At 31 December 2018, the total of short-term trade and receivables was CHF nil, on which no loss allowance has been provided (31 December 2017: total of CHF nil, on which no loss had been incurred). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

As all trade and other receivables are impacted by IFRS 9 ECL model the Company has adopted the simplified approach. The loss allowance shown is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: accrued income; amounts due from counterparties; and other receivables.

##### 11 e) (ii) Financial assets not subject to IFRS 9's impairment requirements

The Company is exposed to credit risk on debt instruments and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets, under both IAS 39 (2017) and IFRS 9 (2018) represent the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The following table analyses the sensitivity of the Company's treasury management portfolio to changes in credit spreads:

Securities held for trading - Guernsey treasury management portfolio	2018 CHF	2017 CHF
Market scenario:		
1 basis point change in the difference in yields between treasury and non-treasury securities	160,215	157,447

The following tables analyse the Company's securities held for trading by rating agency category:

Securities held for trading - Guernsey treasury management portfolio	Fair value CHF	Rating	Allocation
<b>As at 31 December 2018:</b>			
Bonds receivable	44,775,904	AAA	3%
Bonds receivable	388,399,288	AA	28%
Bonds receivable	867,110,123	A	62%
Bonds receivable	40,648,885	BBB	3%
Bonds receivable	52,957,728	No rating	4%
	<u>1,393,891,928</u>		<u>100%</u>
<b>As at 31 December 2017:</b>			
Bonds receivable	116,045,906	AAA	8%
Bonds receivable	333,950,878	AA	24%
Bonds receivable	936,212,948	A	67%
Bonds receivable	5,850,315	No rating	1%
	<u>1,392,060,047</u>		<u>100%</u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 e) (ii) Financial assets not subject to IFRS 9's impairment requirements (continued)

Securities held for trading - as direct hedging instruments	Fair value CHF	Rating	Allocation
<b>As at 31 December 2018:</b>			
Bonds receivable	3,979,948	AAA	6%
Bonds receivable	853,286	AA	1%
Bonds receivable	5,670,946	A	9%
Bonds receivable	20,702,785	BBB	33%
Bonds receivable	22,841,974	BB	36%
Bonds receivable	2,107,251	B	3%
Bonds receivable	6,444,396	No rating	11%
Stocks held	275,918		1%
	<b>62,876,504</b>		<b>100%</b>
<b>As at 31 December 2017:</b>			
Bonds receivable	6,398,659	AAA	7%
Bonds receivable	1,419,816	AA	2%
Bonds receivable	7,869,706	A	9%
Bonds receivable	33,204,330	BBB	36%
Bonds receivable	31,737,489	BB	35%
Bonds receivable	3,360,734	B	4%
Bonds receivable	7,632,455	No rating	8%
Stocks held	96,125		0%
	<b>91,719,314</b>		<b>100%</b>

The securities listed above are held as direct hedging instruments for risk management purposes and are not subject to the counterparty limits shown in note 11 c) (ii).

Concentration of credit risk within securities held for trading is managed by counterparty, geographical region and industry sector. The Company has no major exposure to any one counterparty in the treasury management portfolio (see note 11 c) (ii)).

The following table analyses the concentration of credit risk by geographical distribution (based on counterparties' country of domicile):

	2018		2017	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Australia	6%	0%	7%	0%
China	10%	0%	13%	0%
European Union	39%	0%	38%	0%
New Zealand	9%	0%	10%	0%
Switzerland	4%	100%	2%	100%
United States of America	9%	0%	9%	0%
Others	23%	0%	21%	0%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The following table analyses the concentration of credit risk in the Company's treasury management portfolio by industrial distribution:

	2018		2017	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Financial	78%	100%	71%	100%
Industrial	6%	0%	7%	0%
Sovereign	6%	0%	8%	0%
Supranational	3%	0%	5%	0%
Others	7%	0%	9%	0%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 f) Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company is exposed to cash repayments of its structured product financial liabilities on a regular basis.

There is no direct matching of the maturity profiles of the structured products with the securities held, however the Company's liquidity profile is constantly monitored as an important part of the treasury management process. Liquidity risk management consists of short term (3 months) and long term (3 years) monitoring of cash flows.

The following tables show a net liquidity surplus for the next year, when the treasury management portfolio is classified according to final maturity dates. The securities held in the treasury management portfolio are primarily debt instruments which, under normal market conditions are readily convertible to cash. As such their final maturity dates are not intended to closely match the final maturity profile of financial liabilities held at FVTPL:

	2018 Up to one year CHF	2018 From one to two years CHF	2018 From two to three years CHF	2018 From three to four years CHF	2018 From four to five years CHF	2018 Five years and over CHF	31 December 2018 Total CHF
<b>Assets</b>							
Cash, amounts due from banks, money at call	60,031,606	-	-	-	-	-	60,031,606
Accrued interest receivable and prepayments	9,540,952	-	-	-	-	-	9,540,952
Securities held for trading, designated at FVTPL	612,311,315	682,480,871	113,826,971	7,716,459	5,277,179	35,155,637	1,456,768,432
Derivative financial instruments held at FVTPL	3,622,066	4,817,544	865,683	1,082,786	946,192	6,134,588	17,468,859
<b>Liabilities</b>							
Amounts due to banks	(41,294,977)	-	-	-	-	-	(41,294,977)
Accrued interest payable and accrued expenses	(1,711,256)	-	-	-	-	-	(1,711,256)
Derivative financial instruments held at FVTPL	(121,822,626)	(33,791,101)	(8,205,209)	(2,467,801)	(546,062)	(2,059,560)	(168,892,359)
Financial liabilities held at FVTPL	(633,465,479)	(388,006,013)	(126,380,066)	(11,957,929)	(33,286,560)	(37,065,056)	(1,230,161,103)
<b>Net Liquidity</b>	<b>(112,788,399)</b>	<b>265,501,301</b>	<b>(19,892,621)</b>	<b>(5,626,485)</b>	<b>(27,609,251)</b>	<b>2,165,609</b>	<b>101,750,154</b>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2018 are as follows:

Financial liabilities held at fair value through profit or loss	727,936,863	412,335,039	132,941,671	12,344,400	35,782,474	38,309,875	1,359,650,322
	2017 Up to one year CHF	2017 From one to two years CHF	2017 From two to three years CHF	2017 From three to four years CHF	2017 From four to five years CHF	2017 Five years and over CHF	31 December 2017 Total CHF
<b>Assets</b>							
Cash, amounts due from banks, money at call	63,461,078	-	-	-	-	-	63,461,078
Accrued interest receivable and prepayments	9,057,267	-	-	-	-	-	9,057,267
Securities held for trading, designated at FVTPL	778,454,871	468,941,680	142,525,818	38,237,411	8,192,338	47,427,243	1,483,779,361
Derivative financial instruments held at FVTPL	5,132,912	5,262,478	4,699,994	1,020,951	1,200,096	9,136,844	26,453,275
<b>Liabilities</b>							
Amounts due to banks	(51,683,345)	-	-	-	-	-	(51,683,345)
Accrued interest payable and accrued expenses	(1,798,025)	-	-	-	-	-	(1,798,025)
Derivative financial instruments held at FVTPL	(23,847,226)	(8,990,887)	(7,781,907)	(1,168,437)	(1,508,455)	(772,002)	(44,068,914)
Financial liabilities held at FVTPL	(638,587,504)	(334,708,014)	(296,698,899)	(57,166,273)	(11,236,353)	(43,835,106)	(1,382,232,149)
<b>Net Liquidity</b>	<b>140,190,028</b>	<b>130,505,257</b>	<b>(157,254,994)</b>	<b>(19,076,348)</b>	<b>(3,352,374)</b>	<b>11,956,979</b>	<b>102,968,548</b>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2017 are as follows:

Financial liabilities held at fair value through profit or loss	629,853,873	328,963,143	300,096,877	56,180,033	11,088,835	42,608,620	1,368,791,381
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##### 11 g) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written equity-linked derivatives, equals their fair value. With written equity-linked derivatives, the Company bears the market risk of an unfavourable change in the price of the security underlying the option.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 g) (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company writes interest rate derivatives, mainly being interest rate swaps in which the Company agrees to exchange, at specified intervals. The difference between fixed and variable interest amounts is calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks. The majority of interest rate exposure arises on investment in debt securities and the interest rate profile is shown below.

The following table analyses the Company's interest rate exposure. The Company's assets and liabilities are included at their carrying amount and are categorised by their maturity dates:

	Total CHF	Variable rate CHF	Fixed rate CHF	No net interest rate risk CHF
The interest rate profile of the Company at 31 December 2018:				
<b>Assets</b>				
Cash, amounts due from banks, money at call	60,031,606	471,854	-	59,559,752
Accrued interest receivable and prepayments	9,540,952	-	-	9,540,952
Securities held for trading, designated at FVTPL	1,456,768,432	238,922,885	1,217,569,629	275,918
Derivative financial instruments held at FVTPL	17,468,859	8,991,171	-	8,477,688
<b>Total Assets</b>	<b>1,543,809,849</b>	<b>248,385,910</b>	<b>1,217,569,629</b>	<b>77,854,310</b>
<b>Liabilities and Shareholder's funds</b>				
Amounts due to banks	41,294,977	-	-	41,294,977
Accrued interest payable and accrued expenses	1,711,256	-	-	1,711,256
Derivative financial instruments held at FVTPL	168,892,359	9,271,188	-	159,621,171
Structured product financial liabilities held at FVTPL	1,230,161,103	9,746,285	-	1,220,414,818
Share capital	1,000,000	-	-	1,000,000
Retained earnings	100,750,154	-	-	100,750,154
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,543,809,849</b>	<b>19,017,473</b>	<b>-</b>	<b>1,524,792,376</b>

	Total CHF	Variable rate CHF	Fixed rate CHF	No net interest rate risk CHF
The interest rate profile of the Company at 31 December 2017:				
<b>Assets</b>				
Cash, amounts due from banks, money at call	63,461,078	672,059	-	62,789,019
Accrued interest receivable and prepayments	9,057,267	-	-	9,057,267
Securities held for trading, designated at FVTPL	1,483,779,361	259,826,963	1,212,207,268	11,745,130
Derivative financial instruments held at FVTPL	26,453,275	11,484,485	-	14,968,790
<b>Total Assets</b>	<b>1,582,750,981</b>	<b>271,983,507</b>	<b>1,212,207,268</b>	<b>98,560,206</b>
<b>Liabilities and Shareholder's funds</b>				
Amounts due to banks	51,683,345	4	-	51,683,341
Accrued interest payable and accrued expenses	1,798,025	-	-	1,798,025
Derivative financial instruments held at FVTPL	44,068,914	11,919,036	-	32,149,878
Structured product financial liabilities held at FVTPL	1,230,161,104	9,746,286	-	1,220,414,818
Share capital	1,000,000	-	-	1,000,000
Retained earnings	101,968,548	-	-	101,968,548
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,430,679,936</b>	<b>21,665,326</b>	<b>-</b>	<b>1,409,014,610</b>

##### 11 g) (ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in securities and issues structured products that are denominated in currencies other than the Swiss franc. Accordingly, the value of the Company's assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates.

The Company writes derivatives, such as currency forwards, to hedge foreign currency denominated financial instruments and increases or decreases in the fair value of the Company's foreign currency denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

The following table indicates the currencies to which the Company had significant exposure as at 31 December on its monetary assets and liabilities.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 g) (ii) Currency risk (continued)

Currency profile of the Company as at 31 December 2018:

	Total CHF	Swiss Franc CHF	Euro CHF	US Dollar CHF	British Pound CHF	Other CHF
<b>Assets</b>						
Cash, amounts due from banks, money at call	60,031,606	56,586,765	-	-	3,179,547	265,294
Accrued interest receivable and prepayments	9,540,952	5,780,189	1,886,535	1,479,152	269,483	125,593
Securities held for trading, designated at FVTPL	1,456,768,432	913,826,629	311,874,408	213,570,403	8,738,000	8,758,992
Derivative financial instruments held at FVTPL	17,468,859	11,217,314	2,763,948	3,325,528	136,485	25,584
<b>Total Assets</b>	<b>1,543,809,849</b>	<b>987,410,897</b>	<b>316,524,891</b>	<b>218,375,083</b>	<b>12,323,515</b>	<b>9,175,463</b>
	100.00%	63.96%	20.50%	14.15%	0.80%	0.59%
<b>Liabilities</b>						
Amounts due to banks	41,294,977	12,640,103	21,581,815	6,575,535	411,858	85,666
Accrued interest payable and accrued expenses	1,711,256	1,473,693	-	-	237,563	-
Derivative financial instruments held at FVTPL	168,892,359	127,943,800	29,569,045	11,379,514	-	-
Structured product financial liabilities held at FVTPL	1,230,161,103	747,496,812	267,247,486	208,413,410	1,780,755	5,222,640
<b>Total Liabilities</b>	<b>1,442,059,695</b>	<b>889,554,408</b>	<b>318,398,346</b>	<b>226,368,459</b>	<b>2,430,176</b>	<b>5,308,306</b>
	100.00%	61.69%	22.08%	15.70%	0.17%	0.37%

Currency profile of the Company as at 31 December 2017:

	Total CHF	Swiss Francs CHF	Euro CHF	US Dollar CHF	Australian Dollar CHF	Other CHF
<b>Assets</b>						
Cash, amounts due from banks, money at call	63,461,078	58,033,181	-	403,157	-	5,024,740
Accrued interest receivable and prepayments	9,057,267	5,227,626	2,177,518	949,003	109,824	593,296
Securities held for trading, designated at FVTPL	1,483,779,361	898,506,088	388,304,826	170,421,310	3,146,568	23,400,569
Derivative financial instruments held at FVTPL	26,453,275	19,310,860	4,955,460	1,969,101	65,536	152,318
<b>Total Assets</b>	<b>1,582,750,981</b>	<b>981,077,755</b>	<b>395,437,804</b>	<b>173,742,571</b>	<b>3,321,928</b>	<b>29,170,923</b>
	100.00%	61.99%	24.98%	10.97%	0.21%	1.84%
<b>Liabilities</b>						
Amounts due to banks	51,683,345	17,100,891	33,653,143	-	421,566	507,745
Accrued interest payable and accrued expenses	1,798,025	1,254,821	260,421	4,927	-	277,856
Derivative financial instruments held at FVTPL	44,068,914	27,375,613	11,783,834	4,530,158	-	379,309
Structured product financial liabilities held at FVTPL	1,382,232,149	840,665,292	350,325,269	181,185,491	1,966,906	8,089,191
<b>Total Liabilities</b>	<b>1,479,782,433</b>	<b>886,396,617</b>	<b>396,022,667</b>	<b>185,720,576</b>	<b>2,388,472</b>	<b>9,254,101</b>
	100.00%	59.90%	26.76%	12.55%	0.16%	0.63%

##### 11 g) (iii) Price risk

Equity price risk is the risk of unfavourable changes in the fair value of equity instruments or equity-linked derivatives as a result of changes in the levels of equity indices and the value of individual shares. The Company manages equity risk on its exposure to equity-linked structured products by writing equity-linked derivatives as a hedge against the movement in their price. The Company is therefore only exposed to equity price risk on the revaluation of equities purchased to meet obligations under equity-settled structured product liabilities which are valued based on the equity purchase price and are therefore subsequently settled at nil gain/loss.

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant, is indicated in the table below. There is no effect on other comprehensive income as the Company has no assets classified as fair value through other comprehensive income (2017: as available for sale under IAS 39) or designated hedging instruments. In practice the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in equity indices as shown below would have resulted in an equivalent, but opposite, impact.



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 11 Financial risk and management objectives and policies (continued)

##### 11 g) (iii) Price risk (continued)

	Change in equity index %	Effect on net income for the year 2018 CHF	2017 CHF
Stoxx Europe 600 Index	+/- 10	+/- 7,370	-
Swiss All Share Index	+/- 10	+/- 20,221	+/- 9,613

The effect of changes in bond prices resulting from variations in interest rates are quantified in notes 11 c) (iii) and 11 g) (i).

#### 12 Cash, amounts due from / to banks, money at call

	2018 CHF	2017 CHF
Due from banks, Guernsey	471,854	672,059
Due from banks, Zürcher Kantonalbank	59,559,752	62,789,019
	<u>60,031,606</u>	<u>63,461,078</u>
Due to banks, European Union - other	-	(4)
Due to banks, Zürcher Kantonalbank	(41,294,977)	(51,683,341)
	<u>(41,294,977)</u>	<u>(51,683,345)</u>
Total net cash, amounts due from / to banks, money at call	<u>18,736,629</u>	<u>11,777,733</u>

The amounts due from banks in Guernsey accrue interest income at variable market rates. The amounts due to and from Zürcher Kantonalbank do not accrue interest. The amounts due to banks in the European Union - other accrued interest income at variable market rates.

#### 13 Share capital

	2018 CHF	2017 CHF
Authorised		
1,000 Ordinary shares of CHF1,000 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of CHF1,000 each	<u>1,000,000</u>	<u>1,000,000</u>

Each holder of a fully paid ordinary share is entitled to one vote for each share owned. When and as dividends are declared upon the ordinary share capital of the Company, the holders of ordinary shares are entitled to share equally, share for share, in such dividends. In the event of liquidation of the Company, the holders of ordinary shares shall be entitled to receive any of the remaining assets of the Company after the distribution of all preferred amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

#### 14 Capital management

The Company considers its capital to comprise its share capital and retained earnings which amounted CHF 101,750,154 as at 31 December 2018 (2017: CHF 102,968,548). The Company's capital management objectives are to achieve consistent returns while safeguarding capital and to maintain sufficient liquidity to meet the expenses of the Company and to meet its liabilities as they arise.

To achieve the above objectives, the Company invests in term deposits with group approved banks and bonds with an appropriate credit rating (see note 11).

The Company is not subject to externally imposed capital requirements and has no restrictions on the issue or repurchase of ordinary shares.

#### 15 Related party disclosures

##### Parent and ultimate controlling party

The immediate and ultimate parent undertaking is Zürcher Kantonalbank, a Company incorporated in Switzerland.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2018

#### 15 Related party disclosures (continued)

##### Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Income Year ended 31 December CHF	Expenses Year ended 31 December CHF	Due to related party 31 December CHF	Due from related party 31 December CHF
<b>Parent:</b>					
Zürcher Kantonalbank	2018	12,659,027	11,046,727	941,502	-
	2017	19,795,283	11,768,708	1,515,241	-
Bank accounts held with parent Company	2018	-	-	41,294,977	59,559,752
	2017	-	-	51,683,345	62,789,019
Derivative contracts with parent Company	2018	-	-	168,892,359	17,468,859
	2017	-	-	44,068,914	26,453,275
Structured products held by parent Company	2018	-	-	110,010,886	-
	2017	-	-	212,823,251	-
<b>Other related parties:</b>					
Butterfield Trust (Guernsey) Limited	2018	-	644,973	156,939	-
	2017	-	640,729	164,781	-

##### Terms and conditions of transactions with related parties

All related party transactions are considered to have been made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

##### Transactions with key management personnel

Key management personnel, defined as the Board of Directors and Chief Executive Officer, received the following compensation during the year:

	Year ended 31 December 2018 CHF	Year ended 31 December 2017 CHF
Short-term employee benefits	189,793	180,438

##### Other Directors' interests

Mr PDH Hodgson is a Director of Butterfield Trust (Guernsey) Limited, who act as administrators for Zürcher Kantonalbank Finance (Guernsey) Limited. Details of the fees paid to Butterfield Trust (Guernsey) Limited for services rendered are shown in the above table.

#### 16 Events after the statement of financial position date

There were no events after the reporting period that affect the amounts reported or require disclosure.



**ZÜRCHER KANTONALBANK FINANCE  
(GUERNSEY) LIMITED**

**ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## CONTENTS

---

<b>Reports:</b>	<b>Pages</b>
-----------------	--------------

Company Information	1
---------------------	---

Directors' Report	2
-------------------	---

Independent Auditor's Report	3 - 4
------------------------------	-------

### **Financial statements:**

Statement of Comprehensive Income	5
-----------------------------------	---

Statement of Financial Position	6
---------------------------------	---

Statement of Changes in Equity	7
--------------------------------	---

Statement of Cash Flows	8
-------------------------	---

Notes to the Financial Statements	9 - 28
-----------------------------------	--------

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## COMPANY INFORMATION

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### Directors

F O Oegerli, Chairman (i)  
S Stadelmann, Vice Chairman (i)  
P D H Hodgson (resigned 31 October 2019)  
R S Duchemin (appointed 31 October 2019)  
J W Renouf (ii)

- (i) Member of Audit Committee
- (ii) Chairman of Audit Committee

### Secretary

Alter Domus (Guernsey) Limited (appointed 30 September 2019)  
Butterfield Management Services (Guernsey) Limited (resigned 30 September 2019)

### Registered office

Bordage House  
Le Bordage  
St Peter Port  
Guernsey GY1 1BU

### Auditor

Ernst & Young LLP  
Royal Chambers  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 4AF

### Bankers

Zürcher Kantonalbank  
Bahnhofstrasse 9  
PO Box 8010  
Zürich  
Switzerland

NatWest International  
PO Box 62  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey GY1 4BQ

### Custodian

Zürcher Kantonalbank  
Bahnhofstrasse 9  
PO Box 8010  
Zürich  
Switzerland

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## DIRECTORS' REPORT

---

The Directors submit their report and the audited financial statements for the year ended 31 December 2019.

### Activities

The principal activity of Zürcher Kantonalbank Finance (Guernsey) Limited ("the Company") is to carry on business as a finance company and to borrow or raise money by the issue of financial instruments of whatsoever nature.

### Results

The results of the Company are shown in the Statement of Comprehensive Income on page 5.

### Dividend

The Directors do not recommend the payment of a dividend.

### Directors

The Directors of the Company are those listed in the Company Information.

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and generally accepted accounting principles.

Guernsey company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and each has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.


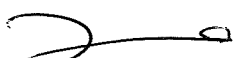
### Going concern

The Directors have assessed the potential impact of the Covid-19 global pandemic on the Company, and consider that the Company has adequate financial resources and believe that the Company has adopted appropriate measures to ensure that it can continue in operational existence for the foreseeable future. As such the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

### Auditor

A resolution to reappoint Ernst & Young LLP as auditor will be put to the members at the Annual General Meeting.

For and on behalf of the Board:

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director

19 March 2020  
\_\_\_\_\_  
Date

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

---

## Opinion

We have audited the financial statements of Zürcher Kantonalbank Finance (Guernsey) Limited (the "Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

## In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the results for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

---

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## **Responsibilities of directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
Ernst & Young LLP  
Guernsey, Channel Islands

Date: 19 March 2020

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2019

	Notes	Year ended 31 December 2019		Year ended 31 December 2018	
		CHF	CHF	CHF	CHF
Net trading income	6		16,091,130		11,085,356
Operating expenses	7		(11,225,467)		(12,303,986)
<b>Operating profit</b>			<u>4,865,663</u>		<u>(1,218,630)</u>
Finance income		190		236	
Finance costs		(2,721)		-	
			<u>(2,531)</u>		<u>236</u>
<b>Net comprehensive income/(loss) for the financial year</b>			<u><u>4,863,132</u></u>		<u><u>(1,218,394)</u></u>

All of the items in the above are derived from continuing operations.

There were no other comprehensive income items in the period.

The notes on pages 9 to 28 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2019

	Notes	31 December 2019 CHF	31 December 2018 CHF
<b>Assets</b>			
<b>Non-current assets</b>			
Right-of-use assets	12	304,878	-
<b>Total non-current assets</b>		<u>304,878</u>	<u>-</u>
<b>Current assets</b>			
Cash, amounts due from banks, money at call	13	54,655,711	60,031,606
Financial assets at fair value through profit or loss			
Securities held for trading	8	1,385,114,812	1,456,768,432
Derivative financial instruments	8, 9	27,425,409	17,468,859
Accrued interest receivable and prepayments		9,137,206	9,540,952
<b>Total current assets</b>		<u>1,476,333,138</u>	<u>1,543,809,849</u>
<b>Total assets</b>		<u><u>1,476,638,016</u></u>	<u><u>1,543,809,849</u></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	14	277,822	-
<b>Total Non-current liabilities</b>		<u>277,822</u>	<u>-</u>
<b>Current liabilities</b>			
Amounts due to banks	13	48,593,322	41,294,977
Lease liabilities	14	57,337	-
Financial liabilities at fair value through profit or loss			
Structured products	8	1,285,066,091	1,230,161,103
Derivative financial instruments	8, 9	34,745,834	168,892,359
Accrued interest payable and accrued expenses		1,284,324	1,711,256
<b>Total Current liabilities</b>		<u>1,369,746,908</u>	<u>1,442,059,695</u>
<b>Equity</b>			
Share capital	16	1,000,000	1,000,000
Retained earnings		105,613,286	100,750,154
<b>Total equity</b>		<u>106,613,286</u>	<u>101,750,154</u>
<b>Total liabilities and equity</b>		<u><u>1,476,638,016</u></u>	<u><u>1,543,809,849</u></u>

The financial statements on pages 5 to 28 were approved by the Board of Directors on 19 March 2020 and are signed on its behalf by:



Director



Director

The notes on pages 9 to 28 form part of these financial statements.



ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 For the year ended 31 December 2019

	Share capital CHF	Retained earnings CHF	Total equity CHF
At 1 January 2018	1,000,000	101,968,548	102,968,548
Net comprehensive loss for the financial year	-	(1,218,394)	(1,218,394)
<b>Balance at 31 December 2018</b>	<u>1,000,000</u>	<u>100,750,154</u>	<u>101,750,154</u>
At 1 January 2019	1,000,000	100,750,154	101,750,154
Net comprehensive income for the financial year	-	4,863,132	4,863,132
<b>Balance at 31 December 2019</b>	<u>1,000,000</u>	<u>105,613,286</u>	<u>106,613,286</u>

The notes on pages 9 to 28 form part of these financial statements.

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 CHF	Year ended 31 December 2018 CHF
<b>Operating activities</b>			
Net comprehensive income for the financial year		4,863,132	(1,218,394)
Adjustments for:			
Depreciation of right-of-use assets	12	23,185	-
Revaluation of lease liabilities	12	18,035	-
Finance income		(190)	(236)
Finance costs		2,721	-
Adjustment for changes in working capital:			
Decrease / (increase) in accrued interest receivable and prepayments		403,746	(483,685)
Decrease in securities held for trading, designated at fair value through profit or loss		71,653,620	27,010,929
Increase / (decrease) in structured product financial liabilities held at fair value through profit or loss		54,904,988	(152,071,046)
(Increase) / decrease in derivative financial instruments held at fair value through profit or loss		(144,103,075)	133,807,861
Decrease in accrued interest payable and accrued expenses		(426,932)	(86,769)
		(12,660,770)	6,958,660
Interest received		190	236
Net cash (outflows)/inflows from operating activities		(12,660,580)	6,958,896
<b>Financing activities</b>			
Payment of principal portion of lease liabilities	12	(13,660)	-
Net cash outflows from financing activities		(13,660)	-
Net (decrease)/increase in cash and cash equivalents		(12,674,240)	6,958,896
<b>Net cash and cash equivalents at 1 January</b>		18,736,629	11,777,733
<b>Net cash and cash equivalents at 31 December</b>	13	<u>6,062,389</u>	<u>18,736,629</u>

The notes on pages 9 to 28 form part of these financial statements.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 1 Corporate information

Zürcher Kantonalbank Finance (Guernsey) Limited is a finance company and borrows or raises money by the issue of financial instruments of whatsoever nature. The Company was incorporated and is registered in Guernsey with the registered office being at Bordage House, Le Bordage, St Peter Port, Guernsey, GY1 1BU.

### 2 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

#### 2 a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation to fair value through profit or loss of derivative financial instruments, over-the-counter ("OTC") options, securities, term deposits with banks and financial liabilities and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

#### 2 b) Going concern

The Company's financial position, its cash flows and liquidity position are set out in the financial statements. In addition, note 11 to the financial statements includes the Company's risk management and policies, details of its financial instruments, its exposures to credit risk and liquidity risk and its objectives, policies and processes for managing its capital. Based on the review of the 2020 and 2021 financial forecasts, and having assessed the potential impact of the Covid-19 global pandemic on the Company, the Directors consider that the Company has adequate financial resources and believe that the Company has adopted appropriate measures to ensure that it can continue in operational existence for the foreseeable future. As such the Directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

#### 2 c) Financial instruments

##### 2 c) (i) Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a designated and effective hedging instrument).

##### 2 c) (i) (1) Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The Company's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

##### *Financial assets measured at amortised cost*

A financial instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including accrued interest receivable and prepayments.

##### *Financial assets measured at fair value through profit or loss ("FVTPL")*

A financial asset is measured at FVTPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVTPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- Equity instruments: these include investments in listed equities;
- Debt instruments: these include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains; and
- Instruments held for trading: this includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 2 Significant accounting policies (continued)

#### 2 c) (i) (2) Financial liabilities

##### *Financial liabilities measured at FVTPL*

A financial liability is measured at FVTPL if it meets the definition of held for trading.

The Company includes in this category derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

##### *Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category bank overdrafts and other short-term payables.

#### 2 c) (ii) Recognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

#### 2 c) (iii) Initial measurement

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

#### 2 c) (iv) Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVTPL in the statement of comprehensive income as part of net trading income (see note 6). Interest and dividends earned or paid on these instruments are recorded in the statement of comprehensive income as part of net trading income (see note 6).

Debt instruments, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVTPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

#### 2 c) (v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- Transferred substantially all of the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 2 Significant accounting policies (continued)

#### 2 d) Impairment of financial assets

The Company holds only trade receivables with no financing component and which are due in less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Company's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

#### 2 e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statement of financial position.

#### 2 f) Fair value measurement

The Company measures its investments in financial instruments, such as equity instruments, debt instruments, other interest bearing investments and derivatives, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

For assets and liabilities that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

#### 2 g) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 2 g) (i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office premises 6 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflect the exercise of a purchase option, depreciation is calculated using the estimates useful life of the asset.

The right-of-use assets are also subject to impairment (see note 2 h)).

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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### 2 Significant accounting policies (continued)

#### 2 g) (ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchased option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in interest-bearing loans and borrowings (see note 14).

#### 2 h) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of any asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

#### 2 i) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates. The majority of the Company's transactions are in Swiss francs, the performance is evaluated and its liquidity is managed in Swiss francs, and the functional currency of its parent entity is Swiss francs. Therefore, the Company concludes that the Swiss franc is its functional currency.

The Company's presentation currency is also the Swiss franc.

#### 2 j) Foreign currency translations

Transactions during the period, including purchases and sales of financial instruments, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVTPL are included in profit or loss in the statement of comprehensive income as part of net trading income (see note 6).

#### 2 k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 2 Significant accounting policies (continued)

#### 2 l) Investment income

Investment income comprises of interest receivable on the maturity of the Company's term deposits with banks. Interest income is recognised as it accrues and is included in the statement of comprehensive income.

#### 2 m) Net trading income

Net trading income is comprised of gains and losses arising on the purchase, sale and revaluation of financial assets and liabilities at FVTPL, along with gains and losses arising on the revaluation and impairment of financial assets and liabilities held at amortised cost.

#### 2 n) Operating expenses

Fees are recognised on an accrual basis. Refer to note 7 for details of administration fees, audit fees, Directors' fees and parent company service costs.

### 3 Changes in accounting policies and disclosures

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019.

The nature and the impact of each new standard and amendment is described below:

#### 3 a) (i) Effect of first time adoption of IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

As the Company had no contracts which fell within the scope of IAS 17 and IFRIC 4 in prior years it has elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease. The Company adopted IFRS 16, with the date of initial application of 1 January 2019 and applied it to the lease which was entered during the year. The adoption of IFRS 16 in the current year has had no impact on any prior period figures.

#### 3 a) (ii) Impact of adoption of IFRS 16

The effect of adopting IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)):

	31 December 2019 CHF	31 December 2018 CHF	1 January 2018 CHF
<b>Assets</b>			
Right-of-use assets	304,878	-	-
<b>Total assets</b>	<u>304,878</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>			
Lease liabilities	335,159	-	-
<b>Total liabilities</b>	<u>335,159</u>	<u>-</u>	<u>-</u>
<b>Equity</b>			
Retained earnings	(30,281)	-	-
<b>Total equity</b>	<u>(30,281)</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and equity</b>	<u>304,878</u>	<u>-</u>	<u>-</u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 3 Changes in accounting policies and disclosures (continued)

##### 3 a) (ii) Impact of adoption of IFRS 16 (continued)

Impact on the consolidated statement of income (increase/(decrease)):

	Year ended 31 December 2019 CHF	Year ended 31 December 2018 CHF
Operating expenses	(27,560)	-
Operating profit	(27,560)	-
Finance costs	(2,721)	-
Net comprehensive income/(loss) for the financial year	(30,281)	-

Impact on the consolidated statement of cash flows (increase/(decrease)):

	2019 CHF	2018 CHF
Operating lease payments	(10,939)	-
Interest paid	(2,721)	-
Net cash outflows from operating activities	(13,660)	-
Payment of principal portion of lease liabilities	(13,660)	-
Net cash outflows from financing activities	(13,660)	-

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Company applied IFRS 16 at the date of initial application as if it had already been effective at the commencement date of existing lease contracts.

##### 3 b) Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments have had no impact on the financial statements of the Company.

##### 3 c) Amendments to IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

These amendments have had no impact on the financial statements of the Company.



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 4 Accounting standards, interpretations and amendments issued by not yet effective

At the date of authorisation of these financial statements, the following relevant standards and interpretations, which have not been applied, were in issue but not yet effective:

##### 4 a) Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

The amendments apply to all hedging relationships that are directly affected by the interest rate benchmark reform. Interest rate benchmark reform refers to the market-wide reform which includes the replacement of an LIBOR with an alternative RFR.

An exposure draft is expected in the first half of 2020 and is expected to be effective from 1 January 2020. These amendments are not expected to have any impact on the financial statements of the Company.

##### 4 b) Definition of Material (Amendments to IAS 1 and IAS 8)

The changes relate to a revised definition of 'material' which is amended to include information that if omitted, misstated or obscured could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for accounting periods beginning on or after 1 January 2020. They are not expected to have any impact on the financial statements of the Company.

#### 5 Taxation

The Company is taxed at the Company standard rate (0%) in Guernsey.

#### 6 Net trading income

	Year ended 31 December 2019 CHF	Year ended 31 December 2018 CHF
<b>Gains less losses on instruments held for trading</b>		
Foreign currency	(286,894)	(1,206,201)
Trading securities	4,891,742	(568,480)
<b>Gains less losses on fair value hedging</b>		
Gains less losses from fair value direct hedged items	465,338	201,010
Gains less losses from fair value direct hedging instruments	(227,604)	1,426,095
<b>Gains less losses on instruments designated at fair value</b>		
Financial liabilities designated at fair value through profit or loss	(182,495,621)	85,388,072
Derivatives managed with financial instruments designated at fair value through profit or loss	193,744,169	(74,155,140)
<b>Net trading income</b>	<b>16,091,130</b>	<b>11,085,356</b>

**ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2019

**7 Operating expenses**

	Year ended 31 December 2019 CHF	Year ended 31 December 2018 CHF
<b>Administrative expenses</b>		
Administration fees	476,310	644,973
Audit fees	103,127	89,234
Directors' fees	8,903	9,009
Secretarial fees	5,131	-
Other expenses	175,946	63,514
Depreciation	23,185	-
<b>Zürcher Kantonalbank service costs</b>		
Development costs	1,500,000	1,500,000
Product issuing costs	1,500,000	1,500,000
Distribution costs	4,287,570	5,462,816
Risk management fee	2,000,000	2,000,000
Keep-well agreement charges	649,368	583,911
<b>Employee expenses</b>		
Salaries	428,787	398,634
Social security	27,971	26,451
Health insurance	26,880	21,871
Other staff expenses	12,289	3,573
	<u>11,225,467</u>	<u>12,303,986</u>

**8 Financial assets and financial liabilities at fair value through profit or loss**

<b>Financial assets at fair value through profit or loss</b>	2019 CHF	2018 CHF
<b>Securities held for trading</b>		
Debt securities	1,385,114,812	1,456,492,514
Listed equity instruments	-	275,918
	<u>1,385,114,812</u>	<u>1,456,768,432</u>
<b>Derivative financial instruments</b>		
Currency forwards	-	456,560
Interest rate caps and floors	-	9,541
Interest rate swaps	12,598,679	8,991,171
Options	8,312,747	5,793,081
Total return swaps	6,513,983	2,218,506
	<u>27,425,409</u>	<u>17,468,859</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>1,412,540,221</u>	<u>1,474,237,291</u>

In the comparative period the Company classified its equity instruments and debt instruments as financial assets held for trading and its derivative financial instruments were designated at FVTPL.

<b>Financial liabilities at fair value through profit or loss</b>	2019 CHF	2018 CHF
<b>Structured product financial instruments</b>		
Linked to commodities	983,782	971,037
Linked to credit derivatives	137,373,244	176,478,447
Linked to equities / equity indices	1,017,268,490	858,108,322
Linked to foreign exchange	103,590,780	105,004,914
Linked to interest instruments	17,464,885	75,973,743
Linked to mixed derivatives	8,384,910	13,624,640
	<u>1,285,066,091</u>	<u>1,230,161,103</u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 8 Financial assets and financial liabilities at fair value through profit or loss (continued)

Financial liabilities at fair value through profit or loss (continued)	2019 CHF	2018 CHF
<b>Derivative financial instruments</b>		
Credit default swaps	10,986	48,804
Currency forwards	-	217,686
Interest rate swaps	8,154,791	9,271,188
Options	17,572,307	95,443,252
Total return swaps	9,007,750	63,911,429
	<u>34,745,834</u>	<u>168,892,359</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u><u>1,319,811,925</u></u>	<u><u>1,399,053,462</u></u>

### 9 Derivative contracts

Derivative contracts serve as components of the structured product financial liabilities of the Company. The derivative contracts that the Company may hold or issue include: futures; options; forward currency contracts; currency swaps; interest rate caps and floors; interest rate swaps; total return swaps; and credit default swaps.

The Company uses derivative financial instruments to economically hedge its risks associated with fluctuations in the value of structured product financial liabilities and interest rate risk associated with the Guernsey Risk Manager portfolio (the Company does not designate any derivative as a hedging instrument for hedge accounting purposes).

Derivatives often reflect, at their inception, only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the value of the contract.

OTC derivatives may expose the Company to the risks associated with absence of an exchange market on which to close out an open position. The counterparty for all derivative contracts in force at the year-end was the Company's parent entity, Zürcher Kantonalbank, and as such no credit valuation adjustments or debit valuation adjustments have been made to the OTC derivatives in the current or previous year. As at the date of signing these financial statements, Standard & Poor's had assigned Zürcher Kantonalbank a credit rating of AAA.

The following table shows the fair value of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of the derivative are measured. The notional amounts indicate the volume of transactions outstanding at the reporting dates and are not indicative of either market risk or credit risk.

	2019			2018		
	Assets CHF	Liabilities CHF	Notional Amount CHF	Assets CHF	Liabilities CHF	Notional Amount CHF
<b>Derivatives primarily held for trading purposes</b>						
Credit default swaps	-	10,986	3,300,000	-	48,804	3,300,000
Interest rate caps and floors	-	-	-	9,541	-	6,198,005
Options	8,312,747	17,572,307	468,488,392	5,793,081	95,443,252	482,931,981
Total return swaps	6,513,983	9,007,750	654,996,978	2,218,506	63,911,429	629,236,828
	<u>14,826,730</u>	<u>26,591,043</u>	<u>1,126,785,370</u>	<u>8,021,128</u>	<u>159,403,485</u>	<u>1,121,666,814</u>
<b>Derivatives primarily held for risk management purposes</b>						
Interest rate swaps	12,598,679	8,154,791	1,507,678,730	8,991,171	9,271,188	1,504,820,340
Currency forwards	-	-	-	456,560	217,686	24,944,162
	<u>12,598,679</u>	<u>8,154,791</u>	<u>1,507,678,730</u>	<u>9,447,731</u>	<u>9,488,874</u>	<u>1,529,764,502</u>
<b>Total derivatives</b>	<u><u>27,425,409</u></u>	<u><u>34,745,834</u></u>	<u><u>2,634,464,100</u></u>	<u><u>17,468,859</u></u>	<u><u>168,892,359</u></u>	<u><u>2,651,431,316</u></u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 10 Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows financial instruments recognised at fair value:

#### Recurring fair value measurement of assets and liabilities

	2019				2018			
	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
<b>Financial assets</b>								
Securities held for trading (note 8)								
Equity instruments	-	-	-	-	275,918	-	-	275,918
Debt instruments	1,336,256,543	48,858,269	-	1,385,114,812	1,429,850,953	26,641,561	-	1,456,492,514
Derivative financial instruments (note 9)								
Currency forwards	-	-	-	-	-	456,560	-	456,560
Interest rate caps and floors	-	-	-	-	-	9,541	-	9,541
Interest rate swaps	-	12,598,679	-	12,598,679	-	8,991,171	-	8,991,171
Options	-	8,312,747	-	8,312,747	-	5,793,081	-	5,793,081
Total return swaps	-	6,513,983	-	6,513,983	-	2,218,506	-	2,218,506
<b>Total financial assets</b>	<b>1,336,256,543</b>	<b>76,283,678</b>	<b>-</b>	<b>1,412,540,221</b>	<b>1,430,126,871</b>	<b>44,110,420</b>	<b>-</b>	<b>1,474,237,291</b>

#### Financial liabilities

Structured product financial instruments (note 8)								
Linked to commodities	-	983,782	-	983,782	-	971,037	-	971,037
Linked to credit derivatives	-	137,373,244	-	137,373,244	-	176,478,447	-	176,478,447
Linked to equities / equity indices	-	1,017,268,490	-	1,017,268,490	-	858,108,322	-	858,108,322
Linked to foreign exchange	-	103,590,780	-	103,590,780	-	105,004,914	-	105,004,914
Linked to interest instruments	-	17,464,885	-	17,464,885	-	75,973,743	-	75,973,743
Linked to mixed derivatives	-	8,384,910	-	8,384,910	-	13,624,640	-	13,624,640
Derivative financial instruments (note 9)								
Credit default swaps	-	10,986	-	10,986	-	48,804	-	48,804
Currency forwards	-	-	-	-	-	217,686	-	217,686
Interest rate swaps	-	8,154,791	-	8,154,791	-	9,271,188	-	9,271,188
Options	-	17,572,307	-	17,572,307	-	95,443,252	-	95,443,252
Total return swaps	-	9,007,750	-	9,007,750	-	63,911,429	-	63,911,429
<b>Total financial liabilities</b>	<b>-</b>	<b>1,319,811,925</b>	<b>-</b>	<b>1,319,811,925</b>	<b>-</b>	<b>1,399,053,462</b>	<b>-</b>	<b>1,399,053,462</b>

For all other financial assets and liabilities, the carrying value is an approximation of fair value, including: trade and other receivables; cash and cash equivalents; and trade and other payables.

There were no changes to valuation techniques or transfers between Levels 1, 2 and 3 during the year.

Where there are quoted prices in an active market for identical assets or liabilities, a security is included in Level 1. Where values are based on inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical assets or liabilities in markets that are not active, they are included in Level 2.

The fair values of options are calculated using an option pricing model based on direct market data, e.g., bond or share prices, and indirect market data, e.g., interest, implied volatility and dividend estimates. The fair value of such options is included within Level 2.

The fair values of other derivatives are calculated based on quotes from counterparties to the agreements which are corroborated by market data. The fair value of such interest rate swaps is included within Level 2.

The fair values of structured product financial instruments, which are set up as combinations of the components of the respective structured product, are calculated based on the sum of the valuations of its components. As the fair values of the components of the structured products are either Level 1 (securities held for trading) or Level 2 (term deposits with banks and derivative financial instruments), the fair value of such structured products is included within Level 2.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 11 Financial risk and management objectives and policies

##### 11 a) Introduction

The main risks that the Company is exposed to are credit risk, liquidity risk and market risk (which includes interest rate risk, currency risk and price risk). The Directors regularly review and agree policies for managing each of these risks as summarised below, which includes the use of derivatives and other financial instruments. The risk management guidelines for the Company set out guidelines for identifying, managing and monitoring the risks to which the Company is exposed and in particular:

- define the rules and procedures for managing credit, liquidity and market risks;
- set out the applicable long-term risk policies of the Company and Zürcher Kantonalbank;
- define the entity to which duties and responsibilities in relation to risk monitoring are assigned; and
- provide an overview of relevant powers and responsibilities.

The general guidelines are:

- credit, liquidity and market risks shall be managed in accordance with the rules and policies laid down in the guidelines on risk management for Zürcher Kantonalbank, and its subsidiaries (collectively, the "group") risk policies;
- subject to the constraints of the applicable group risk policies, the Company shall define appropriate limits with a view to mitigating default and market risks;
- Zürcher Kantonalbank shall be responsible for managing risks subject to approved limits;
- Zürcher Kantonalbank shall be responsible for quantifying risk, preparing reports on risk monitoring conducted, and reporting on risks; and
- the Directors of the Company shall be entitled to limit the level of risk exposure and the list of approved products at any time.

There were no changes to the Company's risk management guidelines during the reporting period.

##### 11 b) Risk management structure

The Chief Executive Officer of the Company is responsible for monitoring both the liquidity and solvency of the Company and compliance with the Company's risk limits. Furthermore, the Chief Executive Officer is also responsible for documenting risks limits, defining actions to be taken in the event of a breach of any of those limits, informing the Directors of any limit breaches and subsequent actions taken.

The Directors supervise management and are ultimately responsible for the overall risk management of the Company.

##### 11 c) Risk measurement and reporting system

Risk measurement, preparation of risk monitoring reports and risk reporting have been delegated to Zürcher Kantonalbank. To ensure a constant monitoring of risk by the Company's management, a risk report is prepared by Zürcher Kantonalbank on a daily basis and is sent to the management of the Company.

The Directors of the Company have defined the following sensitivity limits for credit risk, interest rate risk and currency risk, as well as counterparty exposure limits, which are calculated on a daily or weekly basis by Zürcher Kantonalbank.

##### 11 c) (i) Credit spread risk sensitivity limits

Credit spread risk refers to debt instruments and is related to daily changes in the spread of an instrument's yield curve over the zero-coupon Treasury yield curve (the z-spread). The sensitivity limit defines the maximum profit and loss daily change limit permitted on the theoretical hedging costs on the Company's treasury management portfolio. The Directors have defined a maximum credit spread sensitivity ("DV01") per issuer with a view to mitigating the credit risk associated with debt instruments.

DV01 is calculated as the sensitivity of a contract to a 1 basis point fluctuation in the credit spread curve and is set at a level that the Directors believe allows for sufficient returns to be generated on the Company's securities held for trading without exposing it to excessive credit risk.

	2019		2018	
	Current	Maximum credit spread	Current	Maximum credit spread
	CHF	CHF	CHF	CHF
DV01 per issuer	9,522	< 35,000	6,023	< 35,000

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 11 Financial risk and management objectives and policies (continued)

#### 11 c) (ii) Counterparty exposure limits

Counterparty exposure refers to the debt instruments within securities held for trading and relates to the risk of issuer default. The Directors have defined minimum credit ratings and maximum permitted nominal holdings per issuer for each credit rating category with a view to mitigating the default risk associated with securities.

Counterparty exposure is calculated on an aggregate basis for all securities held for trading within the treasury management portfolio, and is based on the lower of the two ratings provided by Standard & Poors and Moody's ratings agencies.

	2019				2018			
	Nominal limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer	Counterparty limit per issuer	Maximum exposure to any one issuer	Maximum residual term	Maximum residual term of any one issuer
	CHF	CHF			CHF	CHF		
Long term rating AAA	100,000,000	29,915,000	no limit	33 months	100,000,000	6,515,000	no limit	34 months
Long term rating between AA+ and AA-	50,000,000	37,735,000	no limit	45 months	50,000,000	42,241,500	no limit	57 months
Long term rating between A+ and A	30,000,000	29,915,000	no limit	46 months	30,000,000	29,946,950	no limit	34 months
Long term rating A-	30,000,000	15,257,045	15 months	35 months	30,000,000	8,251,986	15 months	21 months
Long term rating BBB+	15,000,000	13,891,941	15 months	7 months	15,000,000	25,245,000	15 months	14 months
Long term rating BBB	15,000,000	15,000,000	15 months	9 months	15,000,000	550,000	15 months	6 months
Long term rating BBB-	15,000,000	13,460,000	15 months	11 months	15,000,000	-	15 months	-
Long term rating BB+ and lower	0	-	n/a	-	0	-	n/a	-

The Directors have approved temporary exceptions to the counterparty limit policy in respect of the below holdings. It is the opinion of the Directors that these securities can continue to be held until their maturity or until market conditions allow for their disposal.

	Long term rating	Nominal holding CHF	Residual term
Issuer A	A-	6,295,000	35 months
Issuer A	A-	5,449,061	32 months
Issuer A	A-	2,018,161	16 months

#### 11 c) (iii) Interest rate sensitivity limits

Interest rate sensitivity is measured by reference to Rho, which is the rate at which the price of a derivative changes relative to a change in the risk free rate of interest. It is expressed as the amount of money, per share of the underlying, that the value of the option will gain or lose as the risk free interest rate rises or falls by one basis point.

	2019		2018	
	Limit CHF	Sensitivity CHF	Limit CHF	Sensitivity CHF
Effect of 1 basis point movement in risk free interest rate	+/- 100,000	+/- 8,476	+/- 100,000	+/- 33,206

#### 11 c) (iv) Foreign currency limits

The foreign exchange sensitivity limit is the maximum permitted movement in profit or loss caused by a 1% movement in the value of the Swiss franc.

	2019		2018	
	Limit CHF	Sensitivity CHF	Limit CHF	Sensitivity CHF
Effect of 1% movement in the value of the Swiss franc	+/- 1,000,000	+/- 237	+/- 1,000,000	+/- 756

#### 11 d) Risk mitigation

The Company uses derivatives and other financial instruments for trading purposes to manage exposures resulting from changes in credit risks, interest and foreign currency rates.

#### 11 e) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The Company is exposed to the risk of credit-related loss that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, derivative assets, short term receivables and cash and cash equivalents.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 11 Financial risk and management objectives and policies (continued)

##### 11 e) (i) Financial assets subject to IFRS 9's impairment requirements

The Company's only financial assets subject to the ECL model within IFRS 9 are short term trade and other receivables. At 31 December 2019, the total of short-term trade and receivables was CHF nil, on which no loss allowance has been provided (31 December 2018: total of CHF nil, on which no loss had been incurred). There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

As all trade and other receivables are impacted by IFRS 9 ECL model the Company has adopted the simplified approach. The loss allowance shown is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used based on historical observed loss rates over the expected life of the receivables adjusted for forward-looking estimates. Items have been grouped by their nature into the following categories: accrued income; amounts due from counterparties; and other receivables.

##### 11 e) (ii) Financial assets not subject to IFRS 9's impairment requirements

The Company is exposed to credit risk on debt instruments and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FVTPL. The carrying value of these assets represent the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The following table analyses the sensitivity of the Company's treasury management portfolio to changes in credit spreads:

Securities held for trading - Guernsey treasury management portfolio	2019 CHF	2018 CHF
Market scenario:		
1 basis point change in the difference in yields between treasury and non-treasury securities	<u>172,416</u>	<u>160,215</u>

The following tables analyse the Company's securities held for trading by rating agency category:

Securities held for trading - Guernsey treasury management portfolio	Fair value CHF	Rating	Allocation
<b>As at 31 December 2019:</b>			
Bonds receivable	130,020,735	AAA	9%
Bonds receivable	347,794,694	AA	25%
Bonds receivable	803,248,380	A	59%
Bonds receivable	91,127,708	BBB	7%
	<u>1,372,191,517</u>		<u>100%</u>
<b>As at 31 December 2018:</b>			
Bonds receivable	44,775,904	AAA	3%
Bonds receivable	388,399,288	AA	28%
Bonds receivable	867,110,123	A	62%
Bonds receivable	40,648,885	BBB	3%
Bonds receivable	52,957,728	No rating	4%
	<u>1,393,891,928</u>		<u>100%</u>
<b>Securities held for trading - as direct hedging instruments</b>	<b>Fair value CHF</b>	<b>Rating</b>	<b>Allocation</b>
<b>As at 31 December 2019:</b>			
Bonds receivable	2,800,857	AAA	21%
Bonds receivable	206,983	AA	2%
Bonds receivable	552,605	A	4%
Bonds receivable	3,415,884	BBB	26%
Bonds receivable	3,196,957	BB	25%
Bonds receivable	2,536,970	B	20%
Bonds receivable	213,039	No rating	2%
	<u>12,923,295</u>		<u>100%</u>

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 11 Financial risk and management objectives and policies (continued)

##### 11 e) (ii) Financial assets not subject to IFRS 9's impairment requirements (continued)

As at 31 December 2018:

Bonds receivable	3,979,948	AAA	6%
Bonds receivable	853,286	AA	1%
Bonds receivable	5,670,946	A	9%
Bonds receivable	20,702,785	BBB	33%
Bonds receivable	22,841,974	BB	36%
Bonds receivable	2,107,251	B	3%
Bonds receivable	6,444,396	No rating	11%
Stocks held	275,918		1%
	<u>62,876,504</u>		<u>100%</u>

The securities listed above are held as direct hedging instruments for risk management purposes and are not subject to the counterparty limits shown in note 11 c) (ii).

Concentration of credit risk within securities held for trading is managed by counterparty, geographical region and industry sector. The Company has no major exposure to any one counterparty in the treasury management portfolio (see note 11 c) (ii)).

##### 11 e) (ii) Financial assets not subject to IFRS 9's impairment requirements (continued)

The following table analyses the concentration of credit risk by geographical distribution (based on counterparties' country of domicile):

	2019		2018	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Australia	7%	0%	7%	0%
China	13%	0%	13%	0%
European Union	41%	0%	38%	0%
New Zealand	5%	0%	10%	0%
Switzerland	6%	100%	2%	100%
United States of America	9%	0%	9%	0%
Others	19%	0%	21%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The following table analyses the concentration of credit risk in the Company's treasury management portfolio by industrial distribution:

	2019		2018	
	% of debt instruments	% of derivatives	% of debt instruments	% of derivatives
Financial	70%	100%	71%	100%
Industrial	5%	0%	7%	0%
Sovereign	6%	0%	8%	0%
Supranational	3%	0%	5%	0%
Others	16%	0%	9%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

##### 11 f) Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity arises because of the possibility that the Company could be required to pay its liabilities earlier than expected. The Company is exposed to cash repayments of its structured product financial liabilities on a regular basis.

There is no direct matching of the maturity profiles of the structured products with the securities held, however the Company's liquidity profile is constantly monitored as an important part of the treasury management process. Liquidity risk management consists of short term (3 months) and long term (3 years) monitoring of cash flows.

The following tables show a net liquidity surplus for the next year, when the treasury management portfolio is classified according to final maturity dates. The securities held in the treasury management portfolio are primarily debt instruments which, under normal market conditions are readily convertible to cash. As such their final maturity dates are not intended to closely match the final maturity profile of financial liabilities held at FVTPL:



# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 11 Financial risk and management objectives and policies (continued)

##### 11 f) Liquidity risk (continued)

	2019 Up to one year CHF	2019 From one to two years CHF	2019 From two to three years CHF	2019 From three to four years CHF	2019 From four to five years CHF	2019 Five years and over CHF	31 December 2019 Total CHF
<b>Assets</b>							
Cash, amounts due from banks, money at call	54,655,711	-	-	-	-	-	54,655,711
Accrued interest receivable and prepayments	9,137,206	-	-	-	-	-	9,137,206
Securities held for trading, designated at FVTPL	640,152,787	472,001,039	195,184,987	71,536,518	1,462,248	4,777,233	1,385,114,812
Derivative financial instruments held at FVTPL	9,527,534	4,501,199	1,667,356	1,486,024	3,825,529	6,417,767	27,425,409
<b>Liabilities</b>							
Lease liabilities	(335,159)	-	-	-	-	-	(335,159)
Amounts due to banks	(48,593,322)	-	-	-	-	-	(48,593,322)
Accrued interest payable and accrued expenses	(1,284,324)	-	-	-	-	-	(1,284,324)
Derivative financial instruments held at FVTPL	(20,240,145)	(8,941,748)	(2,190,433)	-	(412,847)	(2,960,661)	(34,745,834)
Financial liabilities held at FVTPL	(721,146,937)	(427,393,828)	(62,457,572)	(24,878,022)	(20,757,632)	(28,432,100)	(1,285,066,091)
<b>Net Liquidity</b>	<b>(78,126,649)</b>	<b>40,166,662</b>	<b>132,204,338</b>	<b>48,144,520</b>	<b>(15,882,702)</b>	<b>(20,197,761)</b>	<b>106,308,408</b>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2019 are as follows:

<b>Financial liabilities held at fair value through profit or loss</b>	<b>710,698,416</b>	<b>431,631,683</b>	<b>62,765,418</b>	<b>25,013,708</b>	<b>18,386,452</b>	<b>27,746,294</b>	<b>1,276,241,971</b>
	2018 Up to one year CHF	2018 From one to two years CHF	2018 From two to three years CHF	2018 From three to four years CHF	2018 From four to five years CHF	2018 Five years and over CHF	31 December 2018 Total CHF
<b>Assets</b>							
Cash, amounts due from banks, money at call	60,031,606	-	-	-	-	-	60,031,606
Accrued interest receivable and prepayments	-	-	-	-	-	-	-
Securities held for trading, designated at FVTPL	612,311,315	682,480,871	113,826,971	7,716,459	5,277,179	35,155,637	1,456,768,432
Derivative financial instruments held at FVTPL	3,622,066	4,817,544	865,683	1,082,786	946,192	6,134,588	17,468,859
<b>Liabilities</b>							
Amounts due to banks	(41,294,977)	-	-	-	-	-	(41,294,977)
Accrued interest payable and accrued expenses	(1,087,843)	-	-	-	-	-	(1,087,843)
Derivative financial instruments held at FVTPL	(121,822,626)	(33,791,101)	(8,205,209)	(2,467,801)	(546,062)	(2,059,560)	(168,892,359)
Financial liabilities held at FVTPL	(633,465,479)	(388,006,013)	(126,380,066)	(11,957,929)	(33,286,560)	(37,065,056)	(1,230,161,103)
<b>Net Liquidity</b>	<b>(121,705,938)</b>	<b>265,501,301</b>	<b>(19,892,621)</b>	<b>(5,626,485)</b>	<b>(27,609,251)</b>	<b>2,165,609</b>	<b>92,832,615</b>

The undiscounted contractual liabilities of the Company excluding accrued interest at 31 December 2018 are as follows:

<b>Financial liabilities held at fair value through profit or loss</b>	<b>629,853,873</b>	<b>328,963,143</b>	<b>300,096,877</b>	<b>56,180,033</b>	<b>11,088,835</b>	<b>42,608,620</b>	<b>1,368,791,381</b>
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##### 11 g) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The maximum risk resulting from financial instruments, except for written equity-linked derivatives, equals their fair value. With written equity-linked derivatives, the Company bears the market risk of an unfavourable change in the price of the security underlying the option.

##### 11 g) (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Company writes interest rate derivatives, mainly being interest rate swaps in which the Company agrees to exchange, at specified intervals. The difference between fixed and variable interest amounts is calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks. The majority of interest rate exposure arises on investment in debt securities and the interest rate profile is shown below.

The following table analyses the Company's interest rate exposure. The Company's assets and liabilities are included at their carrying amount and are categorised by their maturity dates:

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 11 Financial risk and management objectives and policies (continued)

#### 11 g) (i) Interest rate risk (continued)

	Total	Variable rate	Fixed rate	No net interest rate risk
	CHF	CHF	CHF	CHF
The interest rate profile of the Company at 31 December 2019:				
<b>Assets</b>				
Right-of-use assets	304,878	-	-	304,878
Cash, amounts due from banks, money at call	54,655,711	-	-	54,655,711
Accrued interest receivable and prepayments	9,137,206	-	-	9,137,206
Securities held for trading, designated at FVTPL	1,385,114,812	149,509,901	1,230,192,615	5,412,296
Derivative financial instruments held at FVTPL	27,425,409	12,598,679	-	14,826,730
<b>Total Assets</b>	<b>1,476,638,016</b>	<b>162,108,580</b>	<b>1,230,192,615</b>	<b>84,336,821</b>
<b>Liabilities and Shareholder's funds</b>				
Lease liabilities	335,159	-	-	335,159
Amounts due to banks	48,593,322	-	-	48,593,322
Accrued interest payable and accrued expenses	1,284,324	-	-	1,284,324
Derivative financial instruments held at FVTPL	34,745,834	8,154,791	-	26,591,043
Structured product financial liabilities held at FVTPL	1,285,066,091	44,012,116	-	1,241,053,975
Share capital	1,000,000	-	-	1,000,000
Retained earnings	105,613,286	-	-	105,613,286
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,476,638,016</b>	<b>52,166,907</b>	<b>-</b>	<b>1,424,471,109</b>

	Total	Variable rate	Fixed rate	No net interest rate risk
	CHF	CHF	CHF	CHF
The interest rate profile of the Company at 31 December 2018:				
<b>Assets</b>				
Cash, amounts due from banks, money at call	60,031,606	471,854	-	59,559,752
Accrued interest receivable and prepayments	-	-	-	-
Securities held for trading, designated at FVTPL	1,456,768,432	238,922,885	1,217,569,629	275,918
Derivative financial instruments held at FVTPL	17,468,859	8,991,171	-	8,477,688
<b>Total Assets</b>	<b>1,534,268,897</b>	<b>248,385,910</b>	<b>1,217,569,629</b>	<b>68,313,358</b>
<b>Liabilities and Shareholder's funds</b>				
Amounts due to banks	41,294,977	-	-	41,294,977
Accrued interest payable and accrued expenses	1,087,843	-	-	1,087,843
Derivative financial instruments held at FVTPL	168,892,359	9,271,188	-	159,621,171
Structured product financial liabilities held at FVTPL	1,230,161,103	9,746,285	-	1,220,414,818
Share capital	-	-	-	-
Retained earnings	102,201,437	-	-	102,201,437
<b>Total Liabilities and Shareholder's Funds</b>	<b>1,543,637,719</b>	<b>19,017,473</b>	<b>-</b>	<b>1,524,620,247</b>

#### 11 g) (ii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company invests in securities and issues structured products that are denominated in currencies other than the Swiss franc. Accordingly, the value of the Company's assets and liabilities may be affected favourably or unfavourably by fluctuations in currency rates.

The Company writes derivatives, such as currency forwards, to hedge foreign currency denominated financial instruments and increases or decreases in the fair value of the Company's foreign currency denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

The following table indicates the currencies to which the Company had significant exposure as at 31 December on its monetary assets and liabilities.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 11 Financial risk and management objectives and policies (continued)

##### 11 g) (ii) Currency risk (continued)

Currency profile of the Company as at 31 December 2019:

	Total CHF	Swiss Franc CHF	Euro CHF	US Dollar CHF	British Pound CHF	Other CHF
<b>Assets</b>						
Right of use assets	304,878	-	-	-	304,878	-
Cash, amounts due from banks, money at call	54,655,711	53,728,584	-	-	544,965	382,162
Accrued interest receivable and prepayments	9,137,206	6,646,832	1,103,325	1,262,278	43,483	81,288
Securities held for trading, designated at FVTPL	1,385,114,812	928,570,034	251,321,934	199,987,297	-	5,235,547
Derivative financial instruments held at FVTPL	27,425,409	18,637,299	3,186,566	5,587,265	-	14,279
<b>Total Assets</b>	<b>1,476,638,016</b>	<b>1,007,582,749</b>	<b>255,611,825</b>	<b>206,836,840</b>	<b>893,326</b>	<b>5,713,276</b>
	100.00%	68.23%	17.31%	14.01%	0.06%	0.39%
<b>Liabilities</b>						
Lease liabilities	335,159	-	-	-	335,159	-
Amounts due to banks	48,593,322	21,707,631	25,771,520	420,766	466,301	227,104
Accrued interest payable and accrued expenses	1,284,324	1,074,815	-	-	145,277	64,232
Derivative financial instruments held at FVTPL	34,745,834	24,277,934	7,098,219	3,360,731	8,950	-
Structured product financial liabilities held at FVTPL	1,285,066,091	856,597,597	222,504,179	202,917,445	264,366	2,782,504
<b>Total Liabilities</b>	<b>1,370,024,730</b>	<b>903,657,977</b>	<b>255,373,918</b>	<b>206,698,942</b>	<b>1,220,053</b>	<b>3,073,840</b>
	100.00%	65.96%	18.64%	15.09%	0.09%	0.22%

Currency profile of the Company as at 31 December 2018:

	Total CHF	Swiss Franc CHF	Euro CHF	US Dollar CHF	British Pound CHF	Other CHF
<b>Assets</b>						
Cash, amounts due from banks, money at call	60,031,606	56,586,765	-	-	3,179,547	265,294
Accrued interest receivable and prepayments	9,540,952	5,780,189	1,886,535	1,479,152	269,483	125,593
Securities held for trading, designated at FVTPL	1,456,768,432	913,826,629	311,874,408	213,570,403	8,738,000	8,758,992
Derivative financial instruments held at FVTPL	17,468,859	11,217,314	2,763,948	3,325,528	136,485	25,584
<b>Total Assets</b>	<b>1,543,809,849</b>	<b>987,410,897</b>	<b>316,524,891</b>	<b>218,375,083</b>	<b>12,323,515</b>	<b>9,175,463</b>
	100.00%	63.96%	20.50%	14.15%	0.80%	0.59%
<b>Liabilities</b>						
Amounts due to banks	41,294,977	12,640,103	21,581,815	6,575,535	411,858	85,666
Accrued interest payable and accrued expenses	1,711,256	1,473,693	-	-	237,563	-
Derivative financial instruments held at FVTPL	168,892,359	127,943,800	29,569,045	11,379,514	-	-
Structured product financial liabilities held at FVTPL	1,230,161,103	747,496,812	267,247,486	208,413,410	1,780,755	5,222,640
<b>Total Liabilities</b>	<b>1,442,059,695</b>	<b>889,554,408</b>	<b>318,398,345</b>	<b>226,368,459</b>	<b>2,430,176</b>	<b>5,308,306</b>
	100.00%	61.69%	22.08%	15.70%	0.17%	0.37%

##### 11 g) (iii) Price risk

Equity price risk is the risk of unfavourable changes in the fair value of equity instruments or equity-linked derivatives as a result of changes in the levels of equity indices and the value of individual shares. The Company manages equity risk on its exposure to equity-linked structured products by writing equity-linked derivatives as a hedge against the movement in their price. The Company is therefore only exposed to equity price risk on the revaluation of equities purchased to meet obligations under equity-settled structured product liabilities which are valued based on the equity purchase price and are therefore subsequently settled at nil gain/loss.

Management's best estimate of the effect on profit or loss for a year due to a reasonably possible change in equity indices, with all other variables held constant, is indicated in the table below. There is no effect on other comprehensive income as the Company has no assets classified as fair value through other comprehensive income or designated hedging instruments. In practice the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in equity indices as shown below would have resulted in an equivalent, but opposite, impact.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 11 Financial risk and management objectives and policies (continued)

##### 11 g) (iii) Price risk (continued)

	Change in	Effect on net income for the year	
	equity index	2019	2018
	%	CHF	CHF
Stoxx Europe 600 Index	+/- 10	-	+/- 7,370
Swiss All Share Index	+/- 10	-	+/- 20,221

The effect of changes in bond prices resulting from variations in interest rates are quantified in notes 11 c) (iii) and 11 g) (i).

#### 12 Leases

The Company has a 6-year lease contract in respect of office premises used in its operations. The Company is restricted under the terms of this lease from assigning and subleasing the premises with the prior consent of the lessor.

Set out below of the carrying amount of right-to-use assets recognised and the movements during the year:

	Office Premises	Total
	CHF	CHF
As at 1 January 2018	-	-
As at 31 December 2018	-	-
Additions	322,425	322,425
Fair value adjustment	5,638	5,638
Depreciation expense	(23,185)	(23,185)
As at 31 December 2019	<u>304,878</u>	<u>304,878</u>

Set out below are the carrying amount of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	2019	2018
	CHF	CHF
As at 1 January	-	-
Additions	322,425	-
Fair value adjustment	5,638	-
Accretion of interest	2,721	-
Payments	(13,660)	-
Foreign exchange differences	18,035	-
As at 31 December	<u>335,159</u>	<u>-</u>
Current (see note 14)	57,337	-
Non-current (see note 14)	277,822	-

The maturity analysis of lease liabilities are disclosed in note 15.

The following are the amounts recognised in the statement of income:

	2019	2018
	CHF	CHF
Depreciation expense of right-of-use assets	23,185	-
Interest expense on lease liabilities	(2,721)	-
Gain/(loss) on revaluation of lease liabilities	18,035	-
Total amount recognised in statement of income	<u>38,499</u>	<u>-</u>

The Company had total cash outflows for leases of CHF 13,660 in 2019 (CHF nil in 2018).

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 13 Cash, amounts due from / to banks, money at call

	2019 CHF	2018 CHF
Due from banks, Guernsey	248,424	471,854
Due from banks, Zürcher Kantonalbank	54,407,287	59,559,752
	<u>54,655,711</u>	<u>60,031,606</u>
Due to banks, Zürcher Kantonalbank	(48,593,322)	(41,294,977)
	<u>(48,593,322)</u>	<u>(41,294,977)</u>
Total net cash, amounts due from / to banks, money at call	<u>6,062,389</u>	<u>18,736,629</u>

The amounts due from banks in Guernsey accrue interest income at variable market rates. The amounts due to and from Zürcher Kantonalbank do not accrue interest.

#### 14 Lease liabilities

	Interest rate %	Maturity	2019 CHF	2018 CHF
Current interest-bearing loans and borrowings				
Lease liabilities (see note 12)	2.0	2020	57,337	-
Total current interest-bearing loans and borrowings			<u>57,337</u>	<u>-</u>
Non-current interest-bearing loans and borrowings				
Lease liabilities (see note 12)	2.0	2021 - 2025	277,822	-
Total non-current interest-bearing loans and borrowings			<u>277,822</u>	<u>-</u>
Total interest-bearing loans and borrowings			<u>335,159</u>	<u>-</u>

#### 15 Changes in liabilities arising from financing activities

	1 January 2019 CHF	New leases CHF	Cash flows CHF	Foreign exchange Other differences CHF	31 December 2019 CHF
<b>Assets</b>					
Current lease liabilities (see note 12)	-	42,067	(13,660)	26,577	2,353
Non-current lease liabilities (see note 12)	-	280,358	-	(18,218)	15,682
Total Assets	<u>-</u>	<u>322,425</u>	<u>(13,660)</u>	<u>8,359</u>	<u>18,035</u>
					<u>335,159</u>

The 'other' column includes the effect of reclassification of non-current portion of interest-bearing lease liabilities due to the passage of time, the effect of accrued but not yet paid interest on lease liabilities and any fair value adjustments resulting from changes in contractual lease payments. The Company classifies interest paid as cashflows from operating activities.

#### 16 Share capital

	2019 CHF	2018 CHF
Authorised		
1,000 Ordinary shares of CHF1,000 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of CHF1,000 each	<u>1,000,000</u>	<u>1,000,000</u>

Each holder of a fully paid ordinary share is entitled to one vote for each share owned. When and as dividends are declared upon the ordinary share capital of the Company, the holders of ordinary shares are entitled to share equally, share for share, in such dividends. In the event of liquidation of the Company, the holders of ordinary shares shall be entitled to receive any of the remaining assets of the Company after the distribution of all preferred amounts. The amount distributed will be in proportion to the number of equity shares held by the shareholders.

# ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 December 2019

#### 17 Capital management

The Company considers its capital to comprise its share capital and retained earnings which amounted CHF 106,613,286 as at 31 December 2019 (2018: CHF 101,750,154). The Company's capital management objectives are to achieve consistent returns while safeguarding capital and to maintain sufficient liquidity to meet the expenses of the Company and to meet its liabilities as they arise.

To achieve the above objectives, the Company invests in term deposits with group approved banks and bonds with an appropriate credit rating (see note 11).

The Company is not subject to externally imposed capital requirements and has no restrictions on the issue or repurchase of ordinary shares.

#### 18 Related party disclosures

##### Parent and ultimate controlling party

The immediate and ultimate parent undertaking is Zürcher Kantonalbank, a Company incorporated in Switzerland.

##### Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

		Income Year ended 31 December CHF	Expenses Year ended 31 December CHF	Due to related party 31 December CHF	Due from related party 31 December CHF
<b>Parent:</b>					
Zürcher Kantonalbank	2019	11,020,944	9,936,938	1,048,684	-
	2018	12,659,027	11,046,727	941,502	-
Bank accounts held with parent Company	2019	-	-	48,593,322	54,407,287
	2018	-	-	41,294,977	59,559,752
Derivative contracts with parent Company	2019	-	-	34,745,834	27,425,409
	2018	-	-	168,892,359	17,468,859
Structured products held by parent Company	2019	-	-	97,910,014	-
	2018	-	-	110,010,886	-
<b>Other related parties:</b>					
Butterfield Trust (Guernsey) Limited	2019	-	476,310	-	-
	2018	-	644,973	156,939	-

##### Terms and conditions of transactions with related parties

Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

##### Transactions with key management personnel

Key management personnel, defined as the Board of Directors and Chief Executive Officer, received the following compensation during the

	Year ended 31 December 2019 CHF	Year ended 31 December 2018 CHF
Short-term employee benefits	175,148	180,438

##### Other Directors' interests

Mr PDH Hodgson, who was a Director of the Company until 31 October 2019, is also a Director of Butterfield Trust (Guernsey) Limited, who acted as administrators for Zürcher Kantonalbank Finance (Guernsey) Limited until 30 September 2019. Details of the fees paid to Butterfield Trust (Guernsey) Limited for services rendered are shown in the above table.

#### 19 Events after the statement of financial position date

Since the reporting date, the Covid-19 global pandemic has caused significant volatility in financial markets and interruption to the operational activities of companies around the world.

There have been no significant changes to the composition of the statement of financial position since the reporting date. The Directors are of the opinion that the Company continues to have adequate financial resources to continue in operational existence for the foreseeable future, and appropriate operational measures have been taken by management to ensure that the business can continue to operate in the event that restrictions on the movement of employees is enforced.

# Registration Document 2020/2021

April 15, 2020

THIS IS A NON-BINDING ENGLISH TRANSLATION OF THE ISSUERS' "REGISTRIERUNGSFORMULAR 2020/2021 VOM 15. APRIL 2020 FÜR FORDERUNGSPAPIERE (OHNE DERIVATE) UND FÜR DERIVATE", PUBLISHED IN GERMAN. THE GERMAN TEXT SHALL BE AUTHORITATIVE AND BINDING. THE ENGLISH LANGUAGE TRANSLATION IS PROVIDED FOR CONVENIENCE ONLY.

dated

**April 15, 2020**

for

**Debt Instruments (excluding Derivatives) and for Derivatives**

of

**Zürcher Kantonalbank**

and

**Zürcher Kantonalbank Finance (Guernsey) Limited**

This document has been prepared for the purpose of disclosing information relating to Zürcher Kantonalbank (hereinafter also referred to as "**ZKB**") and Zürcher Kantonalbank Finance (Guernsey) Limited (hereinafter also referred to as "**ZKB Guernsey**") (together the "**Issuers**" and each an "**Issuer**") and constitutes a registration document (together with any amendments and/or supplements relating to it, the "**Registration Document**") within the meaning of article 44 para. 2 lit. a of the Swiss Federal Financial Services Act of 15 June 2018, as the same may be amended from time to time ("**FinSA**"; *Finanzdienstleistungsgesetz*) in conjunction with article 55 para. 2 and Annexes 2 and 3 of the Swiss Financial Services Ordinance of 6 November 2019, as the same may be amended from time to time ("**FinSO**"; *Finanzdienstleistungsverordnung*).

The Registration Document serves as the basis for (a) the Base Prospectus of ZKB and ZKB Guernsey for the Issuance of Structured Products consisting of the relevant summary and the relevant securities description, which refer to this Registration Document, as well as this Registration Document (the "**Base Prospectus for Structured Products**"), and prospectuses consisting of the Base Prospectus for Structured Products and the relevant Final Terms, for issues thereunder, and (b) the Base Prospectus of ZKB for bonds and money market instruments, consisting of the relevant summary and the relevant securities description, which refer to this Registration Document, and this Registration Document (the "**Base Prospectus for Bonds and Money Market Instruments**"), and prospectuses consisting of the Base Prospectus for Bonds and Money Market Instruments and the relevant Final Terms, for issues thereunder, as well as (c) other prospectuses consisting of several individual documents (including base prospectuses consisting of several documents) as well as other prospectuses for the issue by ZKB or ZKB Guernsey of Debt Instruments (excluding Derivatives) or Derivatives, which refer to this Registration Document.

This Registration Document may be supplemented from time to time. Any statement contained in a supplement to this Registration Document (including any information incorporated by reference into this Registration Document) shall be deemed, to the extent applicable (whether explicitly, implicitly or otherwise), to be a supplement, modification or replacement of any statement contained in this Registration Document (including any information incorporated by

reference into this Registration Document). Any statement amended or replaced by way of such a supplement no longer constitutes a part of this base prospectus and the amended or replaced statement or information shall be binding.

This Registration Document is available on the freely accessible website of the Zürcher Kantonalbank (<https://zkb-finance.mdgms.com/products/stp/service/emission/index.html>) (or any succeeding internet website).



## TABLE OF CONTENTS

<b>MATERIAL RISKS RELATING TO THE ISSUERS .....</b>	<b>6</b>
<b>A. Zürcher Kantonalbank.....</b>	<b>6</b>
I. Liquidity risk .....	6
II. Insolvency risk.....	6
<b>B. Zürcher Kantonalbank Finance (Guernsey) Limited.....</b>	<b>6</b>
<b>FORWARD-LOOKING STATEMENTS .....</b>	<b>7</b>
<b>GENERAL INFORMATION ON ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED .....</b>	<b>7</b>
<b>A. Zürcher Kantonalbank.....</b>	<b>7</b>
I. Company name, registered office and place of head office .....	7
II. Formation, duration .....	7
III. Jurisdiction, legal form.....	7
IV. Purpose.....	7
V. Register.....	8
VI. Rating .....	8
<b>B. Zürcher Kantonalbank Finance (Guernsey) Limited.....</b>	<b>8</b>
I. Company name, registered office and place of head office .....	8
II. Formation, duration .....	8
III. Jurisdiction, legal form.....	8
IV. Purpose.....	8
V. Register.....	8
<b>C. Group structure .....</b>	<b>8</b>
<b>INFORMATION ON THE BOARD OF DIRECTORS, MANAGEMENT, AUDITORS AND OTHER BODIES OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED.....</b>	<b>9</b>
<b>A. Zürcher Kantonalbank.....</b>	<b>9</b>
I. Board of Directors .....	10
II. Committee of the Board .....	10
III. Executive Board .....	11
IV. Cantonal Council Commission .....	11
V. Statutory auditors / Group auditors.....	12
<b>B. Zürcher Kantonalbank Finance (Guernsey) Limited .....</b>	<b>12</b>
I. Board of Directors Guernsey .....	12
II. Chief Executive Officer .....	13
III. Chief Financial Officer .....	13
IV. Statutory auditors .....	13
<b>BUSINESS ACTIVITIES AND PROSPECTS OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED .....</b>	<b>13</b>
<b>A. Zürcher Kantonalbank (group parent company) .....</b>	<b>14</b>
I. Main activity .....	14
II. Special performance mandate ( <i>Spezieller Leistungsauftrag</i> ).....	14
III. Supply mandate ( <i>Vorsorgeauftrag</i> ).....	14
IV. Support mandate ( <i>Unterstützungsauftrag</i> ).....	14

V.	Sustainability mandate ( <i>Nachhaltigkeitsauftrag</i> ) .....	14
VI.	Court, arbitration and administrative proceedings .....	14
<b>B.</b>	<b>Zürcher Kantonalbank Finance (Guernsey) Limited .....</b>	<b>14</b>
I.	Main activity .....	14
II.	Court, arbitration and administrative proceedings .....	15
<b>C.</b>	<b>Information on the material business prospects of Zürcher Kantonalbank and its subsidiaries</b>	<b>15</b>
<b>CAPITAL AND VOTING RIGHTS OF THE ISSUERS AND ANY GUARANTORS OR COLLATERAL PROVIDERS .....</b>		<b>15</b>
<b>A.</b>	<b>Zürcher Kantonalbank .....</b>	<b>15</b>
I.	Capital structure .....	15
II.	Outstanding conversion and option rights and bonds .....	15
III.	Own equity securities .....	15
<b>B.</b>	<b>Zürcher Kantonalbank Finance (Guernsey) Limited .....</b>	<b>15</b>
<b>FINANCIAL STATEMENTS OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED .....</b>		<b>15</b>
<b>A.</b>	<b>Zürcher Kantonalbank .....</b>	<b>16</b>
I.	Annual financial statements and related documents .....	16
II.	Significant changes since the last annual financial statements .....	16
<b>B.</b>	<b>Zürcher Kantonalbank Finance (Guernsey) Limited .....</b>	<b>16</b>
I.	Annual financial statements and related documents .....	16
II.	Significant changes since the last annual financial statements .....	16
<b>INCORPORATION BY REFERENCE .....</b>		<b>16</b>
<b>RESPONSIBILITY FOR THE REGISTRATION DOCUMENT .....</b>		<b>17</b>
<b>A.</b>	<b>Zürcher Kantonalbank .....</b>	<b>17</b>
<b>B.</b>	<b>Zürcher Kantonalbank Finance (Guernsey) Limited .....</b>	<b>17</b>

**ANNEXES:**

(constitute an integral part of this Registration Document)

**ANNEX 1A (Financial statements 2018 of Zürcher Kantonalbank Finance (Guernsey) Limited)**

**ANNEX 1B (Financial statements 2019 of Zürcher Kantonalbank Finance (Guernsey) Limited)**

## **MATERIAL RISKS RELATING TO THE ISSUERS**

*The following sections describe risks which the Issuers consider to be material and which could have an adverse effect on the financial results or financial situation of the Issuers and which could result in the Issuers being fully or partly unable to meet their obligations in connection with the Debt Instruments (excluding Derivatives) or the Derivatives (hereinafter referred to as the "**Instruments**").*

*If one or more of the following risk(s) manifest(s), investors in Derivatives or other Securities may lose all or part of their capital invested in such Instruments and any expected return on such investments.*

*In any event, the material risks described below should be read in conjunction with the other material risks described and other information contained in the relevant securities description and final terms relating to the relevant Instruments as well as in other prospectuses and any other information contained in this Registration Document.*

### **A. Zürcher Kantonalbank**

#### **I. Liquidity risk**

Liquidity as well as quick access to financial resources is of crucial importance for Zürcher Kantonalbank. The liquidity of Zürcher Kantonalbank could be adversely affected if ZKB is permanently unable to gain access to the capital markets or to sell its assets, if its liquidity costs rise very sharply or if its customers withdraw a substantial amount of their deposits within a short period of time without Zürcher Kantonalbank's claims (e.g. from mortgages or bank loans) being satisfied to the same extent (bank run). As a result of a liquidity shortage, Zürcher Kantonalbank may have difficulties to meet its payment obligations under the Instruments and the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") could order protective or other measures. This could result in losses for investors in the Instruments.

#### **II. Insolvency risk**

Zürcher Kantonalbank is particularly exposed to the risk of unfavourable economic developments in Switzerland and the Zurich area.

These developments could affect the creditworthiness of customers and thus the credit risk of Zürcher Kantonalbank. The credit risk is an integral part of many of Zürcher Kantonalbank's business activities, including its credit and derivative business. The default of a large number of counterparties or debtors of Zürcher Kantonalbank, possibly combined with a decline in the value of collateral such as securities or promissory notes provided by such persons, could result in substantial losses.

Zürcher Kantonalbank is also exposed to considerable legal risks. It may be exposed to adverse decisions of courts and other governmental authorities that could have a significant negative impact on public perception and reputation, lead to regulatory action by supervisors or to orders by competent courts which could have the effect that Zürcher Kantonalbank becomes over-indebted or faces serious liquidity problems.

As a result of substantial losses incurred by Zürcher Kantonalbank, FINMA could order measures, including those within the scope of reorganisation proceedings initiated by it, or resolve the liquidation of Zürcher Kantonalbank. As a result, investors in Instruments could suffer significant losses.

### **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

Zürcher Kantonalbank Finance (Guernsey) Limited is a special purpose vehicle of Zürcher Kantonalbank which has only a limited amount of capital. Zürcher Kantonalbank Finance (Guernsey) Limited is therefore largely dependent on Zürcher Kantonalbank and the risks relevant for Zürcher Kantonalbank Finance (Guernsey) Limited essentially correspond to those of Zürcher Kantonalbank due to the Keep-Well Agreement entered into between Zürcher Kantonalbank Finance (Guernsey) Limited and Zürcher Kantonalbank.

As a result of substantial losses incurred by Zürcher Kantonalbank Finance (Guernsey) Limited, the competent regulatory authority/-ies could order measures, including those within the scope of a reorganisation procedure initiated by it/them,

or resolve the liquidation of Zürcher Kantonalbank Finance (Guernsey) Limited. As a result, investors in Instruments could suffer significant losses.

## FORWARD-LOOKING STATEMENTS

This Registration Document and the documents incorporated by reference into this Registration Document (see section "*Incorporation by reference*" below) contain or refer to forward-looking statements. Words such as "believe", "expect", "plan", "estimate", "anticipate", "intend", "seek", "assume", "may", "could", "will" and similar expressions are intended to identify such forward-looking statements but are not the only means of identifying them. Forward-looking statements contained in this Registration Document or incorporated by reference into this Registration Document are based on assumptions and expectations which Zürcher Kantonalbank considers realistic at the present time but which are uncertain and may prove to be incorrect. For a description of the material risks relating to the Issuers, please refer to section "*Material risks relating to the Issuers*" above.

Should one or more of these material risks materialize, or should the assumptions underlying the description of a material risk prove to be incorrect, the actual consequences and results may differ substantially from the current assessment. Potential investors should therefore not rely in any way on forward-looking statements. Unless required by the FinSA or other applicable securities laws and regulations, the Issuers assume no obligation to update or amend any forward-looking statements or the description of the material risks, even if they become incorrect or misleading as a result of new information, future events or other circumstances.

## GENERAL INFORMATION ON ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

### A. Zürcher Kantonalbank

#### I. Company name, registered office and place of head office

Zürcher Kantonalbank has its registered office and head office at Bahnhofstrasse 9, 8001 Zurich.

#### II. Formation, duration

Zürcher Kantonalbank was formed in 1870 on the basis of the Banking Act of 1869. The duration of Zürcher Kantonalbank is not limited.

#### III. Jurisdiction, legal form

Zürcher Kantonalbank is an independent public law institution of the Canton of Zurich (*selbstständige öffentlich-rechtliche Anstalt des Kantons Zürich*) and is subject to the supervision of the Cantonal Council of the Canton of Zurich ("**Cantonal Council**"; *Kantonsrat des Kantons Zürich*). The existence of Zürcher Kantonalbank is based on the Law on the Zürcher Kantonalbank of September 28, 1997 ("**Cantonal Bank Act**"; *Gesetz über die Zürcher Kantonalbank*), which entered into force on January 1, 1998.

As a bank, Zürcher Kantonalbank is subject to the Federal Law on Banks and Savings Banks of November 8, 1934, ("**Banking Act**"; *Bundesgesetz über die Banken und Sparkassen*) and therefore to the supervision of the FINMA.

The Canton of Zurich is liable for all liabilities of Zürcher Kantonalbank to the extent that Zürcher Kantonalbank's own funds are insufficient, with the exception of subordinated liabilities (§ 6 para. 1 and 2 of the Cantonal Bank Act).

#### IV. Purpose

In accordance with the statutory purpose article, Zürcher Kantonalbank contributes to solving economic and social challenges in the Canton of Zurich and supports an environmentally sustainable development. It pursues a business policy based on continuity and satisfies investment and financing needs. In doing so, it takes particular account of the interests of small and medium-sized enterprises, employees, agriculture and public bodies. In addition, Zürcher Kantonalbank promotes home ownership and low-cost housing construction (§ 2 of the Cantonal Bank Act).

## V. Register

Zürcher Kantonalbank has been entered into the commercial register of the Canton of Zurich as a public law institution (*öffentlich-rechtliche Anstalt*) on April 24, 1883. The registration number of Zürcher Kantonalbank is CHE-108.954.607.

## VI. Rating

As at the date of this Registration Document, the ratings of Zürcher Kantonalbank issued by rating agencies are as follows:

Rating agency	Date	long-term
Standard & Poor's	December 27, 2019	AAA
Moody's	February 14, 2020	Aaa
FitchRatings	July 24, 2019	AAA

## B. Zürcher Kantonalbank Finance (Guernsey) Limited

### I. Company name, registered office and place of head office

Zürcher Kantonalbank Finance (Guernsey) Limited has its registered office at Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU, Channel Islands.

The head office of Zürcher Kantonalbank Finance (Guernsey) Limited is managed by Butterfield Trust (Guernsey) Limited, P.O. Box 25, Le Bordage, St. Peter Port, Guernsey GY1 1BU, Channel Islands.

### II. Formation, duration

Zürcher Kantonalbank Finance (Guernsey) Limited was formed on November 17, 2000. The duration of Zürcher Kantonalbank Finance (Guernsey) Limited is not limited.

### III. Jurisdiction, legal form

Zürcher Kantonalbank Finance (Guernsey) Limited is a so-called "Non-Cellular Company Limited by Shares" under the laws of Guernsey, structured as a "limited liability company". The fully paid-in share capital of Zürcher Kantonalbank Finance (Guernsey) Limited amounts to one million Swiss francs (CHF 1,000,000).

The Memorandum of Incorporation and the Articles of Incorporation ("**Articles of Association**") are valid since March 14, 2012 and October 19, 2016, respectively.

On the basis of a Keep-Well Agreement, Zürcher Kantonalbank is obliged to provide Zürcher Kantonalbank Finance (Guernsey) Limited with financial resources at all times in such a way that it is always able to satisfy the claims of creditors in due time.

### IV. Purpose

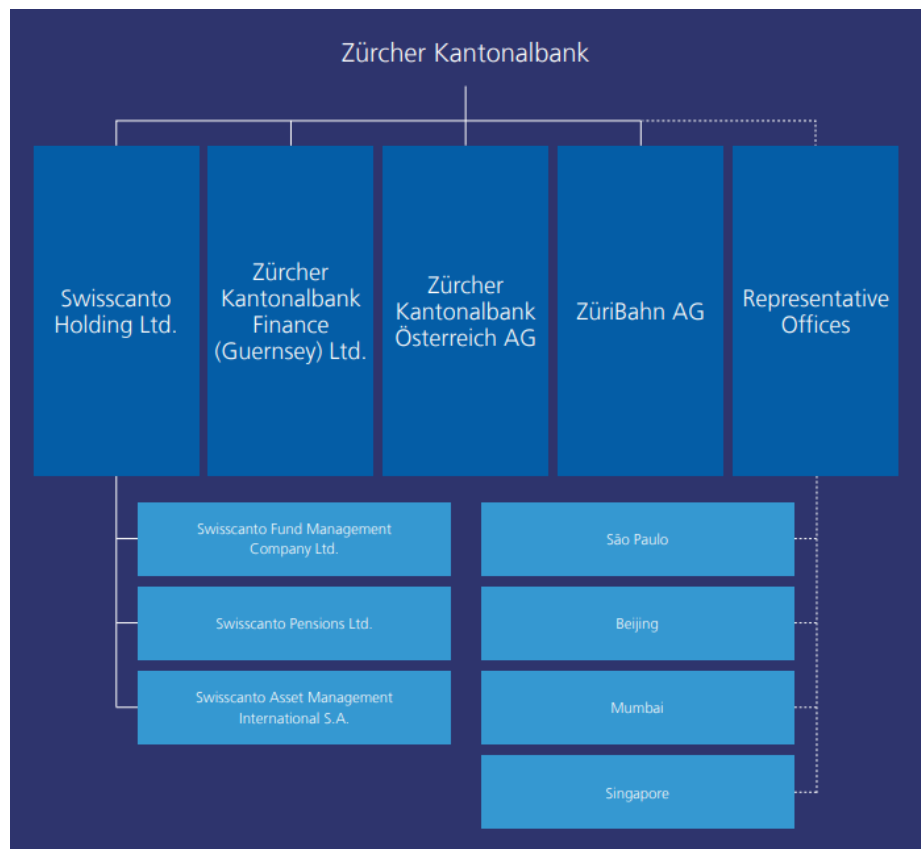
According to the Memorandum of Incorporation of Zürcher Kantonalbank Finance (Guernsey) Limited, the purpose of the company is not limited (article 3 of the Memorandum of Incorporation).

## V. Register

Zürcher Kantonalbank Finance (Guernsey) Limited has been registered as a Non-Cellular Company Limited by Shares in the Guernsey Registry on November 17, 2000. The registration number of Zürcher Kantonalbank Finance (Guernsey) Limited is 37610.

## C. Group structure

Zürcher Kantonalbank is the parent company of various national and international subsidiaries. The group structure as at the date of this Registration Document is as shown below.



Swisscanto Holding Ltd. and its subsidiaries Swisscanto Fondsleitung AG, Swisscanto Vorsorge AG and Swisscanto Asset Management International SA, Luxembourg (together "**Swisscanto**") are direct or, as the case may be, indirect wholly-owned subsidiaries of Zürcher Kantonalbank. As a proven specialist, Swisscanto develops high-quality investment and pension solutions for private investors, companies and institutions.

Zürcher Kantonalbank Österreich AG is a wholly-owned subsidiary of Zürcher Kantonalbank since February 1, 2010. It provides investment and asset management services for private investors. In addition to its headquarters in Salzburg, it maintains a branch in Vienna and employs about 100 employees.

ZüriBahn AG was formed in summer 2018 and is a wholly-owned subsidiary of Zürcher Kantonalbank. Zürcher Kantonalbank is responsible for the planned construction of a cable car (ZüriBahn) across the Lake of Zurich to connect the right and left lake shores.

Finally, ZKB Guernsey is also a wholly-owned subsidiary of Zürcher Kantonalbank. It issues structured investment products.

## INFORMATION ON THE BOARD OF DIRECTORS, MANAGEMENT, AUDITORS AND OTHER BODIES OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

### A. Zürcher Kantonalbank

The bodies of Zürcher Kantonalbank are the board of directors ("**Board of Directors**"; *Bankrat*), the committee of the board ("**Committee of the Board**"; *Bankpräsidium*) and the executive board ("**Executive Board**"; *Generaldirektion*) as well as the auditors (§ 14 of the Cantonal Bank Act). The competencies of the Board of Directors, the Committee of the Board, the Executive Board and the auditors are set out in and governed by the Cantonal Bank Act (§ 15 - § 18) and the regulations on the organisation of the Zürcher Kantonalbank Group dated June 23, 2011 (§ 29 - § 37, § 39, "**Organizational Regulations**"; *Reglement über die Organisation des Konzerns der Zürcher Kantonalbank*). The Cantonal Council (*Kantonsrat*) is the cantonal supervisory authority of Zürcher Kantonalbank. In accordance with § 12 of the Cantonal Bank Act, the Cantonal Council appoints the Commission for the Supervision of Economic Enterprises ("**Cantonal Council Commission**"; *Kommission für die Aufsicht über die wirtschaftlichen Unternehmen (AWU)*) to exercise the supervision.

In addition, Zürcher Kantonalbank is a bank which is subject to the supervision of FINMA.

The most important competencies of the bodies of Zürcher Kantonalbank and the Cantonal Council Commission are described in the Corporate Governance Report of Zürcher Kantonalbank for the financial year 2019, which is incorporated by reference into this Registration Document (see section "*Incorporation by reference*" below).

## I. Board of Directors

As at the date of this Registration Document, the Board of Directors of Zürcher Kantonalbank is composed as follows:

Name	Function	Duration
Dr. Jörg Müller-Ganz	Chairman Member of the Board of Directors	since July 1, 2011 since July 1, 2007
Dr. János Blum	Deputy-Chairman Member of the Board of Directors	since July 1, 2011 since May 6, 2002
Roger Liebi	Deputy-Chairman Member of the Board of Directors	since July 1, 2011 since July 1, 2018
Amr Abdelaziz	Member of the Board of Directors	since July 1, 2015
Dr. Bettina Furrer	Member of the Board of Directors	since July 1, 2019
René Huber	Member of the Board of Directors	since November 1, 2014
Henrich Kisker	Member of the Board of Directors	since July 1, 2015
Mark Roth	Member of the Board of Directors	since September 1, 2013
Peter Ruff	Member of the Board of Directors	since July 1, 2011
Walter Schoch	Member of the Board of Directors	since July 1, 2015
Anita Sigg	Member of the Board of Directors	since July 1, 2011
Rolf Walther	Member of the Board of Directors	since October 1, 2010
Stefan Wirth	Member of the Board of Directors	since July 1, 2011

The business address of all members of the Board of Directors is Bahnhofstrasse 9 in 8001 Zurich.

## II. Committee of the Board

As at the date of this Registration Document, the Committee of the Board of Zürcher Kantonalbank is composed as follows:



Name	Function	Duration
Dr. Jörg Müller-Ganz	Chairman	since July 1, 2011
Dr. János Blum	Deputy-Chairman	since July 1, 2011
Roger Liebi	Deputy-Chairman	since July 1, 2019

The business address of all members of the Committee of the Board is Bahnhofstrasse 9 in 8001 Zurich.

### III. Executive Board

As at the date of this Registration Document, the Executive Board of Zürcher Kantonalbank is composed as follows:

Name	Function	Duration
Martin Scholl	Chief Executive Officer (CEO) Member of the Executive Board	since June 1, 2007 since January 1, 2002
Christoph Weber	Head of Private Banking Deputy-Chairman of the Executive Board	since 1 January 2014 since August 1, 2008
Dr. Jürg Bühlmann	Head of Corporate Banking Member of the Executive Board	since July 1, 2012
Daniel Previdoli	Head of Products, Services & Direct Banking Member of the Executive Board	since December 1, 2007
Dr. Stephanino Isele	Head of Institutionals & Multinationals Member of the Executive Board	since April 1, 2014
Roger Müller	Chief Risk Officer (CRO) Member of the Executive Board	since January 1, 2014
Rudolf Sigg	Chief Financial Officer (CFO) Member of the Executive Board	since November 27, 2008
Remo Schmidli	Head of IT, Operations & Real Estate Member of the Executive Board	since July 1, 2019

The business address of Martin Scholl, Christoph Weber and Dr. Jürg Bühlmann is Bahnhofstrasse 9 in 8001 Zurich. The business address of Daniel Previdoli and Remo Schmidli is at Neue Hard 11 and 9 in 8005 Zurich. The business address of Dr. Stephanino Isele, Roger Müller and Rudolf Sigg is at Josefstrasse 222 in 8005 Zurich.

### IV. Cantonal Council Commission

As at the date of this Registration Document, the Cantonal Council Commission is composed as follows:

Name	Function
André Bender, SVP, Oberengstringen	Chairman
Isabel Bartal, SP, Zurich	Member
Carola Etter, FDP, Winterthur	Member

Astrid Furrer, FDP, Wädenswil	Member
Hanspeter Göldi, SP, Meilen	Member
Barbara Günthard Fitze, EVP, Winterthur	Member
Daniel Heierli, Grüne, Zurich	Member
Stefanie Huber, GLP, Dübendorf	Member
Benjamin Walder, Grüne, Wetzikon	Member
Thomas Lamprecht, EDU, Bassersdorf	Member
Orlando Wyss, SVP, Dübendorf	Member

## V. Statutory auditors / Group auditors

As at the date of this Registration Document, the (external) statutory and group auditor under applicable corporate and banking laws is Ernst & Young AG, Maagplatz 1, 8005 Zurich, Switzerland (since 1989).

Pursuant to § 11 and 18 of the Cantonal Bank Act, the auditor is elected by the Cantonal Council for a two-year term of office, must be recognized by FINMA and is entered in the register of the Federal Audit Oversight Authority (FAOA; *Eidgenössische Revisionsaufsichtsbehörde*) which is responsible for the auditor. On May 14, 2018, the Cantonal Council confirmed the election of Ernst & Young AG as the auditor for the years 2019 and 2020.

## B. Zürcher Kantonalbank Finance (Guernsey) Limited

The executive body responsible for the management and control of Zürcher Kantonalbank Finance (Guernsey) Limited is the board of directors ("**Board of Directors Guernsey**").

The Board of Directors Guernsey is responsible for all matters that are not delegated to another body of the company by law, the Articles of Association or other regulations. As the supreme management body, the Board of Directors Guernsey takes all fundamental decisions for ZKB Guernsey and is authorised to issue the necessary instructions. The Board of Directors Guernsey determines the organisational structure of ZKB Guernsey, the structure of the accounting department, the financial controls and the financial planning, in each case to the extent required for the management of ZKB Guernsey. It also appoints the persons responsible for the management and representation of the company. In addition, the Board of Directors Guernsey supervises the persons entrusted with the management of the company, in particular with regard to compliance with laws and regulations. It may also discharge the persons entrusted with the management of the company.

The Board of Directors Guernsey prepares the annual report (annual report and annual financial statements) and the shareholders meeting of the company, at which the Board of Directors Guernsey proposes the long-term goals of ZKB Guernsey and the measures required to achieve those goals for approval.

## I. Board of Directors Guernsey

As at the date of this Registration Document, the Board of Directors Guernsey is composed as follows:

Name	Function	Background
Felix Oegerli	Chairman	Representative of Zürcher Kantonalbank, Zurich
Samuel Stadelmann	Deputy-Chairman	Representative of Zürcher Kantonalbank, Zurich

John William Renouf	Member	Independent consultant, Guernsey
Richard Duchemin	Member	Executive Director of Zürcher Kantonalbank Finance (Guernsey) Limited

The business address of Felix Oegerli and Samuel Stadelmann is Josefstr. 222 in 8005 Zurich. The business address of John William Renouf is Deo Juvante, Castel, Guernsey GY5 7TJ. The business address of Richard Duchemin is Bordage House, Le Bordage, St. Peter Port, Guernsey GY1 1BU.

## II. Chief Executive Officer

The Board of Directors Guernsey has delegated the management of ZKB Guernsey to a director who acts as chief executive officer (the "**Chief Executive Officer**").

The Chief Executive Officer has overall responsibility for the management and supervision of ZKB Guernsey. He may delegate individual tasks to external service providers and/or to the parent company, but retains responsibility for those tasks. Such delegation, which must be laid down in a contract, requires the approval of the Board of Directors Guernsey. The Chief Executive Officer is appointed by the Board of Directors Guernsey and may be discharged by it.

As at the date of this Registration Document, the following person acts as Chief Executive Officer of Zürcher Kantonalbank Finance (Guernsey) Limited:

Name	Function
Richard Duchemin	Chief Executive Officer

## III. Chief Financial Officer

ZKB Guernsey has appointed a CFO who supports the Chief Executive Officer as a specialist in financial accounting and reporting matters. The CFO reports directly to the Chief Executive Officer and, within the framework of group management and reporting, to the financial accounting department of ZKB.

The CFO may delegate individual tasks, but retains responsibility for the performance of those tasks.

As at the date of this Registration Document, the following person acts as CFO of Zürcher Kantonalbank Finance (Guernsey) Limited:

Name	Function
Alex Margison	Chief Financial Officer

## IV. Statutory auditors

As at the date of this Registration Document, Ernst & Young LLP, Royal Chambers, St Julian's Avenue, St. Peter Port, Guernsey GY1 4AF, Channel Islands acts as auditor of ZKB Guernsey (since November 17, 2000).

Ernst & Young LLP is authorised and regulated by the Institute of Chartered Accountants in England and Wales and is registered as a regulated firm with the Guernsey Financial Services Commission.

## BUSINESS ACTIVITIES AND PROSPECTS OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE (GUERNSEY) LIMITED

## **A. Zürcher Kantonalbank (group parent company)**

Zürcher Kantonalbank is the parent company of Zürcher Kantonalbank Group. Accordingly, the following information on business activities is provided on a consolidated basis for the group.

### **I. Main activity**

Zürcher Kantonalbank conducts the business of a universal bank. It does not enter into proprietary transactions involving disproportionate risks. It operates a pawnbroking agency (*Pfandleihkasse*).

In geographical terms, the business area of Zürcher Kantonalbank primarily comprises the Zurich economic area. Business in the rest of Switzerland and abroad is permitted, provided that it does not expose Zürcher Kantonalbank and its subsidiaries to disproportionate risks and further provided that such activities do not have a negative impact on the money and credit requirements in the Canton of Zurich.

The details of the business activities are governed by the Organizational Regulations. Further details of the business activities of Zürcher Kantonalbank and its subsidiaries are described in the management report (*Lagebericht*) of Zürcher Kantonalbank, which is incorporated by reference into this Registration Document (see section "*Incorporation by reference*" below).

### **II. Special performance mandate (*Spezieller Leistungsauftrag*)**

The performance mandate of the Canton of Zurich to Zürcher Kantonalbank, as prescribed in the Cantonal Bank Act, consists of the supply mandate, the support mandate and the sustainability mandate.

### **III. Supply mandate (*Versorgungsauftrag*)**

ZKB provides banking services to the population and the economy and promotes home ownership, low-cost housing, agriculture and SMEs. It provides its customers with the densest banking branch network in the Canton of Zurich and is present in half of the 168 municipalities. It creates a consistent customer experience by expanding its electronic customer interface. It provides specific solutions to facilitate access to home ownership (ZKB Initial Mortgage; *ZKB Starthypothek*), to provide financings to start-ups and to provide micro-credits to SMEs and private individuals.

### **IV. Support mandate (*Unterstützungsauftrag*)**

ZKB supports the Canton of Zurich in solving its economic, environmental and social challenges. It is a responsible employer in the Canton of Zurich and provides about 400 apprenticeships. The support takes place in particular in the form of sponsoring commitments. With over 150 partnerships, memberships and sponsorships, ZKB makes an important contribution to the sustainable development in the Canton of Zurich.

### **V. Sustainability mandate (*Nachhaltigkeitsauftrag*)**

In connection with its business activities in Switzerland and abroad, ZKB observes the principles of sustainability. With the ZKB Environmental Loan (*ZKB Umweltdarlehen*), it promotes environmentally compatible buildings. With sustainable investments, its customers can achieve an ecological and social impact and take advantage of corresponding return opportunities. By the end of 2022, ZKB will reduce its CO<sub>2</sub>-emissions by 15 per cent (compared to 2016).

### **VI. Court, arbitration and administrative proceedings**

As at the date of this Registration Document, to the knowledge of the bodies of Zürcher Kantonalbank, no legal, arbitration or administrative proceedings are pending or threatened which are of material importance for the assets or earnings position of Zürcher Kantonalbank.

## **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

### **I. Main activity**

Zürcher Kantonalbank Finance (Guernsey) Limited issues structured investment products and sells them to Zürcher Kantonalbank, which places them in the market.

## **II. Court, arbitration and administrative proceedings**

As at the date of this Registration Document, to the knowledge of the corporate bodies of Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited, no legal, arbitration or administrative proceedings are pending or threatened which are of material importance for the assets or earnings position of Zürcher Kantonalbank Finance (Guernsey) Limited.

## **C. Information on the material business prospects of Zürcher Kantonalbank and its subsidiaries**

For information on the material business prospects of Zürcher Kantonalbank and its subsidiaries, reference is made to section "Management Report" (p. 20-61) of the Annual Report 2019 of Zürcher Kantonalbank which is incorporated by reference into this Registration Document (see section "*Incorporation by reference*" below). Please note that the information in the Management Report on the material business prospects of Zürcher Kantonalbank and its subsidiaries is subject to uncertainty.

## **CAPITAL AND VOTING RIGHTS OF THE ISSUERS AND ANY GUARANTORS OR COLLATERAL PROVIDERS**

### **A. Zürcher Kantonalbank**

#### **I. Capital structure**

The share capital of Zürcher Kantonalbank consists of the endowment capital (§ 4 of the Cantonal Bank Act; *Dotationskapital*). The Canton of Zurich makes the endowment capital available to Zürcher Kantonalbank for an unlimited period of time for an at cost price. The endowment capital approved by the Cantonal Council in 2014, which was still in force as at the reporting date of the annual financial statements for the financial year 2019, amounts to CHF 3.0 billion. An additional endowment capital of CHF 575 million approved by the Cantonal Council which has not yet been drawn-down by Zürcher Kantonalbank has been fully reserved by a resolution of the Board of Directors for the bank's contingency planning and will be counted towards the gone-concern capital component. As a result, the endowment capital reserve can only be used upon the instructions of FINMA or a restructuring officer appointed by FINMA. Zürcher Kantonalbank raises further own funds by increasing reserves and by taking up subordinated liabilities (§ 5 of the Cantonal Bank Act).

#### **II. Outstanding conversion and option rights and bonds**

As at the reporting date of the annual financial statements for the financial year 2019, Zürcher Kantonalbank had no conversion or option rights outstanding.

As at the reporting date of the annual financial statements for the financial year 2019, Zürcher Kantonalbank had medium-term notes (*Kassenobligationen*) with a total nominal value of CHF 143 million (2018: CHF 167 million), bonds (*Obligationen anleihen*) with a total nominal value of CHF 13,329 million (2018: CHF 11,666 million) and mortgage-backed bonds (*Pfandbriefdarlehen*) with a total nominal value of CHF 9,778 million (2018: CHF 9,463 million) outstanding.

#### **III. Own equity securities**

As at the reporting date of the annual financial statements for the financial year 2019 and as at the date of this Registration Document, neither Zürcher Kantonalbank nor any of its subsidiaries held own equity securities.

### **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

Zürcher Kantonalbank Finance (Guernsey) Limited is a legal entity whose main purpose is to issue financial instruments. Zürcher Kantonalbank Finance (Guernsey) Limited is a so-called *special purpose vehicle* pursuant to article 96 para. 2 FinSO, whose guarantor or collateral provider (Zürcher Kantonalbank) is an institution pursuant to article 70 para. 1 FinSA. Accordingly, reference is made to the information on Zürcher Kantonalbank.

## **FINANCIAL STATEMENTS OF ZÜRCHER KANTONALBANK AND ZÜRCHER KANTONALBANK FINANCE**

## **(GUERNSEY) LIMITED**

### **A. Zürcher Kantonalbank**

#### **I. Annual financial statements and related documents**

Section "Financial Report" for the financial years 2018 and 2019 of Zürcher Kantonalbank which is incorporated by reference into this Registration Document (see section "*Incorporation by reference*" below) contains, among other things, the consolidated annual financial statements of Zürcher Kantonalbank audited by the competent auditors, including the auditors report. In addition, the "Financial Report" contains the statutory financial statements of Zürcher Kantonalbank (parent company) including the corresponding auditor's report.

The consolidated financial statements of Zürcher Kantonalbank comprise the financial statements of Zürcher Kantonalbank and its direct and indirect subsidiaries in which Zürcher Kantonalbank holds more than 50 per cent of the voting capital or which are otherwise controlled by Zürcher Kantonalbank. The presentation of the consolidated financial statements is based on the economic approach. The statutory financial statements of the group companies are based on uniform accounting standards applicable throughout the group.

#### **II. Significant changes since the last annual financial statements**

Since the reporting date of the annual financial statements for the financial year 2019, there have been no significant changes in the assets, financial and earnings position of Zürcher Kantonalbank.

### **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

#### **I. Annual financial statements and related documents**

Annex 1 contains the annual financial statements of Zürcher Kantonalbank Finance (Guernsey) Limited for the financial years 2018 (Annex 1A) and 2019 (Annex 1B), which also contain the auditor's report.

#### **II. Significant changes since the last annual financial statements**

Since the reporting date of the annual financial statements for the financial year 2019, there have been no significant changes in the assets, financial and earnings position of Zürcher Kantonalbank Finance (Guernsey) Limited.

## **INCORPORATION BY REFERENCE**

The following documents shall be incorporated or shall be deemed to be incorporated into, and form part of, this Registration Document (the "**Incorporation Documents**"). Only those parts of the Incorporation Documents which are set out in the table below shall be incorporated or shall be deemed to be incorporated into, and form part of, this Registration Document. The other parts of the Incorporation Documents which are not set out in the table below are expressly not incorporated into, and do not form part of, this Registration Document.

<b>Document</b>	<b>Information incorporated by reference</b>	<b>Place of publication</b>
Annual Report 2018 of Zürcher Kantonalbank	Sections "Management Report" (S. 20–55), "Corporate Governance" (S. 57–75), "Financial Report" (S. 87–179) und "Glossary" (S. 180–183)	<a href="https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html">https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html</a>
Annual Report 2018 of Zürcher Kantonalbank	Sections "Management Report" (S. 20–61), "Corporate Governance" (S. 63–81), "Financial Report" (S. 94–185) und "Glossary" (S. 186–189)	<a href="https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html">https://www.zkb.ch/en/lg/ew/dsc-investor-relations/annualreport.html</a>

## **RESPONSIBILITY FOR THE REGISTRATION DOCUMENT**

### **A. Zürcher Kantonalbank**

Zürcher Kantonalbank takes responsibility for the information contained in this Registration Document. Zürcher Kantonalbank declares that, to its knowledge, the information contained in this document is correct and that no omissions have been made which could change the statements contained in this document.

### **B. Zürcher Kantonalbank Finance (Guernsey) Limited**

Zürcher Kantonalbank Finance (Guernsey) Limited takes responsibility for the information contained in this Registration Document. Zürcher Kantonalbank Finance (Guernsey) Limited declares that, to its knowledge, the information contained in this document is correct and that no omissions have been made which could change the statements contained in this document.