

# ZKB Tracker Certificate with Leverage on Volatility Dispersion of the EURO STOXX 50® Index and a Basket of Stocks

08.03.2018 - 27.12.2019 | Valor 39 940 998

## New Issue

### Additional sales restrictions

## 1. Product Description

This Structured Product can only be purchased and/or sold by qualified investors according to CISA respectively CISO. This documentation is therefore distributed on a personal basis and may only be used by the addressee.

### Product Category/Name

Participation Product/Tracker Certificate (1399, according to the Swiss Derivative Map provided by the Swiss Structured Products Association)

### CISA 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 FINMA. The Issuer risk is borne by investors.**

### Issuer

Zürcher Kantonalbank, Zürich

### Rating of the Issuer

Standard & Poor's: AAA, Moody's: Aaa, Fitch: AAA.

### Lead Manager, Paying Agent, Exercise Agent and Calculation Agent

Zürcher Kantonalbank, Zurich

### Symbol/ Swiss Security Code/ISIN

VDEHTZ/  
39 940 998/CH0399409983

### Notional Amount/Denomination/ Trading Units

Up to EUR 10'000'000, with the right to increase/Denomination of EUR 500'000 per Structured Product/EUR 500'000 or multiples thereof

### Issue Price


EUR 502'500.00 (100.50% of Denomination)

### Currency

EUR

### Underlying

The Underlying is a basket consisting of the components listed below, their weights and volatility strike levels:

i	Underlying component (i)	Bloomberg Ticker	Reference exchange	Vol Strike (i)	Weight 
1	VOLKSWAGEN AG-PREF	VOW3 GY	Xetra	29.76%	9.26%
2	INTESA SANPAOLO	ISP IM	Mercato Continuo Italiano	28.30%	9.26%
3	DAIMLER AG-REGISTERED SHARES	DAI GY	Xetra	25.24%	9.26%
4	NOKIA OYJ	NOKIA FH	Helsinki	32.78%	7.41%
5	ORANGE	ORA FP	Euronext Paris	22.96%	7.41%
6	BASF SE	BAS GY	Xetra	23.04%	5.56%
7	ING GROEP NV	INGA NA	Euronext Amsterdam	26.94%	5.56%
8	BAYER AG-REG	BAYN GY	Xetra	24.78%	5.56%
9	ANHEUSER-BUSCH INBEV SA/NV ABI BB		Euronext Brussels	21.74%	5.56%
10	DEUTSCHE TELEKOM AG-REG	DTE GY	Xetra	21.21%	5.56%
11	SIEMENS AG-REG	SIE GY	Xetra	23.51%	5.56%
12	ROYAL DUTCH SHELL PLC-A SHSRDSA NA		Euronext Amsterdam	19.97%	3.70%
13	BAYERISCHE MOTOREN WERKE AG	BMW GY	Xetra	24.86%	3.70%

14	TOTAL SA	FP FP	Euronext Paris	22.30%	3.70%
15	AXA SA	CS FP	Euronext Paris	24.78%	3.70%
16	INFINEON TECHNOLOGIES AG	IFX GY	Xetra	30.89%	1.85%
17	TELECOM ITALIA SPA	TIT IM	Mercato Continuo Italiano	33.20%	1.85%
18	DANONE	BN FP	Euronext Paris	21.63%	1.85%
19	BANCO SANTANDER SA	SAN SQ	Mercado Continuo Espanol	28.50%	1.85%
20	RENAULT SA	RNO FP	Euronext Paris	28.71%	1.85%
	Index EURO STOXX 50 Index	SX5E Index		18.51%	-100.00%

<b>VolStrike (i)</b>	The volatility strike level for each stock i in the basket according to the table in section "Underlying"
<b>VolStrike (Index)</b>	The volatility strike level for the index in the basket according to the table in section "Underlying"
<b>Initial Fixing Date</b>	01 March 2018
<b>Settlement Date</b>	08 March 2018
<b>Last Trading Date</b>	19 December 2019
<b>Final Fixing Date</b>	20 December 2019
<b>Redemption Date</b>	27 December 2019
<b>Initial Fixing Level</b>	Official closing levels of the Underlying components on the reference exchange on the Initial Fixing Date, as well as volatility strike levels, determined by the Calculation Agent as shown in the table in section "Underlying"
<b>Final Fixing Level</b>	Official closing levels of the Underlying components on the reference exchanges on the Final Fixing Date, as well as the realized volatility of the Underlying components calculated by the Calculation Agent
<b>Early Redemption Right of the Issuer</b>	The Issuer has the right to call the Structured Product for Early Redemption on a daily basis without any reasons.
<b>Redemption Method</b>	On the Redemption Date, the investor receives a cash repayment, which will be calculated on the Final Fixing Date (T) on the basis of the Denomination N in accordance with the following formula:

$$N \times (\text{Interest Rate Factor} + \text{Leverage} \times \text{Dispersion}(T))$$

**The maximum loss per Maturity is limited to the Denomination (floor at 0% of Denomination).**

<b>Leverage</b>	10
<b>Dispersion</b>	On the Final Fixing Date (T) the value of the Dispersion strategy is calculated as follows $\text{Dispersion}(T) = \sum_{i=1}^{21} [\omega_i \times (\sigma_i - \text{VolStrike}(i))] - (\sigma_{\text{Index}} - \text{VolStrike}(\text{Index}))$ <p>where</p> <p><math>\omega_i</math> = Weight of the Underlying component i in the basket,</p> <p><math>\sigma_i</math> = Realized annualized volatility of the Underlying component i on the Final Fixing Date, quoted in %, calculated by the Calculation Agent and limited to 2.5 x VolStrike (i)</p> <p><math>\sigma_{\text{Index}}</math> = Realized annualized volatility of the EURO STOXX 50® Index on the Final Fixing Date, quoted in %, calculated by the Calculation Agent and limited to 2.5 x VolStrike (Index)</p> <p>VolStrike (i) See section "Underlying"</p> <p>VolStrike (Index) See section "Underlying"</p>

**Realized Volatility  $\sigma_i$ ,  $\sigma_{\text{Index}}$**  For each Underlying component i or the index, the realized volatility  $\sigma_i$  resp.  $\sigma_{\text{Index}}$  is determined at Maturity by the Calculation Agent on the basis of the following formula:

$$\sigma_i = \sqrt{\frac{252 \times \sum_{t=1}^{N_i} \ln^2 \left( \frac{P_{i,t}}{P_{i,t-1}} \right)}{N_i}} \quad \text{resp.} \quad \sigma_{\text{Index}} = \sqrt{\frac{252 \times \sum_{t=1}^{N_{\text{Index}}} \ln^2 \left( \frac{P_{\text{Index},t}}{P_{\text{Index},t-1}} \right)}{N_{\text{Index}}}}$$

where

$N_i, N_{Index}$  = Number of trading days of the Underlying component i resp. for the index at the corresponding Reference exchange, between Initial Fixing Date and Final Fixing Date

$\ln$  = Natural logarithm

$P_{i,t}, P_{Index,t}$  = dividend-adjusted closing price of the Underlying component i resp. the index on the trading day t, where  $P_{i,0}$  denotes the official closing price of the Underlying component i resp. the index on the Initial Fixing Date. If no official closing price is available on a trading day t, the Calculation Agent shall determine a price at its sole discretion.

The realized volatility  $\sigma_i$  of each Underlying component is limited to 2.5x VolStrike (i). The realized volatility  $\sigma_{Index}$  is limited to 2.5x VolStrike (Index).

## Interest Rate Factor

Possible negative interest rates are taken into account by the Interest Rate Factor. This Factor is the result of the accumulated interest amount on the Denomination of the Structured Product and is calculated as

$$\prod_{t=1}^n (1 + \min(EONIA_{t-1}, 0) \times \frac{1}{360})$$

whereas n denotes the number of days from the Settlement Date until the Final Fixing Date and  $EONIA_t$  the Reference Interest Rate on day t. If t is not a trading day, the Reference Interest Rate of the last trading day immediately before t will be used. The Reference Interest Rate is capped at 0%. The Interest Rate Factor can have a maximum value of 1.

## Reference Interest Rate

Overnight EONIA interest rate (Bloomberg: EONIA Index)

## Listing

Application to list on the SIX Swiss Exchange will be filed, the first provisory trading day will be 5 December 2018. The Issuer shall provide a secondary market on request.

## Clearing House

SIX SIS AG/Euroclear/Clearstream

## Distribution Fees

No distribution fees in the form of a discount on issue price, reimbursement of a part of the issue price or other one-off and/or periodic charges are paid out to one or several distribution partners of this Structured Product.

## Sales: 044 293 66 65

SIX Telekurs: .zkb

Reuters: ZKBSTRUCT

Internet: [www.zkb.ch/strukturierteprodukte](http://www.zkb.ch/strukturierteprodukte)

Bloomberg: ZKBY<go>

## Key Elements of the Product

The purchase of this Structured Product corresponds in value to the purchase of a long position in a volatility swap per share in the Underlying and a short position in a volatility swap of the Index in the Underlying. The investor benefits from rising share volatility and/or from falling index volatility and/or from falling share correlations in the basket.

At Initial Fixing, a strike level for volatility (VolStrike) is determined for each share in the Underlying and for the index. At Maturity, the value of the so-called Dispersion position is calculated. For this purpose, the weighted difference between the realized volatility of the shares in the Underlying and the initially fixed VolStrike, as well as the difference between the realized volatility and the initially fixed VolStrike of the index in the Underlying is calculated. The Dispersion is the difference between these two differences. If the shares in the basket realize on average a higher volatility in relation to the initially fixed VolStrike than the index, the Dispersion is positive at Maturity and vice versa.

The realized volatility for each share, as well as that of the index, is limited at 2.5 x VolStrike. The investor participates in the Dispersion with a factor of 10 on the Denomination less any negative interest on the Denomination.

During the term of the Structured Product, additional risk factors occur which can influence the value of the Structured Product. Certificates with leverage are suitable for investors with a high risk tolerance.

## Taxes

Any return on the product qualifies as capital gain and is generally not subject to Swiss income tax for private investors with Swiss tax domicile. The product is not subject to Swiss withholding tax. The Federal securities transfer stamp tax is not levied on secondary market transactions. For Swiss paying agents this product is not subject to the EU taxation of savings income.

This product may be subject to additional withholding taxes or duties, such as related to FATCA, Sect. 871(m) U.S. Tax Code or foreign financial transaction taxes. Any payments due under this product are net of such taxes or duties.

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 information above. The tax information only provides a general overview and cannot substitute the personal tax advice to the investor.

## Documentation

This document constitutes the Final Terms in accordance to article 21 of the Additional Rules for the Listing of Derivatives of the SIX Swiss Exchange. These Final Terms supplement the Issuance Programme of the Issuer dated 17 April 2018 and published in German in the currently valid version. These Final Terms and the Issuance Programme constitute the complete Issuance and Listing Prospectus for this issuance (the 'Listing Prospectus'). Except as otherwise defined in these Final Terms, capitalised terms used in these Final Terms have the meaning as defined in the Glossary in the Issuance Programme. In case of discrepancies between information or the provisions in these Final Terms and those in the Issuance Programme, the information and provisions in these Final Terms shall prevail. Structured Products will be issued as uncertified rights (Wertrechte) and registered as book entry securities (Bucheffekten) with SIX SIS AG. Investors have no right to require the issuance of any certificates or proves of evidence for the Structured Products. **These Final Terms and the Issuance Programme can be ordered free of charge at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich, dept. VRIE or by e-mail at [documentation@zkb.ch](mailto:documentation@zkb.ch).** This document is not a prospectus in accordance with articles 652a or 1156 of the Swiss Code of Obligations.

## Information on the Underlying

Information on the performance of the Underlying / a component of the Underlying is publicly available on [www.bloomberg.com](http://www.bloomberg.com). Current annual reports are published on the website of the respective business entity. The transfer of the Underlying is conducted in accordance with their respective statutes.

The EURO STOXX 50® Index likewise consists of 50 stocks covering the largest supersector leaders in the EURO STOXX Index. The Index is weighted by free-float market capitalisation. Each components's weight is capped at 10 % of the Index's total free-float market capitalisation. The free-float weights are reviewed quarterly. The EURO STOXX 50® Index is a price index.

Calculation/Distribution: Price EUR: Every 15 seconds during local trading hours.

The EURO STOXX 50® index (or other applicable index) is the intellectual property (including registered trademarks) of STOXX Limited, Zurich, Switzerland and/or its licensors (Licensors), which is used under license. The securities (or financial instruments, or options or other technical term) based on the index are in no way sponsored, endorsed, sold or promoted by STOXX and its licensors and neither STOXX nor its licensors shall have any liability with respect thereto.

## 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> under the relevant Structured Product. The Swiss security code search button will lead you directly to the relevant Structured 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/en/home/publications/official-notices.htm>

## Governing Law/Jurisdiction

Swiss Law/Zurich

## 2. Profit and Loss Expectations at Maturity

### Profit and Loss Expectations at Maturity

#### ZKB Tracker Certificate with Leverage

The following table shows the performance of the Structured Product based on the performance of the Dispersion strategy.

Dispersion on Final Fixing Date	Redemption at Maturity	
	Structured Product	Performance, based on the Issue Price
-4.00%	EUR 296'602.14	-40.97%
-3.00%	EUR 346'602.14	-31.02%
-2.00%	EUR 396'602.14	-21.07%

-1.00%	EUR 446'602.14	-11.12%
0.00%	EUR 496'602.14	-1.17%
1.00%	EUR 546'602.14	8.78%
2.00%	EUR 596'602.14	18.73%
3.00%	EUR 646'602.14	28.68%
4.00%	EUR 696'602.14	38.63%
5.00%	EUR 746'602.14	48.58%
6.00%	EUR 796'602.14	58.53%
7.00%	EUR 846'602.14	68.48%
8.00%	EUR 896'602.14	78.43%

Source: Zürcher Kantonalbank

The performance of the ZKB Tracker Certificate with Leverage basically follows the leveraged performance of the defined Dispersion strategy, less the accrued interest on the Denomination.

The table above is valid at Maturity only and is by no means meant as a price indication for this Structured Product throughout its lifetime. The price of this Structured Product depends on additional risk factors between the Initial Fixing Date and the Final Fixing Date. The price quoted on the secondary market can therefore deviate substantially from the table above. For presentation purposes, it was assumed that the EONIA reference interest rate remained constant at -0.361%.

### 3. Material Risks for Investors

#### Issuer Risk

Obligations under this Structured Product 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 Product not only depends 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

Leveraged tracker certificates involve the risk of losing the initially invested denomination (issue price) entirely. These certificates are complex financial instruments, which entail considerable risks and, accordingly, are only suitable for investors who have the requisite knowledge and experience and understand thoroughly the risks connected with an investment in these Structured Products and are capable of bearing the economic risks. The value of this leveraged Structured Product can vary significantly. In any case, the potential loss is limited to the Denomination, so that there is no obligation to make additional contributions. The ZKB Tracker Certificate with Leverage is denominated in EUR. If the investor's reference currency differs from the EUR, the investor bears the risk between the EUR and his reference currency.

#### 4. Additional Terms

##### **Modifications**

If an Extraordinary Event occurs in relation to the Underlying, which makes it impossible or particularly cumbersome for the Issuer, to fulfil its obligations under the Structured Products or to calculate the value of the Structured Products, the Issuer shall at its own discretion take all the necessary actions and, if necessary may modify the terms and conditions of these Structured Products at its own discretion in such way, that the economic value of the Structured Products after occurrence of the extraordinary event corresponds, to the extent possible, to the economic value of the Structured Products prior to the occurrence of the extraordinary event. If the Issuer determines, for whatever reason, that an adequate modification is not possible, the Issuer has the right to redeem the Structured Products early.

##### **Market Disruptions**

Compare specific provisions in the Issuance Programme.

##### **Selling Restrictions**

The selling restrictions contained in the Issuance Programme are applicable (EEA, U.S.A./U.S. persons, Guernsey).  
In particular must this publication and the information contained within not be distributed and / or redistributed, used or relied upon, by any person (whether individual or entity) who may be a US person under Regulation S under the US Securities Act of 1933. US persons include any US resident; any corporation, company, partnership or other entity organized under any law of the United States; and other categories set out in Regulation S.  
The Issuer has not undertaken any actions to permit the public offering of the Structured Products or the possession or the distribution of any document produced in connection with the issuance of the Structured Products in any jurisdiction other than Switzerland. The distribution of these Final Terms or other documents produced in connection with the issuance of the Structured Products and the offering, sale and delivery of the Structured Products in certain jurisdictions may be restricted by law. Persons, which have received these Final Terms or any other documents produced in connection with the issuance of the Structured Products, such as the Issuance Programme, Termsheets, marketing or other selling material, are required by the Issuer to inform themselves about and to observe any such restrictions.

##### **Prudential Supervision**

As a bank within the meaning of the Swiss Federal Act on Banks and Savings Banks (BankG; SR 952.0) and a securities dealer within the meaning of the Swiss Federal Act on Securities Exchanges and Securities Trading (BEHG; SR 954.1), Zürcher Kantonalbank is subject to the prudential supervision of FINMA, Laupenstrasse 27, CH-3003 Bern, <http://www.finma.ch>.

##### **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.

Zurich, 3 December 2018