

# ZKB Tracker Certificate on Inflation Protection Basket IV

30.05.2016 - 31.05.2018 | Swiss Security Code 30 507 280

## New Issue/preliminary simplified prospectus

\*\* The information contained is merely indicative. The Issuer/Calculation Agent will fix the legally binding parameters on the Initial Fixing Date. The Subscriber/Investor takes notice of the fact, that the final and legally binding conditions of the present Structured Product will not be fixed until Initial Fixing Date. Furthermore, in subscribing to the present Structured Product, the Investor agrees to the final conditions.

### 1. Product Description

<b>Product Category/Name</b>	Participation Product/Tracker Certificate (1300, according to the "Swiss Derivative Map" provided by the Swiss Structured Products Association)
<b>CISA Notification</b>	<b>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.</b>
<b>Issuer</b>	Zürcher Kantonalbank, Zurich
<b>Lead Manager, Paying Agent, Exercise Agent and Calculation Agent</b>	Zürcher Kantonalbank, Zurich
<b>Rating of the Issuer</b>	For Products issued by Zürcher Kantonalbank: Standard & Poor's AAA, Moody's Aaa, Fitch AAA
<b>Swiss Security Code/ISIN</b>	30 507 280 (not listed)/CH0305072800
<b>Notional Amount/Denomination/Trading Units</b>	USD 10'000'000.00**/USD 100.00**/1 Structured Product or multiples thereof
<b>Number of Structured Products</b>	Up to 100'000, with the right to increase
<b>Issue Price</b>	<b>USD 100.00</b> / 102.30% of Basket Value on the Initial Fixing Date
<b>Currency</b>	USD

Underlying	Component	ISIN / Bloomberg	Related Exchange	*Currency / Initial Fixing Value**	Weight in %**	No. of Shares**
	Utilities Select Sector SPDR Fund	US81369Y8865 / XLU US	New York Stock Exchange	49.1600	12.50	0.044566
	iShares USD TIPS	IE00B1FZSC47 / ITPS SW	SIX Swiss Exchange	200.1700	25.00	0.001221
	RBS Market Access RICI Agriculture Index ETF	LU0259321452 / MRAI SW	SIX Swiss Exchange	93.6800	12.50	0.130431
	RBS Market Access RICI Metals Index ETF	LU0259320728 / MRMI SW	SIX Swiss Exchange	109.1700	12.50	0.111924
	ZKB Gold USD	CH0047533549 / ZGLDUS SW	SIX Swiss Exchange	1242.8800	25.00	0.019612
	Energy Select Sector SPDR Fund	US81369Y5069 / XLE US	New York Stock Exchange	65.92	12.50	0.184883

\* Local taxes, transactions fees and foreign commissions are included in the Initial Fixing Value of each component if applicable.

<b>Basket Value</b>	USD 97.75** on Initial Fixing Date
<b>Ratio</b>	1 ZKB Tracker Certificate represents 1 Underlying
<b>Dividend Payments</b>	<p>The Investor will receive a payment as compensation for the dividend payment of the Structured Product.</p> <p>The compensation payment takes place annually on 01 June, for the first time retroactively on 01 June 2017, (modified following business day convention). The compensation payment will correspond to 100.00% of the net dividend payment.</p>
<b>Subscription Period</b>	<p>Subscriptions for these Structured Products may be made <b>until 23 May 2016, 16:00 CET**</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 Subscription Period prematurely.</p>
<b>Initial Fixing Date</b>	23 May 2016
<b>Settlement Date</b>	30 May 2016
<b>Early Redemption Right of the Issuer</b>	The Issuer has the right to call the Structured Product for Early Redemption each year per 15 December (Exercise Date) which has to be announced at least 20 banking days in advance without any reasons (for the first time per 15 December 2016, modified following).
<b>Last Trading Date</b>	23 May 2018, 12:00 CET
<b>Final Fixing Date</b>	23 May 2018
<b>Redemption Date</b>	31 May 2018
<b>Initial Fixing Level</b>	23 May 2016, Net price of the components of the Underlying on a best effort basis (the Issuer has the right to expand the Initial Fixing period if required by current market conditions e.g. liquidity)
<b>Final Fixing Level</b>	23 May 2018, Net price of the components of the Underlying on a best effort basis (the Issuer has the right to expand the Final Fixing period if required by current market conditions e.g. liquidity)
<b>Redemption Method</b>	<p>On Redemption Date, investors receive in cash for every certificate 100% of the Underlying as defined on the Final Fixing Date and according to the following formula:</p> $\sum_{i=1}^N S_{i,T} \times W_{i,T}$ <p>where</p> <p><math>S_{i,T}</math> = Value of the Component i of the Underlying on Final Fixing Date</p> <p><math>W_{i,T}</math> = Weighting of the Component i of the Underlying (number of Shares) on</p> <p style="padding-left: 100px;">Final Fixing Date</p> <p><math>T</math> = Final Fixing Date</p> <p>If capital events that were unknown at the time of issue take place during the life of the ZKB Tracker Certificate, they shall be taken into account by adjusting the weighting of the affected Component of the Underlying accordingly.</p>
<b>Listing</b>	<p>The Structured Product shall not be listed on an official exchange.</p> <p>The Issuer shall provide a secondary market with a bid-ask spread of no more than 0.50 % under normal market conditions.</p>
<b>Clearing House</b>	SIX SIS AG/Euroclear/Clearstream
<b>Total Expense Ratio (TER)/Distribution fees</b>	<p>The TER includes production and distribution fees charged to the Structured Product. The TER includes one-off costs spread over the product's entire term. Any risk and transaction costs, such as in the form of bid-ask spreads on options, are not taken into account in the TER. Distribution fees in the form of a discount on the issue price, reimbursement of a part of the issue price or other one-off and/or periodic charges may have been paid to one or several distribution partners of this Structured Product. Any distribution fees are included in the TER and may amount up to <b>0.75% p.a. **</b></p>
<b>Sales: 044 293 66 65</b>	<p>SIX Telekurs: 85,ZKB</p> <p>Internet: <a href="http://www.zkb.ch/strukturierteprodukte">www.zkb.ch/strukturierteprodukte</a></p> <p>Reuters: ZKBSTRUCT</p> <p>Bloomberg: ZKBY &lt;go&gt;</p>

## Key Elements of the Product

In terms of value, buying a ZKB Tracker Certificate is equivalent to buying the Underlying. A single, low-cost transaction gives investors the opportunity to participate fully in the performance of the Underlying. Dividend Payments of Underlying components are paid out to the investor annually. Redemption is based on the weighted value of Underlying components on the Final Fixing Date.

## Taxes

The annual compensation payments are subject to Swiss income tax for private investors with Swiss tax domicile at the time of payment. 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 (SIX Telekurs EU-Tax classification code: 9, „out of scope“).

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.

## Documentation

This document constitutes a Simplified Prospectus in accordance with article 5 of the Federal Collective Investment Schemes Act (the "CISA"). The Issuance Programme of the Issuer dated 15 April 2016, published in German and approved as "SIX Swiss Exchange registered Issuance Programme", complements this Simplified Prospectus. 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 request the issuance of any certificates or proves of evidence for the Structured Products. **This Simplified Prospectus and the Issuance Programme can be ordered free of charge at Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich 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 / a component of the Underlying is conducted in accordance with their respective statutes. The ZKB Gold USD ETF charges a yearly Management Fee of 0.40% p.a., which is included in the trading price.

## 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.

## Governing Law/Jurisdiction

Swiss Law/Zurich 1

## 2. Profit and Loss Expectations at Maturity

### Profit and Loss Expectations at Maturity

ZKB Tracker Certificate\*\*

Basket		Redemption	
Value	Percent	ZKB Tracker Certificate	Performance %
USD 39.10	-60.00%	USD 39.10	-60.90%
USD 58.65	-40.00%	USD 58.65	-41.35%
USD 78.20	-20.00%	USD 78.20	-21.80%
USD 100.00	+2.30%	USD 100.00	0.00%
USD 117.30	+20.00%	USD 117.30	17.30%
USD 136.85	+40.00%	USD 136.85	36.85%
USD 156.40	+60.00%	USD 156.40	56.40%

Source: Zürcher Kantonalbank

The performance of the ZKB Tracker Certificate is analog to the performance of the Underlying.

The figures in the table above are valid at Maturity only and cannot be considered as a price indication for the present Structured Product during its lifetime. The price quoted in the secondary market can differ substantially from the table above.

## 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 Product 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

Structured products 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.

ZKB Tracker Certificate is an investment product whose price fluctuates to the same degree as the Underlying. Depending on price trends, the price of a ZKB Tracker Certificate could fall below the Issue Price. The risk profile of the ZKB Tracker Certificate corresponds to that of the Underlying. The ZKB Tracker Certificate is denominated in USD. If the investor's reference currency differs from the USD, the investor bears the risk between the USD and his reference currency.

## 4. Additional Terms

### Modifications

If an Extraordinary Event (force majeure) occurs in relation to the Underlying/a component of 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

If, due to the occurrence of a Market Disruption in relation to the Underlying/a component of the Underlying no market price can be determined, the Issuer or the Calculation Agent shall determine the market price of the Underlying/the component of the Underlying at its free discretion, considering the general market conditions and the last market price of relevant Underlying/component of the Underlying affected by the Market Disruption and has the right, if the Market Disruption persists on the Redemption Date, to postpone the Redemption Date to the first Banking Day on which the Market Disruption has terminated. It shall make comparisons with the provisions laid down in the issuance programme, which shall take precedence. This provision shall apply accordingly to the determination of the value of the Structured Products, if the Underlying/a component of the Underlying is affected by a Market Disruption.

### Early Termination in Case of Change of Law

The Issuer reserves the right of early termination in respect of all Structured Products issued under this issuance program for tax reasons (such as, e.g., in the situation in which the Issuer would be required on account of new tax laws to pay additional amounts which result from the withholding or deduction of current or future taxes, imposts, charges or fees, regardless of type), as well as in the case of limitations in respect of its activities as Issuer through new laws or administrative measures (e.g., if it is prohibited under supervisory law from issuing Structured Products).

### Substitution of Underlying

During the term of the Structured Product, changes in or substitution of the Underlying by the Calculation Agent can occur. In this case, it cannot be ruled out that such changes or substitutions will negatively affect the value of the Structured Product. Likewise, it cannot be ruled out that in the case of a Structured Product based on an index that changes in the composition of the index as a result of change or substitutions in respect of individual index components, for example, as a result of the withdrawal or addition of individual securities, may negatively influence the price of the index and accordingly the value of the Structured Product.

### 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, 11 May 2016, last update on 11 May 2016