

4.35% p.a. ZKB Credit Linked Note on Glencore International AG

25.04.2016 - 12.07.2021 | Swiss Security Code 31 596 053

New Issue

Product Category/Name

1. Product Description

Reference Entity Certificate with Conditional Capital Protection (1410, 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.

Product Information

A ZKB Credit Linked Note is a credit instrument whose pay-off profile resembles that of a bond. The investor bears the additional issuer risk of Zürcher Kantonalbank Finance (Guernsey) Limited, Guernsey.

Similar to a bond, the ZKB Credit Linked Note pays a regular coupon. The Denomination is paid back upon expiry provided the Reference Entity has not experienced a Credit Event. The amount of the Coupon is, similar to bonds, dependent on the credit rating of the Reference Entity.

A ZKB Credit Linked Note may generate a higher yield than a comparable bond issued by the same Entity.

The determination of a Credit Event shall be made by the Credit Derivatives Determination Committee of the International Swaps and Derivatives Association (ISDA) and shall be communicated via Zürcher Kantonalbank. In the case of a Credit Event, the Credit Derivatives Determination Committee usually carries out an auction in compliance with ISDA standards in which the Final Price of the Reference Bond is determined. The Final Price is used to set the Redemption Amount of the Structured Product.

ZKB Credit Linked Notes are investments that can lead to a total loss. In the case of a Credit Event of the Reference Entity, investors incur the risk of losing the entire Denomination and receive no further Interest Payments.

Determination of a Credit Event:

The Calculation Agent shall announce the occurrence of a Credit Event as soon as reasonably practical after this has been confirmed by the Credit Derivatives Determination Committee. However, the Credit Derivatives Determination Committee does not decide on the occurrence of all Credit Events. Credit Events are only determined as such by the Credit Derivatives Determination Committee if they fulfil the predefined criteria for Credit Events set forth in the ISDA standard definitions. The 2014 ISDA Credit Derivatives Definitions apply to this Structured Product. If the Credit Derivatives Determination Committee has not determined the occurrence of a Credit Event, the Calculation Agent shall not be authorised to make such a determination.

If the Credit Derivatives Determination Committee has determined the occurrence of a Credit Event, but no Auction is taking place, the Calculation Agent shall determine the Final Price of the Reference Entity on a best effort basis.

Investors in this Structured Product have no right to take recourse against the Issuer and to request that the Credit Derivatives Determination Committee be convened to decide on the occurrence of a Credit Event.

Issuer

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: AAA, Moody's: Aaa, Fitch: AAA. 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 3 of the Issuance Programme.																																				
Lead Manager, Paying Agent, Exercise Agent and Calculation Agent	Zürcher Kantonalbank, Zurich																																				
Swiss Security Code/ISIN	31 596 053 (not listed)/CH0315960531																																				
Notional Amount/Denomination/ Trading Units	Up to EUR 5'000'000, with the right to increase / denomination of EUR 100'000 per structured product / EUR 100'000 or multiples thereof																																				
Issue Price	100.00% of the Denomination																																				
Currency	EUR																																				
Underlying/Reference Entity	Reference Entity Glencore International AG Rating: Moody's: Baa3, S&P: BBB-; Fitch: n/a Corporate Ticker: GLENLN If the Reference Entity experiences a Credit Event, the following Reference Obligation shall apply if available: Reference Obligation Primary Obligor: Glencore International AG Guarantor: Glencore International AG Maturity Date: 27.02.2019 Coupon: 6.5% ISIN: XS0288783979																																				
Coupon Payment	2.175%, paid semi-annually on each Coupon Payment Date, subject to the determination of a Credit Event. If a Credit Event is determined, Coupon Payments shall cease immediately and no Coupon Payments will be paid thereafter.																																				
Coupon Payment Dates	semi-annually, Coupon Payment Dates t, t=1 to 11 <table><tr><th>t</th><th>Coupon Payment Date t*</th><th>Coupon Payment t</th></tr><tr><td>t = 1</td><td>11.07.2016</td><td>0.66458%</td></tr><tr><td>t = 2</td><td>10.01.2017</td><td>2.17500%</td></tr><tr><td>t = 3</td><td>10.07.2017</td><td>2.17500%</td></tr><tr><td>t = 4</td><td>10.01.2018</td><td>2.17500%</td></tr><tr><td>t = 5</td><td>10.07.2018</td><td>2.17500%</td></tr><tr><td>t = 6</td><td>10.01.2019</td><td>2.17500%</td></tr><tr><td>t = 7</td><td>10.07.2019</td><td>2.17500%</td></tr><tr><td>t = 8</td><td>10.01.2020</td><td>2.17500%</td></tr><tr><td>t = 9</td><td>10.07.2020</td><td>2.17500%</td></tr><tr><td>t = 10</td><td>11.01.2021</td><td>2.17500%</td></tr><tr><td>t = 11</td><td>12.07.2021</td><td>2.17500%</td></tr></table> <p>* If the exchange where the Lead Manager is domiciled is closed on the Coupon Payment Date t, the next day on which the exchange is open shall be used as the Coupon Payment Date (modified following business day convention).</p>	t	Coupon Payment Date t*	Coupon Payment t	t = 1	11.07.2016	0.66458%	t = 2	10.01.2017	2.17500%	t = 3	10.07.2017	2.17500%	t = 4	10.01.2018	2.17500%	t = 5	10.07.2018	2.17500%	t = 6	10.01.2019	2.17500%	t = 7	10.07.2019	2.17500%	t = 8	10.01.2020	2.17500%	t = 9	10.07.2020	2.17500%	t = 10	11.01.2021	2.17500%	t = 11	12.07.2021	2.17500%
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Initial Fixing Date	18 April 2016																																				
Settlement Date	25 April 2016																																				
Last Trading Date	18 June 2021																																				
Final Fixing Date	20 June 2021																																				
Scheduled Redemption Date	12 July 2021, in the absence of a Credit Event.																																				
Scheduled Redemption Amount	If no Credit Event is determined during the Notice Delivery Period: Denomination																																				

Redemption Date (upon the determination of a Credit Event during the Notice Delivery Period)	If a Credit Event is potentially determined during the Notice Delivery Period, the respective Redemption Amount shall be paid 5 business days following (i) the announcement of the Final Auction Price or (ii) the Valuation Date.
Redemption Amount (upon the determination of a Credit Event during Notice Delivery Period)	<p>If a Credit Event is determined during the Notice Delivery Period:</p> <p>Denomination * Final Price (in percentage points)</p> <p>The official determination of a Credit Event shall usually be published by the Credit Derivatives Determination Committee. If the Credit Derivatives Determination Committee does not rule on the occurrence of a Credit Event, the Issuer shall publish the notice.</p>
Notice Delivery Period	The period from and including the Initial Fixing Date up to and including the Redemption Date.
Determination of a Credit Event	The date during the Notice Delivery Period on which the Issuer informs investors of the occurrence of a Credit Event (Credit Event Notice).
Final Price	<p>The Final Price shall be determined as follows:</p> <ol style="list-style-type: none"> i. Auction Settlement: If the ISDA announces a Final Auction Price for the relevant Credit Event following the determination of a Credit Event, the Final Price shall correspond to the Final Auction Price. ii. Cash Settlement: If the Credit Derivatives Determination Committee decides not to hold an Auction for the relevant Credit Event, the Calculation Agent shall determine the Final Price on a best effort basis on the basis of the Reference Obligation (or an alternative "Benchmark Obligation"). <p>If the Final Price is determined as set out under (ii) above, the Issuer shall provide investors 2 Business Days prior to the Valuation Date with the following information:</p> <ol style="list-style-type: none"> a) a description of the Obligation that is to be valued and b) a description of the process and period during which the Benchmark Obligation is to be valued. <p>The Issuer shall retain the right to change the Benchmark Obligation and Valuation Date after having duly informed investors of the above information. The Calculation Agent shall inform the investor of the Final Price determined of the last Benchmark Obligation selected.</p>
Final Auction Price	The ISDA shall announce a Final Auction Price with respect to the relevant Credit Event in accordance with the rules governing the ISDA auction process (announcement of the Final Auction Price) and the Issuer shall duly inform investors thereof.
Benchmark Obligation	<p>An obligation selected by the Calculation Agent on or before the Valuation Date that is either</p> <ol style="list-style-type: none"> a) the Reference Obligation or, if this is not available, b) a Benchmark Obligation selected by the Calculation Agent that satisfies the characteristics of a Deliverable Obligation as set out below.
Valuation Date	The first possible date on which the Benchmark Obligation is valued. This date may be after the Scheduled Redemption Date.
Credit Event(s)	<p>The determination of a Credit Event of the Reference Entity shall be established by the Credit Derivatives Determination Committee of the ISDA and be communicated by the Calculation Agent.</p> <p>What constitutes a Credit Event is set out in the ISDA Master Agreements and 2014 ISDA Credit Derivatives Definitions. These include</p> <ol style="list-style-type: none"> 1) Bankruptcy 2) Failure to Pay, Payment Requirement: USD 1'000'000 or its equivalent in the currency of the Reference Obligation upon the occurrence of Failure to Pay. 3) Restructuring
Characteristics of Deliverable Obligation (in accordance with 2014 ISDA Credit Derivatives Standards)	STANDARD EUROPEAN CORPORATE
Listing	<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 1.00 % under normal market conditions.</p>
Clearing House	SIX SIS AG/Euroclear/Clearstream

Total Expense Ratio (TER) / Distribution fees

A TER - in the sense implied by the definition of the Swiss Funds & Asset Management Association - of **0.19% p.a.** is pursued.

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 out **from the Issuer to the Lead Manager** of this Structured Product. Any distribution fees are included in the TER and may amount up to **0.09% p.a.**

No distribution fees are paid in relation with the present structured product **to distribution partners outside the group.**

Sales: 044 293 66 65

SIX Telekurs: 85,ZKB

Reuters: ZKBSTRUCT

Internet: www.zkb.ch/strukturierteprodukte

Bloomberg: ZKBY <go>

Key Elements of the Product

A ZKB Credit Linked Note is a Structured Product whose pay-off profile resembles that of a bond. The Investor also bears the Issuer Risk of Zürcher Kantonalbank Finance (Guernsey) Limited, Guernsey.

Similar to a bond, the ZKB Credit Linked Note pays a regular Coupon and is redeemed at the Denomination provided that the Reference Entity has not experienced a Credit Event. The amount of the Coupon depends on the rating of the Reference Entity. During its term, this ZKB Credit Linked Note shall be traded flat accrued interest, i.e. accrued interest shall be included in the product's trading price.

Taxes

The Coupon Payment is subject to income tax for Swiss resident private investors. The product is not subject to Swiss withholding tax. The Federal securities transfer stamp tax is levied on secondary market transactions of this product.

For Swiss taxing agents this product is subject to the EU taxation of savings tax (Telekurs EU-Tax classification: 19).

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 cannot 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.** 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 Underlying is publicly available on www.bloomberg.com.

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 Products.

The International Swaps and Derivatives Association (ISDA) is a trade organisation of participants in the market for over-the-counter derivatives. It has drawn up industry standards for credit derivatives and provides legal definitions of the terms supporting trade confirmations of over-the-counter derivatives.

The ISDA Credit Derivatives Determination Committee shall publish any Credit Events experienced by the Reference Entity. This information and other information on the organisation can be found on the ISDA website at www.isda.org. Investors with questions about the ISDA and its function can contact the lead manager at the e-mail address documentation@zkb.ch.

Governing Law/Jurisdiction

Swiss Law/Zurich 1

Profit and Loss Expectations at Maturity

2. Profit and Loss Expectations at Maturity

ZKB Credit Linked Note

Case 1: No Credit Event has occurred

Accumulated Coupon Payments	Redemption Redemption Amount	Performance %
20.2396%	EUR 102'175.00	22.41%

Quelle: Zürcher Kantonalbank

Case 2: Credit Event during the Notice Delivery Period with a Final Price of 60%.

Accumulated Coupon until Credit Event	Redemption Redemption Amount	Performance %
0.0000%	EUR 60'000.00	-40.00%
0.6646%	EUR 60'000.00	-39.34%
2.8396%	EUR 60'000.00	-37.16%
5.0146%	EUR 60'000.00	-34.99%
7.1896%	EUR 60'000.00	-32.81%
9.3646%	EUR 60'000.00	-30.64%
11.5396%	EUR 60'000.00	-28.46%
13.7146%	EUR 60'000.00	-26.29%
15.8896%	EUR 60'000.00	-24.11%
18.0646%	EUR 60'000.00	-21.94%
20.2396%	EUR 60'000.00	-19.76%

Quelle: Zürcher Kantonalbank

If the Reference Entity does not experience a Credit Event during the Notice Delivery Period, the performance of the ZKB Credit Linked Note shall equal the amount of the coupons paid during the product's term.

If the Reference Entity experiences a Credit Event during the Notice Delivery Period and the Final Price is equal to 0%, the Redemption Amount shall be EUR 0.00 and the investor shall suffer the total loss of the denomination.

The figures in the above table are valid at Maturity only and cannot be considered as being an indication of the Issuer's price for this Structured Product during its term. The value of this Structured Product may be considerably influenced by additional risk factors arising between the Initial Fixing Date and Final Fixing Date. The price quoted on the secondary market can therefore deviate substantially from the above table.

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 Products 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

ZKB Credit Linked Notes are complex financial instruments that may entail risks. They are consequently only suitable for experienced investors who are aware of the related risks and are capable of bearing them.

The ZKB Credit Linked Note is an investment product that is exposed to credit risk to the Reference Entity comparable to a direct investment in a bond issued by the Reference Entity. The investor is exposed to both the counterparty risk of the Issuer and of the Reference Entity. The value of the ZKB Credit Linked Note therefore fluctuates to a comparable degree as the credit risk premium of the Reference Entity. During its term, the price of a ZKB Credit Linked Note may fall below the Redemption Price.

If the Reference Entity experiences a Credit Event, the investor shall suffer the total loss of the Denomination. In such an event, the investor shall receive an advance Cash Settlement in the amount of the Final Price determined of the Reference Bond selected; this shall equal the Recovery Rate. No more Coupon Payments are made if a Credit Event occurs.

If the currency of the Underlying differs from the currency of the product, the investor bears FX risk. The ZKB Credit Linked Note is denominated in EUR. If the investor's reference currency is not the EUR, he shall bear the possible exchange rate risk between the product currency, currency of the components of the Underlying, and his reference currency.

Conflicts of interest

The Lead Manager may occasionally be involved in transactions for its own account or for the account of a client that are linked to the Reference Entity. Such transactions may possibly not be to the benefit of the investor and may have positive or negative effects on the credit rating of the Reference Entity and thus on the value of the Structured Product. Zürcher Kantonalbank is the Calculation Agent for the Structured Product.

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.

Change of Obligor

The Issuer is entitled at all times and without the consent of the investors to assign in whole (but not in part) the rights and claims under individual Derivatives or all of them to a Swiss or foreign subsidiary, branch or holding company of the Zürcher Kantonalbank (the "New Issuer") to the extent that (i) the New Issuer assumes all of the obligations arising out of the assigned Derivatives which the previous Issuer owed in respect of these Derivatives, (ii) the Zürcher Kantonalbank enters into a keep-well agreement with the New Issuer with terms equivalent to the one between the Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited, (iii) the New Issuer has received from the supervisory authorities of the country in which it is domiciled all necessary approvals for the issue of Derivatives and the assumption of the obligations under the assigned Derivatives.

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.

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, 18 April 2016, last update on 20 April 2016