

# ZKB Tracker Certificate Dynamic on a EMEA High Yield Bond Basket

05.09.2013 - Open End | Swiss Security Code 20 763 080

<b>New Issue / indicative termsheet</b>	** 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.
	<b>1. Product Description</b>
<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>These products constitute Structured Products in Switzerland. They do not constitute collective investment schemes in the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA). They are not subject to an authorisation or supervision by the FINMA and investors do not benefit from protection under the CISA.</b>
<b>Title Universe</b>	The Title Universe consists of high yield bonds of the EMEA area. The basket solely contains bonds from foreign issuers. At any time, the Underlying shall however contain not less than five components of the Underlying from five different issuers.
<b>Rebalancing</b>	The Investment Manager rebalances periodically the portfolio composition based on its qualified evaluation of the market. The Investment Manager considers only bonds in this basket which provide sufficient liquidity, are tradable and are traded over a recognized platform (i.e. Bloomberg, ICMA). The Rebalancing is based on net prices of the Underlyings on a best effort basis. The current basket composition is attached to this termsheet and is publicly available under <a href="http://www.zkb.ch/strukturierteprodukte">www.zkb.ch/strukturierteprodukte</a> .
<b>Rebalancing Fee</b>	5 Rebalancings are included in the Annual Fee. For further Rebalancings a Fee of 0.06% of the value of the Structured Product will be charged per Rebalancing.
<b>Issuer</b>	Zürcher Kantonalbank Finance (Guernsey) Limited, Guernsey
<b>Keep-Well Agreement</b>	With Zürcher Kantonalbank (full text in Annex 3 of the Issuance Programme); Zürcher Kantonalbank obtained the following ratings: Standard & Poor's: AAA, Moody's: Aaa, Fitch: AAA
<b>Lead Manager, Paying Agent, Exercise Agent and Calculation Agent</b>	Zürcher Kantonalbank, Zurich
<b>Investment Manager</b>	Jud & Partner Vermögensverwaltungs AG
<b>Symbol/ Swiss Security Code/ISIN</b>	<b>JPEMEA/ 20 763 080/CH0207630804</b>
<b>Notional Amount/Denomination/ Trading Units</b>	Up to USD 25'000'000, with the right to increase/Denomination USD 1'000 each/USD 1'000 or multiples thereof
<b>Issue Price</b>	<b>100.00% of Denomination</b>
<b>Annual Fee</b>	1.00% p.a. The Annual Fee will be charged based on the value of the Structured Product and is pro rata temporis included in the trading price.
<b>Currency</b>	USD

Underlying	Component	ISIN	Rating ***	Weighting in %	Currency	Notional per Product **
	8.375% Ukreximbank (Biz Fin Plc), 27.04.2015	XS0503737461	B3****	9.83	USD	
	9.50% DTEK Finance BV, 28.04.2015	USN2800PAA59	B3****	6.24	USD	
	10.25% Metinvest BV, 20.05.2015	XS0511379066	B3****	6.33	USD	
	9.375% Privatbank (UK SPV Cred), 23.09.2015	XS0543744535	B3****	7.65	USD	
	7.73% Russian Standard Bank (RSF), 16.12.2015	XS0238091507	B-	6.14	USD	
	8.25% Oschadbank (SSB #1 Plc), 10.03.2016	XS0594294695	B3****	7.50	USD	
	6.315% VTB Bank (VTB Capital SA), 22.02.2018	XS0592794597	BBB	8.40	USD	
	10.75% Russian Standard Bank (RSF), 10.04.2018	XS0841677387	B-	4.29	USD	
	8% Far East CPL Ltd SA, 02.05.2018	XS0920334900	BB-	7.51	USD	
	6.375% Nord Gold NV, 07.05.2018	XS0923472814	Ba3*** *	7.41	USD	
	9.50% UZ Rail via Shortline, 21.05.2018	US825262AA68	B	7.39	USD	
	7.75% OJSC Russ Agric Bank (RSHS), 29.05.2018	XS0366630902	Baa3** **	8.97	USD	
	6.95% Sistema JSFC (Sistema Int), 17.05.2019	XS0783242877	BB	8.36	USD	
	6.25% MOL Group Finance SA, 26.09.2019	XS0834435702	BB+	3.99	USD	

\*\*\* The S&P Rating relates to the Date of Issue. Subject to change by rating agency.

\*\*\*\* The Moody's Rating relates to the Date of Issue. Subject to change by rating agency

**Basket Value** 98.50% of Denomination on Initial Fixing Date (average IRR of the Underlying 7.00% p.a.)  
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**Ratio** 1 Structured Produkt represents 1 Basket Value

**Compensation Payments** Investors will receive a payment as compensation for the Coupon Payments due from the components of the Underlying. The Compensation Payments will correspond to the gross Coupon minus non-reclaimable domestic and foreign taxes. The Coupon Payment will be converted to USD on the prevailing currency exchange rate on the Redemption Date.

**Coupon Payment Date(s)** The first Compensation Payment will be paid out on 05 September 2014, annually thereafter on 05 September (modified following business day convention).

**Subscription Period** Subscriptions for these Structured Products can be made **until 30 August 2013, 17:00 CET**. The Issuer has the right to decrease the Number of Structured Products issued or to withdraw the issuance of the Structured Products for any reason. Furthermore, the Issuer has the right to close the subscription prior to the last date of the Subscription Period.

**Initial Fixing Date** 02 September 2013

**Settlement Date** 05 September 2013

**Early Redemption Right of the Issuer** The Issuer has the right to call the Structured Product for Early Redemption each year per 02 September (Exercise Date) which has to be announced at least 20 banking days in advance without any reasons (for the first time per 02 September 2014, modified following). The information to the holder of the Structured Product will be published by the SIX Swiss Exchange.

**Early Redemption Right of the Investor** In addition to the possibility of selling the Structured Products at any time in the secondary market, the investor has each year per 02 September the right to exercise his Structured Products (for the first time per 02 September 2014). The according exercise notice has to be received no later than 5 banking days before the respective exercise date by Zürcher Kantonalbank (Zürcher Kantonalbank, Department IHSV, Josefstrasse 222, P.O. Box 8010 Zurich).  
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.

<b>Initial Fixing Level</b>	02 September 2013, 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>Redemption Method</b>	On Exercise 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:  $\sum_{i=1}^N (w_{i,T} * s_{i,T} * FX_{i,T}) + i_{CCY} - Fees$ <p>where</p> <ul style="list-style-type: none"> <li><math>w_{i,T}</math> = Denomination of the component of the underlying i on on Exercise Date</li> <li>CCY = USD</li> <li><math>s_{i,T}</math> = Price of the component of the underlying i on Exercise Date (including accrued interest)</li> <li><math>i_{CCY}</math> = accrued Compensation Payment on Exercise Date</li> <li>Fees = Annual Fees and Rebalancing Fees</li> <li><math>FX_{i,T}</math> = Exchange rate of the component of the underlying i (to USD) on Exercise Date</li> <li>T = Exercise Date</li> </ul>	
<b>Replacement of Underlying Bonds</b>	Components of the Underlying are not callable for early redemption by the respective issuers. In the case of an unforeseen event resulting in an early redemption of one or more components of the Underlying, the issuer will after consulting the Investment Manger replace these components of the Underlying through other components of the Underlying with comparable risk and maturity. If no such components of the Underlying exist, the issuer preserves the right to invest the equivalent cash amount into a money market deposit with the maturity of the ZKB Tracker Certificate Dynamic. At any time, the Underlying shall however contain not less than five components of the Underlying from five different issuers.	
<b>Default Event</b>	Any event of default in relation to the issuer of any component of the Underlying included in the Underlying (e.g. bankruptcy, failure to pay, insolvency, restructuring, etc.) as determined by the Calculation Agent in its sole discretion. If the Calculation Agent determines that a Default Event, as defined herein, has occurred to an issuer of an Underlying, the relevant Underlying will be sold on a best effort basis and the proceeds will be invested in another component of the Underlying of comparable risk and maturity. If no such component of the Underlying exists, the issuer reserves the right to invest the equivalent cash amount into a money market deposit with the maturity of the ZKB Tracker Certificate Dynamic. At any time, the Underlying shall however contain not less than five components of the Underlying from five different issuers.	
<b>Listing</b>	Application to list on the SIX Swiss Exchange will be filed, the first provisory trading day will be 05 September 2013	
<b>Clearing House</b>	SIX SIS AG/Euroclear/Clearstream	
<b>Sales: 044 293 66 65</b>	SIX Telekurs: 85,ZKB Internet: <a href="http://www.zkb.ch/strukturierteprodukte">www.zkb.ch/strukturierteprodukte</a>	Reuters: ZKBSTRUCT Bloomberg: ZKBY <go>
<b>Key Elements of the Product</b>	In terms of value, buying a ZKB Tracker Certificate Dynamic is equivalent to buying the Underlying. A single, low-cost transaction gives investors the opportunity to participate fully in the performance of the Underlying. Expected Coupon Payments during the lifetime of the ZKB Tracker Certificate Dynamic are paid out to the investor on a yearly basis. The redemption amount is based on the weighted value of the components of the Underlying in the Underlying on the Final Fixing Date.	
<b>Taxes</b>	The Issuer provides per 15 December of each year a reporting for the attention of the Swiss Federal Tax Administration. In this report the performance (difference to previous value) is divided into the components interest and capital gain. No Swiss withholding tax, however, secondary market transactions are subject to federal turnover tax for Swiss resident investors. For Swiss paying agents, this product is not subject to EU tax retention of savings income in the form of interests payments (SIX Telekurs EU-Tax classification: 10). 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 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 15 April 2013 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 (Bucheffecten) 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. IFDS 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.

## 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 <http://zkb.is-teledata.ch/html/boersenMaerkte/marktuebersicht/schweiz/index.html> under the relevant Structured Product. The Swiss security code search button will lead you directly to the relevant Structured Product. If the product is listed on SIX Swiss Exchange, the notices will also be published in accordance with the rules issued by SIX Swiss Exchange for IBL (Internet Based Listing) on the website [http://www.six-exchange-regulation.com/publications/published\\_notifications/official\\_notices\\_de.html](http://www.six-exchange-regulation.com/publications/published_notifications/official_notices_de.html)

## Governing Law/Jurisdiction

Swiss Law/Zurich 1

## 2. Profit and Loss Expectations after Year 1

### Profit and Loss Expectations after Year 1

ZKB Tracker Certificate Dynamic \*\*

Basket		Redemption	
Value	Per cent	ZKB Tracker Certificate Dynamic	Performance %
USD 689.50	-30.00%	USD 682.6	-31.74%
USD 788.00	-20.00%	USD 780.12	-21.99%
USD 886.50	-10.00%	USD 877.63	-12.24%
USD 1000.00	+1.52%	USD 990.00	-1.00%
USD 1083.50	+10.00%	USD 1072.66	7.27%
USD 1182.00	+20.00%	USD 1170.18	17.02%
USD 1280.50	+30.00%	USD 1267.69	26.77%

Source: Zürcher Kantonalbank

The performance of the ZKB Tracker Certificate Dynamic is analogue to the performance of the Underlying less any Fees.

The figures in the table above are valid after Year 1 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 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 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. Zürcher Kantonalbank Finance (Guernsey) Limited does not have any rating.

## 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 Dynamic 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 Dynamic could fall below the Issuing Price. The risk profile corresponds exactly to that of the Underlying. The ZKB Tracker Certificate Dynamic 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 as described in Section IV of the Issuance Programme occurs in relation to the Underlying/a component of the Underlying or if any other extraordinary event (force majeure) occurs, which makes it impossible or particularly cumbersome for the Issuer, to fulfill 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. Specific modification rules for certain types of Underlyings stated in Section IV of the Issuance Programme shall prevail. 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 Issuer

The Issuer is entitled at any time and without the approval of the investors to transfer the rights and claims from collective or individual Structured Products in their entirety (but not partially) to a Swiss or foreign subsidiary, branch or holding company of Zürcher Kantonalbank (the "New Issuer"), provided (i) the New Issuer fully assumes all liabilities from the transferred Structured Products owed by the previous Issuer to the investors through these Structured Products, (ii) Zürcher Kantonalbank concludes a Keep-Well Agreement with the New Issuer, with identical content to the one between Zürcher Kantonalbank and Zürcher Kantonalbank Finance (Guernsey) Limited, and (iii) the New Issuer has received all the requisite approvals to issue Structured Products and assume obligations connected to the transferred Structured Products from the national authorities of country in which said New Issuer is based.

### 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

Zürcher Kantonalbank is a bank according to the Swiss Federal Act on Banks and Saving Institutions (BankG; SR 952.0) and a securities dealer according to the Swiss Federal Act on Securities Exchanges and Securities Trading (BEHG; SR 954.1) and subject to the prudential supervision of the FINMA, Einsteinstrasse 2, CH-3003 Bern, <http://www.finma.ch>. Zürcher Kantonalbank Finance (Guernsey) Limited is not subject to any direct prudential supervision neither in Guernsey nor in Switzerland, but is a fully owned and fully consolidated subsidiary of Zürcher Kantonalbank.

### 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.

Zurich, 20 August 2013