

# 10.60% ZKB Barrier Reverse Convertible Last Look on worst of BT Group/Telecom Italia s

15.02.2017 - 15.02.2018 | Swiss Security Code 35 046 058

## New Issue

### Product Category/Name

## 1. Product Description

Yield Enhancement/Barrier Reverse Convertible (1230, 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.**

### Interactive Product Tutorial "StruktiFit"

[www.zkb.ch/struktifit](http://www.zkb.ch/struktifit)

### 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

35 046 058 (not listed)/CH0350460587

### Notional Amount/Denomination/ Trading Units

Up to CHF 7'000'000, with the right to increase / denomination of CHF 1'000 per Structured Product / CHF 1'000 or multiples thereof

### Issue Price

100.00% of the Denomination

### Currency

Quanto CHF

### Underlying

**BT Group**/GB0030913577/London Stock Exchange/Bloomberg: BT/A LN  
**Telecom Italia SPA share**/IT0003497168/Mercato Continuo Italiano/Bloomberg: TIT IM

### Cap Level (100%) Knock-in Level (75%) Ratio

Underlying	Cap Level	Knock-in Level	Ratio
BT Group	GBP 3.1120	GBP 2.3340	n.a.
Telecom Italia s	EUR 0.8190	EUR 0.6143	n.a.

### Coupon

**10.60%** , interest payment 0.0000% p.a., premium payment 10.6000% p.a.

### Coupon Payment Date(s)

15 August 2017  
15 February 2018  
The Coupon will be paid out on a pro rata basis on the Coupon Payment Dates.

### Coupon Calculation Method

30/360 (German), modified following

### Initial Fixing Date

8 February 2017

### Settlement Date

15 February 2017

<b>Last Trading Date</b>	8 February 2018
<b>Final Fixing Date</b>	8 February 2018
<b>Redemption Date</b>	15 February 2018
<b>Initial Fixing Level</b>	Closing prices of Underlyings on Related Exchanges, on 08 February 2017 BT Group/GBP 3.1120 Telecom Italia s/EUR 0.8190
<b>Final Fixing Level</b>	Closing prices of Underlyings on Related Exchanges, on 08 February 2018
<b>Redemption Method</b>	If none of the Underlyings close on the Final Fixing Date at or below the Knock-in Level, the Redemption Amount will be 100% of the Denomination. If one or more Underlyings close at or below the Knock-in Level on the Final Fixing Date, the investor will receive a cash repayment corresponding to the Denomination minus the percentage difference between Initial Fixing Level and Final Fixing Level of the Underlying with the largest negative performance. The Coupon will be paid out on the defined Coupon Date(s) independent of the performance of the Underlyings. The calculation of the Redemption is independent of any changes in foreign exchange rates between CHF and the currency of the Underlying (Quanto Style).
<b>Listing</b>	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 1.00 % under normal market conditions.
<b>Clearing House</b>	SIX SIS AG/Euroclear/Clearstream
<b>Total Expense Ratio (TER) / Distribution fees</b>	A TER - in the sense implied by the definition of the Swiss Funds & Asset Management Association - of <b>1.30%</b> 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 to one or several distribution partners of this Structured Product. Any distribution fees are included in the TER and may amount up to <b>1.20%</b>
<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>	ZKB Barrier Reverse Convertible Last Look on worst of combine a fixed income security with the sale of a Knock-in Put Option. If none of the Underlyings close at or below the Knock-in Level on the Final Fixing Date, the Redemption Amount will be 100% of the Notional Amount. If one or more Underlyings close at or below the Knock-in Level on the Final Fixing Date, the investor will receive a Cash Repayment according to the Redemption Method. Because of the guaranteed Coupon, the purchase price is clearly below the closing price of the Underlyings on the Initial Fixing Date. <b>During the lifetime, this ZKB Barrier Reverse Convertible Last Look on worst of are traded 'clean', i.e. accrued interest is NOT included in the trading price.</b> The calculation of the Redemption is independent of any changes in foreign exchange rates between CHF and the currency of the Underlying (Quanto Style).
<b>Taxes</b>	The product is considered as transparent and Non-IUP (Intérêt Unique Prédominant). The coupon payments of 10.60% p.a. are divided in an option premium payment of 10.6000% p.a. and an interest payment of 0.0000% p.a. The option premium part qualifies as capital gain and is not subject to Swiss income tax for private investors with Swiss tax domicile. The interest part is subject to Swiss income tax 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 Last Look ZKB Barrier Reverse Convertible with initial duration of less than one year. A possible Italian transaction tax is passed on to the customer. 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 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.

## 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 Barrier Reverse Convertible Last Look on worst of

worst Underlying		Redemption		
Price	Percent	ZKB Barrier Reverse Convertible Last Look on worst of	Coupon	Performance %
GBP 2.1784	-30 %	CHF 700.00	CHF 106.00	-19.40 %
GBP 2.4896	-20 %	CHF 1'000.00	CHF 106.00	10.60 %
GBP 2.8008	-10 %	CHF 1'000.00	CHF 106.00	10.60 %
GBP 3.1120	0 %	CHF 1'000.00	CHF 106.00	10.60 %
GBP 3.4232	+10 %	CHF 1'000.00	CHF 106.00	10.60 %
GBP 3.7344	+20 %	CHF 1'000.00	CHF 106.00	10.60 %
GBP 4.0456	+30 %	CHF 1'000.00	CHF 106.00	10.60 %

Source: Zürcher Kantonalbank

If the prices of the Underlyings do not close at or below the Knock-in Level on the Final Fixing Date, the performance of the Last Look ZKB Barrier Reverse Convertible on worst of will be at 10.60 %, according to Coupon Payment Date(s).

If on the Final Fixing Date the worst performing Underlying closes at or below the Knock-In Level then the redemption of the Last Look ZKB Barrier Reverse Convertible on worst of will correspond to the Denomination minus the percentage performance of the worst performing Underlying. 10.60% The Coupon will be paid out additionally.

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 above table. It was assumed, that BT Group was the worst performing Underlying. This selection is just a representative example of the possible alternatives.

## 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

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. The loss potential of an investment in ZKB Barrier Reverse Convertible Last Look on worst of is limited to the difference between the purchase price of the ZKB Barrier Reverse Convertible Last Look on worst of and the cash redemption defined according to Redemption Method. The guaranteed Coupon reduces the loss of the ZKB Barrier Reverse Convertible Last Look on worst of compared to a direct investment in the Underlying with the worst relative performance. The value of the Underlying can then be lower than the Cap Level. The ZKB Barrier Reverse Convertible Last Look on worst of is denominated in CHF. If the investor's reference currency differs from the CHF, the investor bears the risk between the CHF and his reference currency.

## 4. Additional Terms

### Modifications

If an Extraordinary Event 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, 8 February 2017, last update on 9 February 2017