

COSI[®] Credit Linked Note in CHF with Reference Bond Vale Overseas Coupon: 1.70% p.a.

PRODUCT DESCRIPTION

COSI[®] Credit Linked Notes (hereinafter also referred to as structured products with a reference bond) additionally refer to a reference bond compared to traditional Floored Floater, in that certain events in respect of the reference bond (default or redemption event) may have a negative impact on the value and result in an early redemption (see "Early redemption or determination of a default or redemption event"). Provided that no default or redemption event occurs in respect of the reference bond, the function of this product corresponds to those of a fixed-interest money market investment (Vontobel Note) with a fixed term to maturity, fixed coupons, and redemption at nominal value.

In Switzerland, these financial instruments are considered structured products. They are not collective investment schemes within the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA), and are therefore not subject to the regulations of the CISA or the supervision of the Swiss Financial Market Supervisory Authority FINMA. The investors bear the issuer's or the guarantor's credit risk.

Product Information

Issuer	Vontobel Financial Products Ltd., DIFC Dubai (is not subject to any prudential supervision and has no rating)
Keep-Well Agreement	With Bank Vontobel AG, Zurich (is subject to the supervision of the Swiss Financial Market Supervisory Authority FINMA, Moody's A2; see its complete wording in the Issuance Programme)
Guarantor	Vontobel Holding AG, Zurich (Moody's A3)
Reference bond	USD 4.375% Vale Overseas Ltd. 11.01.2022 (further details on the reference bond and its issuer can be found below)
Reference bond issuer	Vale Overseas Ltd., Cayman Islands (further details on the reference bond and its issuer can be found below)
Lead Manager	Bank Vontobel AG, Zurich
Paying, exercise and calculation agent	Bank Vontobel AG, Zurich
SSPA product type	Reference Issuer Certificate with conditional Capital Protection (1410), see also www.svsp-verband.ch
Special note regarding risks	Structured products with a reference bond are complex financial products. Its distinctive feature consists in the fact that, with the reference bond, the investor assumes an additional risk on top of the traditional risks, such as market and currency risks as well as the risk of the structured product issuer defaulting (which is minimized by COSI [®] collateral securitization). This allows a comparatively higher potential yield. Investors are advised to read in detail all risk notes (see among other things "Significant risks for investors" below) and seek expert advice on the risks associated with the specific product before investing in structured products with a reference bond.
Notional	CHF 1000.00
Issue price	100.00% of the Notional
Redemption price	100.00% of the Notional, if during the reference bond monitoring no default or redemption event has occurred with regard to the reference bond (as defined below: see early redemption or determination of a default or redemption event).
Initial fixing	May 8, 2015
Payment date	May 13, 2015
Last trading date	May 8, 2020 (12:00 hours CET)
Redemption date	May 13, 2020
Swiss Sec. No. / ISIN / TK Symbol	2417 3436 / CH0241734364 / VKVAL
Investment currency	CHF; issue, trading and redemption are in reference currency

Calculation Coupon	If during the reference bond monitoring no default or redemption event has occurred with regard to the reference bond (as defined below: see early redemption or determination of a default or redemption event):
Coupon	1.70% p.a.
Payment of the Coupons	Yearly payment at the end of the coupon period, for the first time on May 13, 2016
Coupon periods	Yearly
Day count fraction	Act/360, modified following, adjusted
Public holiday calendar	Zurich

Further Information

Issue Size	CHF 30'000'000, the size may be increased any time
Reference bond monitoring	Initial fixing until redemption date
Early redemption or determination of a default or redemption event	<p>An early redemption arises if the calculation agent determines the existence of a default event or a redemption event (for details, see "Default event" and "Redemption event" below) as regards the reference bond, to which it is entitled during the reference bond monitoring at its sole discretion. When determining the existence of a default event or redemption event as regards the reference bond by the calculation agent</p> <p>(i) no further payments are made from the structured product from this moment in time;</p> <p>(ii) the issuer publishes a default or redemption event as regards the reference bond within 5 bank business days;</p> <p>(iii) the calculation agent determines at its own discretion the percentage redemption factor, by setting, as soon as practical and at its own correct discretion while taking into account any market practices, the share in the nominal value of the reference bond that corresponds to the market value of the reference bond after occurrence of the default or redemption event and publishes as soon as possible the thereby determined percentage redemption factor in accordance with the relevant share in the nominal value of the reference bond;</p> <p>(iv) the structured product is redeemed on the cash redemption date at the rate of the liquidation amount (as defined below). Such a redemption is made regardless of whether the corresponding default or redemption event as regards the reference bond continues to exist after its determination by the calculation agent.</p> <p>The denomination of the reference bond's currency may differ from the structured product's reference currency without having any impact on the potential liquidation or redemption amount of the structured product in its reference currency, i.e. the investor bears no exchange rate risk from the reference bond.</p>
Default event	Every (default) event determined by the calculation agent at its sole discretion, which may result in the early maturity of the reference bond under the terms of the reference bond, such as a bankruptcy or insolvency notice of the reference bond issuer, default of payment or restructuring of the reference bond, etc.
Redemption event	Every partial or full redemption of the reference bond by the reference bond issuer determined by the calculation agent at its sole discretion, for instance through exercising a redemption option or a redemption right, etc.
Liquidation amount	<p>The liquidation amount denoted in the reference currency is determined by the calculation agent at its sole discretion and corresponds to the nominal value, multiplied by the percentage redemption factor established by the calculation agent in accordance with the above terms.</p> <p>The calculation agent endeavours to determine the liquidation amount as quickly as possible and in a discretionary way.</p>
Cash redemption date	10 bank business days after publication of the percentage redemption factor (see "Early redemption or determination of a default or redemption event").
Fiscal treatment in Switzerland	<p>For private investors in Switzerland the coupon payments are subject to income tax at their maturity. No Swiss withholding tax; no duty on issues. For Swiss stamp duty purpose, the product is treated as analogous to a bond. Therefore, secondary market transactions are in principle subject to Swiss stamp duty (TK22).</p> <p>For Swiss paying agents this product is subject to the EU taxation of savings income in the form of interest payments (TK 1).</p> <p>The taxation mentioned is a non-binding and non-exhaustive summary of the applicable treatment of Swiss-domiciled private investors for tax purposes.</p> <p>The investor's specific circumstances, however, are not taken into account. We point out that Swiss and/or foreign tax law or the authoritative practice of Swiss and/or foreign tax authorities can change at any time or specify further tax or charge liabilities (possibly even with retrospective effect). The levying and transferring of further taxes and charges, such as (foreign) transaction taxes, taxes at source and/or withholding taxes, to the investor remains expressly reserved (see also the corresponding tax law explanations in the issuance programme).</p> <p>Potential investors should have the tax effects of the purchase, holding, sale or repayment of this product examined by their own tax adviser - especially with respect to the effects of taxation under another jurisdiction.</p>
Price setting	Secondary market price quotations are "clean," i.e. accumulated interests are not included.
Secondary market	Bank Vontobel accepts orders for secondary market transactions from your sales agent. Indicative daily prices of this product are available at www.derinet.ch

Minimum investment	CHF 1000.00 nominal value
Minimum trading lot	CHF 1000.00 nominal value
Clearing / Settlement	SIX SIS AG
Listing	Will be applied for in the main segment at the SIX Swiss Exchange
Publication of notifications and adjustments	All notifications to investors concerning the products and adjustments to the product terms (e.g. due to corporate actions) are published under the "Product history" of the respective product at www.derinet.ch , and, in the case of products listed on the SIX Swiss Exchange in accordance with the valid provisions at www.six-swiss-exchange.com .
Title	The Structured Products are issued in the form of non-certificated book-entry securities of the issuer. No certificates, no printing of bonds.
Early termination	Only possible for fiscal or other extraordinary reasons (as specified in detail in the issuance programme).
Applicable law/place of jurisdiction	Swiss Law/Zurich 1, Switzerland
Prudential supervision	As a bank and prudentially supervised financial intermediary, Bank Vontobel AG is subject to the supervision of individual banks, while Vontobel Holding AG and Vontobel Financial Products Ltd. as group member companies are subject to complementary, consolidated group supervision by the Federal Financial Markets Regulator FINMA. Vontobel Financial Products Ltd. is registered in the register of the Dubai International Finance Centre as a non-regulated company. Neither Vontobel Financial Products Ltd. nor Vontobel Holding AG are financial intermediaries subject to prudential supervision within the meaning of art. 5 para.1 subpara. a ciph. 1.-4. of the CISA.
Figures for fees and charges	Vontobel estimates the Issuer Estimated Value (IEV) of this product at 98.50%, which gives a Total Expense Ratio (TER) of 0.30% p.a.. Distribution charges up to 0.15% p.a. are included in this TER figure.
Description of the reference bond and its issuer	Name: USD 4.375% Vale Overseas Ltd. 11.01.2022, Bonds Issuer: Vale Overseas Ltd, Walker House, PO Box 908 GT, Georgetown, Cayman Islands Identification: ISIN US91911TAM53 / Bloomberg <EI9397247 Corp> Rating: Standard & Poor's 'BBB' (source: Bloomberg) Repayment: 11.01.2022
Collateralization	The Product is collateralized in accordance with the terms of the SIX Swiss Exchange «Framework Agreement for Collateral Secured Instruments» («Framework Agreement»). The issuer and Bank Vontobel AG («Collateral Provider») have concluded the Framework Agreement on October 18, 2009 and the Collateral Provider undertakes to secure the current value of the Collateral Secured Instruments ("COSI") in favour of SIX Swiss Exchange. The legal position of the investors in relation to the collateralization of the COSI is determined by the provisions of the Framework Agreement. The core elements of the collateralization are summarized in a SIX Swiss Exchange information sheet, which is available at « www.six-swiss-exchange.com ». The issuer shall, upon request, provide the Framework Agreement to the investors free of charge in the German version or in an English translation. A copy of the Framework Agreement may be obtained from Bank Vontobel AG, Financial Products Documentation, Dreikönigstrasse 37, CH - 8022 Zurich or www.derinet.ch .
Calculation method	The current value of this COSI [®] Product is determined by method «A (Fair Value)». More detailed information about the calculation method is available at « www.six-swiss-exchange.com »

PROSPECTS OF PROFIT AND LOSSES

Structured products based on a reference bond:

Investors should be aware that the reference bond may have an adverse impact on the value of structured products with a reference bond, in that when a default or redemption event occurs in respect of the reference bond the structured products are redeemed early. The liquidation amount redeemed to the investor after determining or the occurrence of such a default or redemption event may be significantly lower than the issue price or, in extreme cases, even zero. This may also apply if a comparable structured product, but which has no dependence on a reference bond, has a significantly higher market value.

Under the conditions that no default or redemption event has occurred as regards the reference bond, the profit and loss outlook of Credit Linked Notes with reference bond is as follows:

Credit linked notes provide the opportunity to benefit from a relatively high coupon payment. The capital protection of the issuer, which is conditional on the non-occurrence of a default event of in the currency bond, guarantees the redemption of 100% of the nominal value in the reference currency. The maximum profit possible is limited to the coupon. The risk of a credit linked note is linked to the fact that the capital protection is guaranteed at the end of maturity only. During the term the value can fall below the redemption price.

Assumptions and limitations in preparing the market scenarios

The following market scenarios should afford the investor a simplified way of making an assessment of the significant factors that influence the investment performance of the certificate. For a precise analysis of the profit and loss scenarios, reference must be made to the formulas and definitions set out in this termsheet, (e.g. for "reimbursement"), because these scenarios have been deliberately simplified in order to make them better understandable. With the exception of those certificates for which one of the following factors is defined as the underlying (e.g. a currency certificate or a certificate of interest), the impact of these risk factors will be excluded from the simplified presentation of the scenario

- Foreign currency risks
- Interest rate risks
- Volatility risks
- Issuer risk
- Reference bond ("default or redemption event")
- Fees and costs both stemming from the certificate and for the acquisition and holding of the certificate

Market scenarios

Maximum gain: Cap at coupon

Maximum loss: Limited at capital protection level

Positive scenario:

Indicative performance of the certificate: 0% to coupon

Necessary market performance of underlying:

- Participation (thru the paid coupons) in positive market performance

Break even:

Indicative performance of the certificate: 0%

Necessary market performance of underlying:

Coupon payments due to underlying

- Performance + capital protection level = Reference price level at the time of the investment

Negative scenario:

Indicative performance of the certificate: Floored at capital protection level

Necessary market performance of underlying:

- Closing price of underlying is lower than the reference price level at the time of the investment - maximum loss limited by capital protection level

SIGNIFICANT RISKS FOR INVESTORS**Risks in connection with the reference bond**

Structured products with a reference bond are very sophisticated and complex financial products, which require a special understanding of the product and the risk. Investors are strongly advised to obtain information on investing in structured products with a reference bond by seeking expert advice on the risks associated with the specific product.

The value of this investment and the repayment depends, amongst other things, predominantly on the reference bond and indirectly on the reference bond issuer.

The collateral securitization in place as regards this structured product with a reference bond (details see "Collateralization" above) does not eliminate the risks associated with any default or redemption events (such as the bankruptcy or insolvency notice of the reference bond issuer, default of payment or restructuring or partial or full early redemption of the reference bond) in respect of the reference bond issuer or reference bond as such.

Structured products with a reference bond are neither guaranteed by the reference bond issuer nor are they necessarily secured with liabilities of the reference bond issuer. If the calculation agent determines, in accordance with the product terms, a default or redemption event at its own discretion as regards the reference bond, the holders of the structured products with a reference bond have no right of recourse against the reference bond issuer as regards any loss, which they sustain due to the liquidation amount redeemed to them (which may be significantly lower than the issue price or, in extreme cases, even zero). After determination of a default or redemption event as regards the reference bond issuer by the calculation agent, the investors do not stand to benefit from any positive performance (as regards) the relevant reference bond issuer. In particular, the consequences of determination of a default or redemption event by the calculation agent as specified in the product terms cannot be reversed. As such, investors do not participate, i.e. in the event of restructuring as an example of a default event, in the corresponding restructuring process and are not entitled to appeal against elements of the restructuring process. For this reason, an investment in structured products with a reference bond may be associated with a higher risk than a direct investment in the liabilities of the reference bond issuer. If circumstances arise or an event occurs, which has/have a negative impact on the creditworthiness or credit rating of the reference bond issuer, but which do/does not result in the occurrence of a default or redemption event, the price of the structured products with a reference bond may fall. As a result, investors who sell their structured products with a reference bond at this time may sustain a significant loss of their capital invested.

Currency risks

If the underlying or underlyings is/are denominated in a currency other than the product's reference currency, investors should bear in mind that this may involve risks due to fluctuating exchange rates and that the risk of loss does not only depend on the performance of the underlying(s) but also on any unfavourable performance of the other currency or currencies. This does not apply for currency-hedged products (quanto structure).

Market risks

The general market performance of securities is dependent in particular on the development of the capital markets which, for their part, are influenced by the general global economic situation as well as by the economic and political framework conditions in the respective countries (so-called market risk). Changes to market prices such as interest rates, commodity prices or corresponding volatilities may have a negative effect on the valuation of the underlying(s) or the structured product. There is also the risk of market disruptions (such as trading or stock market interruptions or discontinuation of trading) or other unforeseeable occurrences concerning the respective underlyings and/or their stock exchanges or markets taking place during the term or upon maturity of the structured products. Such occurrences can have an effect on the time of redemption and/or on the value of the structured products.

In the event of trading restrictions, sanctions and similar occurrences, the issuer is entitled, for the purpose of calculating the value of the structured product, to include at its own discretion the underlying instruments at their most recently traded price, at a fair value to be established at its sole discretion or indeed as worthless, and/or additionally to suspend pricing in the structured product or liquidate the structured product prematurely.

Secondary market risks

Under normal market conditions, the issuer or the lead manager intend to post bid- and ask-prices on a regular basis. However, neither the issuer nor the lead manager is under any obligation with respect to investors to provide such bid- and ask-prices for specific order or securities volumes, and there is no guarantee of a specific liquidity or of a specific spread (i.e. the difference between bid- and ask-prices), for which reason investors cannot rely on being able to purchase or sell the structured products on a specific date or at a specific price.

Issuer risk

The value of structured products may depend not only on the performance of the underlying(s), but also on the creditworthiness of the issuer/guarantor, which may change during the term of the structured product. The investor is exposed to the risk of default of the issuer/guarantor. For further information on the rating of Vontobel Holding AG or Bank Vontobel AG, please see the issuance programme. The investor's risk of making a loss because of the issuer/guarantor defaulting is reduced due to the COSI[®] collateralization.

Classification

In Switzerland, these financial instruments are considered structured products. They are not collective investment schemes within the meaning of the Swiss Federal Act on Collective Investment Schemes (CISA), and are therefore not subject to the regulations of the CISA or the supervision of the Swiss Financial Market Supervisory Authority FINMA.

Restrictions on sales

U.S.A., U.S. persons, UK, EEA.

DIFC/Dubai: This document relates to an Exempt Offer in accordance with the Markets Rules Module (MKT) of the Dubai Financial Services Authority (DFSA). This document is intended for distribution only to a person entitled to receive it under Rule 2.3.1 of the MKT. It must not be delivered to, or relied on, by any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken any steps to verify the information set out in it, and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document, you should consult an authorized financial adviser.

Further risk information

Please also note the additional risk factors and selling restrictions set out in detail in the issuance programme.

LEGAL NOTICE**Product documentation**

Only the Termsheets published at www.derinet.ch along with the associated notices and adjustments shall be legally valid.

The original version of the Termsheet is in German; foreign-language versions constitute non-binding translations. The issuer and/or Bank Vontobel AG is entitled to correct spelling mistakes, calculation or other obvious errors in this Termsheet and to make editorial changes, as well as to amend or supplement contradictory or incomplete provisions, without the consent of the investors.

Up until the fixing date, the product terms designated as such of the "Termsheet (Indication)" are indicative and may be adjusted. The issuer is under no obligation to issue the product. The "Termsheet (Final Terms)", which is usually issued on the date of the initial fixing, contains a summary of the most important final terms and information, and constitutes the "Final Terms" pursuant to art. 21 of the Additional Rules for the Listing of Derivates of SIX Swiss Exchange. Together with the current issuance programme, registered with SIX Swiss Exchange (the "Issuance Programme"), the Final Terms constitute the complete listing prospectus according to the Listing Rules. In the event of discrepancies between this Termsheet and the Issuance Programme, the provisions of the Final Terms shall take precedence.

For structured products not listed on the SIX Swiss Exchange, the Termsheet (Indication) constitutes the preliminary simplified prospectus and the Termsheet (Final Terms) constitutes the definitive simplified prospectus pursuant to art. 5 of the Federal Act on Collective Investment Schemes (CISA). In addition, reference is also made (with the exception of the provisions authoritative for a listing) to the Issuance Programme, in particular to the detailed information on risks contained therein, to the General Terms and Conditions and to the descriptions of the corresponding product types.

During the entire term of the structured product, all documents may be ordered free of charge from Bank Vontobel AG, Financial Products documentation, Bleicherweg 21, 8002 Zurich (telephone: +41 (0)58 283 78 88, fax +41 (0)58 283 57 67). Termsheets may also be downloaded on the www.derinet.ch website.

Vontobel explicitly rejects any liability for publications on other Internet platforms.

Further information

The list and information shown do not constitute a recommendation concerning the underlying in question; they are for information purposes only and do not constitute either an offer or an invitation to submit an offer, or a recommendation to purchase financial products. Indicative information is provided without warranty. The information is not a substitute for the advice that is indispensable before entering into any derivative transaction. Only investors who fully understand the risks of the transaction to be concluded and who are commercially in a position to bear the losses which may thereby arise should enter into such transactions. Furthermore, we refer to the brochure "Special Risks in Securities Trading" which you can order from us. In connection with the issuing and/or selling of structured products, companies from the Vontobel Group can pay reimbursements to third parties directly or indirectly in different amounts. Such commission is included in the issue price. You can obtain further information from your sales agent upon request. We will be happy to answer any questions you may have concerning our products on +41 (0)58 283 78 88 from 08.00 – 17.00 CET on bank business days. Please note that all calls to this number are recorded. By calling this number, your consent to such recording is deemed given.

Material changes since the most recent annual financial statements

Subject to the information in this Termsheet and the Issuance Programme, no material changes have occurred in the assets and liabilities, financial position and profits and losses of the issuer/guarantor since the reporting date or the close of the last financial year or the interim financial statements of the issuer and, as the case may be, of the guarantor.

Responsibility for the listing prospectus

Bank Vontobel AG takes responsibility for the content of the listing prospectus and hereby declares that, to the best of its knowledge, the information is correct and that no material facts or circumstances have been omitted.

Zurich, May 8, 2015

Bank Vontobel AG, Zurich

Your customer relationship manager will be happy to answer any questions you may have.



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