

Collared Floater on the USD 3-months Libor interest rate

PRODUCT DESCRIPTION

Collared Floater offers a capital protection of 100% in the reference currency on maturity. In addition, periodic coupon payments are made, which are guided by a particular reference interest rate and can therefore vary in their amount. Further details see "Calculation coupons/ Reference interest rate".

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 Counterparty Risk Assessment A2 (cr); see its complete wording in the Issuance Programme)
Guarantor	Vontobel Holding AG, Zurich (Moody's A3)
Lead Manager	Bank Vontobel AG, Zurich
Paying, exercise and calculation agent	Bank Vontobel AG, Zurich
SSPA product type	Capital Protection with Coupon (1140), see also www.svsp-verband.ch

Reference interest rate	USD 3-month Libor interest rate (further details on the underlying see below)
-------------------------	---

Issue price	100.00%
-------------	---------

Redemption price	100.00%
------------------	---------

Nominal value	USD 1000.00
---------------	-------------

Initial fixing	28 December 2016
----------------	------------------

Payment date	30 December 2016
--------------	------------------

Last trading date	28 December 2021(12:00 pm, local time Zurich)
-------------------	---

Redemption date	30 December 2021
-----------------	------------------

Early capital redemption	No
--------------------------	----

Swiss Sec. No. / ISIN / VT Symbol	34838744 / CH0348387447 / YMAANV
-----------------------------------	----------------------------------

Investment currency	USD; issue, trading and redemption are in reference currency
---------------------	--

Calculation Coupon / Reference interest rate

Minimum Coupon	1.90% p.a.
----------------	------------

Cap	2.50% p.a.
-----	------------

Reference interest rate	3-month USD Libor, fixed 2 bank business days before the start of the respective coupon period.
-------------------------	---

Calculation of the Coupon	The size of the coupon corresponds to the reference interest rate, at least the minimum coupon, maximum the cap.
---------------------------	--

Coupon formula	Max (Min (Reference interest rate; 2.50% p.a.); 1.90% p.a.)
----------------	---

Payment of the Coupons	Quarterly payment at the end of the coupon period, for the first time on 30 March 2017
------------------------	--

Coupon periods	Quarterly
----------------	-----------

Day count fraction	Act/360, modified following, adjusted
--------------------	---------------------------------------

Public holiday calendar	Zurich for payment of the Coupons, London for fixing of underlying
-------------------------	--

Further Information

Issue Size	USD 25'000'000, the size may be increased any time
------------	--

Title	The structured products are issued in the form of non-certificated book-entry securities of the issuer. No certificates, no printing of bonds.
-------	---

Depository	SIX SIS AG
------------	------------

Clearing / Settlement	SIX SIS AG, Euroclear Brussels, Clearstream (Luxembourg)
-----------------------	--

Applicable Law / Jurisdiction	Swiss law / Zurich 1, Switzerland
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.com , and, in the case of products listed on the SIX Swiss Exchange in accordance with the valid provisions at www.six-swiss-exchange.com .
Early termination	Only for fiscal or other extraordinary reasons, as well as in case of no outstanding positions (as specified in detail in the issuance programme).
Secondary market trading	Throughout the entire term a secondary trading is conducted. Indicative daily prices of this product are available at www.derinet.com .
Price setting	Secondary market price quotations are "clean," that is, accumulated interests are not included.
Listing	None
Minimum investment	USD 1000.00 nominal value
Minimum trading lot	USD 1000.00 nominal value
Figures for fees and charges	Vontobel estimates the Issuer Estimated Value (IEV) of this product at 99.00%, which gives a Total Expense Ratio (TER) of 0.20% p.a.. Distribution charges up to 0.16% p.a. are included in this TER figure.
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.

Tax treatment in Switzerland

Swiss Income Tax	For private investors in Switzerland the coupon payments are subject to income tax at their maturity.
Swiss Withholding Tax	No Swiss withholding tax
Issuance Stamp Tax	No Swiss stamp duty at issuance
Swiss turnover tax	The product is treated as analogous to a bond. Therefore, secondary market transactions are subject to the swiss turnover tax (TK22).
EU savings tax	For Swiss paying agents this product is subject to the EU taxation of savings income in the form of interest payments. (TK 1)
General Information	<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>

Description Reference interest rate

USD 3-month Libor	<p>Name: USD 3M-LIBOR, Interest Rate</p> <p>Description: The reference interest rate managed by ICE Benchmark Administration Limited (IBA) is calculated on each trading day at 11:00 (London time). The reference interest rate is an average of interest rates stated by contributing banks. The contributing banks state at which interest rates they can refinance their operations on the interbank market, for a given currency and a given term. In order to calculate the reference interest rate, the highest and lowest quartile of these interest rates are removed and an average is determined from the remaining interest rates.</p> <p>Identification: Bloomberg <US0003M Index></p> <p>Place of determination: ICE Benchmark Administration Limited</p>
-------------------	---

PROSPECTS OF PROFIT AND LOSSES

In the event of rising reference interest rates, Collared Floaters allow benefiting from correspondingly higher coupon payments (maximum to the cap). The capital protection guarantees 100% redemption of the nominal value in the reference currency. The maximum profit possible is limited to the coupons (maximum to the cap). The risk of a Collared Floater is such that the capital protection is only guaranteed at the end of the term. 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 resp. repayment price

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 resp. repayment price = Reference price level at the time of the investment

Negative scenario:

Indicative performance of the certificate: Floored at capital protection level resp. repayment price

SIGNIFICANT RISKS FOR INVESTORS

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.

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

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 authorised financial adviser.

European Economic Area (EEA): Investors should note the selling restrictions: since neither this termsheet nor the issuance programme meets the requirements of the EU Prospectus Directive, the implementing regulations or the national transposing measures, this security may not be publicly offered for sale within the European Economic Area (EEA) until a corresponding prospectus has been drawn up and approved by the supervisory authority, unless: (a) this offer is aimed exclusively at qualified investors, (b) this offer is aimed at fewer than 150 investors in total in each state in the EEA, (c) the minimum investment amount per investor is EUR 100,000 or the securities have a minimum nominal value of EUR 100,000, or (d) the selling price of all the securities offered is less than EUR 100,000.

Further risk information

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

LEGAL NOTICES

Product documentation

Only the Termsheets published at www.derinet.com 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.com 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.

Zurich, 28 December 2016

Bank Vontobel AG, Zurich

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



Private Banking
Investment Banking
Asset Management

Performance creates trust

Bank Vontobel AG
Gotthardstrasse 43, CH-8022 Zürich
Telefon +41 (0)58 283 71 11
Internet: <http://www.derinet.com>

Banque Vontobel SA,
Place de l'Université 6, CH-1205 Genève
Téléphone +41 (0)22 809 91 91
Internet: <http://www.derinet.com>