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 Description**

These products are characterised by possible coupons, as well as a redemption of 100% of the Nominal Value. The CMS Steepener pays a coupon if the swap spread is positive. The coupon equals the swap spread times the leverage factor (adjusted by day count fraction). The coupon is floored at zero. Thus, if the swap spread is negative no coupon is paid.

**Issuer**

Vontobel Financial Products Ltd., DIFC Dubai (no rating)

**Keep-Well Agreement**

With Bank Vontobel AG, Zurich (Moody's Counterparty Risk Assessment A2 (cr))

**Guarantor**

Vontobel Holding AG, Zurich (Moody's A3)

**Lead Manager**

Bank Vontobel AG, Zurich

**SSPA Product Type**

Capital Protection Certificate with Coupon (1140), see also www.sspa-association.ch

**Underlying**

The spread between the rates for U.S. Dollar swaps with two different designated maturities observed on the relevant Underlying Fixing Date utilizing Bloomberg pages specified below (Swap Spread).

**Swap Spread Underlying 1 - Underlying 2**

USD 10Y ICE SWAP Rate (USD10YCMS, further details on the Underlying see below)

**Issue Price**

100.00% of the Nominal Value

**Nominal Value**

USD 1,000.00

**Initial Fixing**

07 May 2018 (Intraday)

**Payment Date**

11 May 2018

**Last Trading Day**

07 May 2021 (5:00 PM, local time Zurich)

**Redemption Date**

11 May 2021

**Reference Currency**

USD; issue, trading and redemption are in the Reference Currency

**ISIN / Security Number / Symbol**

CH0414245636 / 41424563 / UMAATV
Investors receive the relevant Coupon on each Coupon Payment Date.

**Coupon Payment Date(s)**
- 11 February, 11 May, 11 August and 11 November each year (modified following), first on 11 August 2018, last on 11 May 2021.

**Coupon Periods**
- (i) with respect to the first Coupon Payment Date, the period from and including the Payment Date to and excluding such Coupon Payment Date, and
- (ii) with respect to any other Coupon Payment Date, the period from and including the immediately preceding Coupon Payment Date to and excluding such Coupon Payment Date.

**Day Count Method**
- Act/360 (adjusted)

**Coupon**
- Max(Swap Spread x Leverage Factor x n/360, 0)
  - where n: number of days of Coupon Period

**Redemption**
The Issuer shall redeem the Product on the Redemption Date at the Nominal Value.

**Further Information**
- **Issue size**: USD 25'000'000, with the option to increase
- **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.
- **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 "dirty", that is, accumulated interest is included.
- **Listing**: None
- **Minimum investment**: USD 1'000.00 Nominal Value
- **Minimum trading lot**: USD 1'000.00 Nominal Value
- **Figures for fees and charges**: Vontobel estimates the Issuer Estimated Value (IEV) of this product at 97.50%, which gives a Total Expense Ratio (TER) of 0.84% p.a. Distribution charges up to 0.67% p.a. are included in this TER figure.
- **Supervision**: Bank Vontobel AG is authorised as a bank and securities dealer in Switzerland and is subject to prudential supervision by the Federal Financial Markets Regulator (FINMA), while Vontobel Holding AG and Vontobel Financial Products Ltd. as group member companies are subject to complementary, consolidated group supervision by the 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 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**: Secondary market transactions are subject to the Swiss turnover tax (TK22).
  - **General Information**: Transactions and payments relating to this product may be subject to further (foreign) transaction taxes, duties and/or withholding taxes, in particular a withholding tax pursuant to the Section 871(m) of the US Internal Revenue Code. All payments from this product will occur with any applicable taxes and duties deducted. The taxation mentioned is a non-binding and non-exhaustive summary of the applicable treatment of Swiss-domiciled private investors for tax purposes. 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). 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.
Description of the Underlyings

USD 10Y ICE SWAP Rate

ICE Swap Rate, formerly known as ISDAFIX, is recognized as the principal global benchmark for swap rates and spreads for interest rate swaps. It represents the mid-price for interest rate swaps (the fixed leg), at particular times of the day, in three major currencies (EUR, GBP and USD) and in tenors ranging from 1 year to 30 years. ICE Swap Rate is used as the exercise value for cash-settled swaptions, for close-out payments on early terminations of interest rate swaps, for some floating rate bonds and for valuing portfolios of interest rate swaps.

ICE Swap Rate is a benchmark regulated by the UK’s FCA. IBA is a regulated benchmark administrator, authorized to administer ICE Swap Rate.

Name and type: USD 10Y ICE SWAP Rate
Identification: Bloomberg <USISDA10 Index>
Place of determination: ICE Benchmark Administration Limited

USD 2Y ICE SWAP Rate

ICE Swap Rate, formerly known as ISDAFIX, is recognized as the principal global benchmark for swap rates and spreads for interest rate swaps. It represents the mid-price for interest rate swaps (the fixed leg), at particular times of the day, in three major currencies (EUR, GBP and USD) and in tenors ranging from 1 year to 30 years. ICE Swap Rate is used as the exercise value for cash-settled swaptions, for close-out payments on early terminations of interest rate swaps, for some floating rate bonds and for valuing portfolios of interest rate swaps.

ICE Swap Rate is a benchmark regulated by the UK’s FCA. IBA is a regulated benchmark administrator, authorized to administer ICE Swap Rate.

Name and type: USD 2Y ICE SWAP Rate
Identification: Bloomberg <USISDA2 Index>
Place of determination: ICE Benchmark Administration Limited

Additional Information

If on the Underlying Fixing Date, an Underlying cannot be determined by reference to above mentioned Bloomberg pages (or any successor page), then the Calculation Agent will determine the respective underlying swap rate for the Underlying Fixing Date on the basis of the mid-market, semi-annual swap rate quotations provided to the Calculation Agent by up to five leading swap dealers in the interbank market on the Underlying Fixing Date. If fewer than three leading swap dealers selected by the Calculation Agent provide quotations as described above, the respective Underlying will be determined by the Calculation Agent, in good faith and in a commercially reasonable manner.

Prospects of Profit and Losses

In the event of widening swap spreads, CMS Steepener allow benefiting from correspondingly higher coupon payments. The capital protection guarantees 100% redemption of the Nominal Value in the reference currency. The maximum profit possible is limited by the swap spreads. The risk of a CMS Steepener is such that the redemption at the Nominal Value is only guaranteed at maturity and the size of the coupons depends on the referenced swap rates and the spread between them. Any potential profit consists of the positive difference of the swap spread, or the redemption price and the purchase price. In case the applicable swap spread remains negative during the time of this product, no coupon will be paid. Even if the spread remains positive, the product may be traded well below the issue price during the term. Potential investors should bear in mind that not only price changes in the underlyings but also other influencing factors may have a negative effect on the value of the structured products.

Assumptions and limitations in preparing the market scenarios

The following market scenarios offer the investor a simplified way of making an assessment of the significant factors that influence the investment performance. 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
- 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: no limit, depends on the swap spreads
Maximum loss: Limited to the capital protection level

Positive scenario:
Widening of the swap spreads

Break even:
Tightening of the swap spreads. In case all swap spreads turn negative, no coupons are paid at all.

Negative scenario:
Swap spread is zero or negative throughout the term of the product. No coupons will be paid at all.

Maximum loss limited by capital protection level
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 unfavorable 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, correlation between 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 guarantor, which may change during the term of the structured product. The investor is exposed to the risks of default of the Issuer and the Guarantor. For further information on the rating of Bank Vontobel AG or Vontobel Holding AG, please see the issuance programme.

Restrictions on sales
U.S.A., U.S. Subjects, UK, DIFC/Dubai
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 and selling restrictions
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.ch along with the associated notices and adjustments shall be legally valid. The original version of the Termsheet is in English; 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.

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 (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 Zürich (telephone: +41 58 283 78 88) and 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 (for details see "Figures for fees and charges"). 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 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, 07 May 2018
Bank Vontobel AG, Zurich

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

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