

## Credit Linked Note in EUR on Arconic Coupon: 3.75% p.a.

### Termsheet (Indication)

#### SSPA Designation

Reference Issuer Certificate with conditional Capital Protection (1410)

End of subscription 20 December 2018, 12:00 PM

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**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

The Product is linked to the creditworthiness of one or more Reference Entities. Investors may receive one or more Coupon Amount(s) and the Product will be redeemed at the Nominal Value on the Redemption Date, provided that no Credit Event occurs in respect of at least one Reference Entity during the Credit Event Observation Period. If a Credit Event occurs, the Issuer will redeem the product as further described under Redemption below. In such case, the investors may suffer a substantial loss of their invested capital.

### Product Information<sup>1</sup>

ISIN / Security Number / Symbol	CH0441928717 / 44192871 / YMACKV
Issue price	100.00% of the Nominal Value
Nominal Value	EUR 1'000.00
Reference Currency	EUR; issue, trading and redemption are made in the Reference Currency
SSPA product type	Reference Issuer Certificate with conditional Capital Protection (1410), <a href="http://www.sspa-association.ch">www.sspa-association.ch</a>
Reference bond issuer	Arconic Inc., USA
Reference bond	USD 6.75% Arconic Inc, 15.01.2028 (subject to substitution, see below)
Initial Fixing	20 December 2018
Payment Date	27 December 2018
Last Trading Day	20 December 2023 (12:00 PM, local time Zurich)
Final Fixing	20 December 2023
Repayment Date	27 December 2023
Coupon Payment	Investors receive Coupon Payments on the Coupon Payment Dates, subject to the occurrence of a Credit Event during the Credit Event Observation Period (see <<Determination of a Credit Event>> below) and subject the early termination by the Issuer (see "Issuer's Termination Right" below).
Coupon	3.75% p.a.
Payment of the Coupons	Annually payment at the end of the coupon period, first time on 27 December 2019
Coupon periods	Annually
Day count Method	Act/360, modified following, adjusted

1) All the information and conditions under section 'Product Information' are indicative and may be adjusted (for details see 'Legal Notices').

## Redemption

Redemption	The Structured Product will be redeemed at 100.00% of the Nominal Value on the Redemption Date, subject to the occurrence of a Credit Event during the Credit Event Observation Period (see <<Determination of a Credit Event>> below) and subject to the early termination by the Issuer (see "Issuer's Termination Right" below).
Determination of a Credit Event	<p>The Calculation Agent determines a Credit Event at its sole and absolute discretion and on the basis of publicly available information, including notices from the International Swaps and Derivatives Association, Inc. ("ISDA").</p> <p>If the Calculation Agent determines the occurrence of a Credit Event with regard to the Reference Entity</p> <ol style="list-style-type: none"> <li>no further payments are made from the Structured Product from this moment in time;</li> <li>the issuer publishes a Credit Event Notice with regard to the Reference Entity within 5 bank business days;</li> <li>the Calculation Agent determines the percentage Redemption Factor, by setting – as soon as practical and at its own discretion while taking into account any market practices, e.g. results of an auction run by ISDA or by any company acting on behalf of ISDA, or any other determination regarding the market value made by ISDA – the share in the nominal value of the Reference Bond that corresponds to the market value of the Reference Bond after occurrence of the Credit Event. Otherwise, the Calculation Agent will determine the market value of the Reference Bond based upon quotations obtained. The Calculation Agent will publish the percentage Redemption Factor, determined as described before, as soon as possible;</li> <li>the Structured Product will mature early and be redeemed on the Cash Redemption Date at the Liquidation Amount (as defined below). Such early redemption will occur, regardless of whether the respective Credit Event persists after its determination by the Calculation Agent. The currency of the Reference Bond has no influence on the amount of a possible Liquidation Amount, i.e. the investor bears no exchange rate risk from the Reference Bond.</li> </ol>
Liquidation Amount	<p>The Liquidation Amount denoted in the Reference Currency is determined by the Calculation Agent at its sole discretion and equals, subject to a minimum of zero, (i) the nominal value, multiplied by the percentage Redemption Factor established by the Calculation Agent in accordance with the above terms, (ii) minus the Unwind Costs (if any) related to the Structured Product and in respect of the Day when the Credit Event is determined.</p> <p>The Calculation Agent endeavors to determine the liquidation amount as quickly as possible and in order to preserve the best interests of the investor.</p>
Credit Event	<p>The Calculation Agent determines at its sole and absolute discretion the occurrence of a Credit Event, if</p> <ol style="list-style-type: none"> <li>the Reference Entity is not in a position to pay interest, redemptions or other payments if and when such are due under the terms and conditions of the Reference Bond; or</li> <li>an event has occurred that delays payments (interest, repayments or other payments) or results in differences compared to the terms and conditions of the Reference Bond; or</li> <li>a credit event (as defined in ISDA definitions) has occurred with respect to the Reference Bond or the Reference Entity; or</li> <li>another event has occurred with respect to the Reference Entity which may lead to non-payment or late payment of amounts owed.</li> </ol>
Credit Event Observation Period	Means the period from (and including) the day which is 60 calendar days prior to the Initial Fixing Date to (and including) the Extension Date (as defined in the ISDA Definitions). For the purpose of determining the Extension Date and the Credit Event Observation Period Notification Period (where defined) the <b>20 December 2023</b> corresponds to the Scheduled Termination Date (as defined in ISDA definitions).
Postponement/ Suspension of Payments	The Calculation Agent may postpone or suspend the payment of any amount (Coupons and Redemption Amount) due under this Structured Product if the Calculation Agent has determined - in its sole and absolute discretion - that a Credit Event or a potential Credit Event (such as, but not limited to, a Potential Failure to Pay) has occurred, may have occurred, or might shortly occur, or if there is a pending request with the relevant Credit Derivatives Determinations Committee of ISDA regarding the occurrence of a Credit Event.
Unwind Costs	The Calculation Agent determines in respect of each Structured Product an amount, subject to a minimum of zero, equal to the sum of (without duplication) all costs, expenses (including break funding charges and loss of funding, which, for the avoidance of doubt, represents the loss of future interest amounts to be received under the funding arrangement(s) entered into in relation to the Structured Products), tax and duties incurred directly or indirectly by the Issuer or any of its affiliates in relation to the occurrence of a Credit Event and the related partial or total termination, settlement or re-establishment of any hedge position, such amount to be apportioned pro rata amongst the outstanding Structured Products.
Cash Redemption Date	10 bank business days after publication of the percentage redemption factor (see "Early redemption or determination of a Credit Event").

Substitution of Reference Bond	<p>The Issuer has an unconditional right ("Issuer's Substitution Right") to substitute any Reference Bond by another obligation ("Replacement Reference Bond") issued by the same Reference Entity or a Successor thereof without notice. In case no Replacement Reference Bond is found, the Issuer may exercise the Issuer's Termination Right, otherwise the Product continues to exist. The Issuer may exercise the Issuer's Substitution Right multiple times on the same Reference Entity or different Reference Entities, as the case may be. The Issuer may exercise the Issuer's Substitution Right in case of (but not limited to):</p> <p>a) a Reference Entity Call Event, or</p> <p>b) any corporate action in respect of a Reference Bond (excluding any Credit Event in respect of a Reference Entity, as defined herein), or</p> <p>c) a restructuring in respect of a Reference Bond (excluding any Credit Event in respect of a Reference Entity, as defined herein), or</p> <p>d) the ordinary redemption of a Reference Bond.</p>
Issuer's Termination Right	<p>The Issuer has an unconditional right to call all Certificates for early redemption at any time by publishing such early redemption (see "Publication of notifications and adjustments" below). The termination notification will specify the Final Fixing Date and the respective Early Redemption Date.</p> <p>The Issuer may exercise its Issuer's Termination Right in the event of (non-exhaustive list) acceptance or adjustment of any directly or indirectly applicable law or regulation (including without limitation any tax law provisions) and in the event of a notice or amendment of the interpretation of applicable law or regulation (including actions of a tax authority) by a court, tribunal or competent regulatory authority, whichever is the case.</p> <p>In case the Issuer's Termination Right has been exercised, the Investor will receive the Liquidation Amount (the percentage Redemption Factor determined by the Calculation Agent as described above) on the Early Redemption Date, and the Product will be terminated. No current and no further coupon amounts will be payable to the Investor.</p>
Reference Entity Call Event	Means any redemption (full or partial) of a Reference Bond by the Reference Entity (e.g. exercising a redemption option, redemption right or call right but excluding the ordinary Reference Entity Call Event redemption at maturity), as reasonably determined by the Calculation Agent in his sole and absolute discretion.
Successor	As defined in the ISDA Definitions (section "Credit Event Determination Characteristics"). In accordance with the ISDA Definitions, a Reference Entity may become a Successor of another Successor Reference Entity, including of an Affected Reference Entity or vice versa. In case a Successor is an Affected Reference Entity, such Successor may gain become subject to a Credit Event.
ISDA Definitions	<p>The 2014 ISDA Credit Derivatives Definitions as published by "ISDA" on its website at <a href="http://www.isda.org">www.isda.org</a> (or any successor ISDA Definitions website thereto). Please note that the ISDA Definitions cannot be obtained free of charge, but may be inspected at the Calculation Agent's premises only.</p> <p>The Calculation Agent has the right (but not the obligation) to replace and amend the ISDA Definitions by any later definitions or supplements published by the ISDA.</p> <p>The ISDA Definitions shall apply only as far as they are required to define the terms in capital letters which are mentioned in this Termsheet and are not already defined in the Product Documentation, unless explicitly provided otherwise herein. Furthermore, terms defined in the ISDA Definitions but which have been otherwise named or defined in this Termsheet, shall for the purposes of the application or interpretation of the ISDA Definitions be interpreted in accordance with their respective term or definition used in this Termsheet.</p>

## Parties

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
Paying and Calculation Agent	Bank Vontobel AG, Zurich

## Further Information

Issue size	EUR 25'000'000, with the option to increase
Title	The structured products are issued in the form of non-certificated book-entry securities. 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 <a href="http://www.derinet.com">www.derinet.com</a> . In the case of products listed at SIX Swiss Exchange notifications are published at <a href="http://www.six-swiss-exchange.com">www.six-swiss-exchange.com</a> in accordance with applicable rules, too.
Secondary market trading	Throughout the entire term a secondary trading is conducted. Indicative daily prices of this product are available at <a href="http://www.derinet.com">www.derinet.com</a> .

Price setting	Secondary market price quotations are "clean", that is, accumulated interest is not included.
Listing	Will be applied for in the main segment at the SIX Swiss Exchange.
Minimum investment	EUR 1'000.00 nominal value
Minimum trading lot	EUR 1'000.00 nominal value
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 ciph. 1.-4. of the CISA.

### Costs and Charges

One-off costs	0.30% p.a. of the Issue Price (corresponds to the initial costs already included in the Issue Price)
Distribution charges	The One-off costs include Distribution charges of up to 0.10% p.a. Distribution charges may be paid as a discount on the Issue Price or as a one-time and/or periodic payment by the Issuer to one or more financial intermediaries.

### 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). If delivery of the underlying is stipulated, the Swiss turnover tax may be imposed as well.
General Information	<p>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.</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).</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 of Reference Entity and Reference Bond

Reference Entity	Arconic Inc., USA
Reference Bond	USD 6.75% Arconic Inc, 15.01.2028, 17.03.2024, Bond Identification: ISIN US022249AU09 / Bloomberg <US022249AU09 Corp> Rating: Standard & Poor's 'BBB-' (source: Bloomberg) Repayment: 15.01.2028

## Prospects of Profit and Losses

### Structured products linked to a Reference Entity

Investors should be aware that the link to the creditworthiness of the Reference Entity may have an adverse impact on the value of Structured Products linked to a Reference Entity, in that when a Credit Event occurs the Structured Products are redeemed early. The liquidation amount redeemed to the investor after determining or the occurrence of such a Credit 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 credit link to a Reference Entity, has a significantly higher market value.

Under the conditions that no Credit Event has occurred with regard to the Reference Entity, the profit and loss outlook of Credit Linked Notes is as follows:

Credit Linked Notes provide the opportunity to benefit from a relatively high coupon payment. The capital protection by the issuer, which is conditional on the non-occurrence of a Credit Event with regard to the Reference Entity, guarantees the redemption of 100% of the nominal value in the reference currency. The maximum profit possible is limited to the coupon. Investors should take into account, too, that the conditional capital protection is effective at maturity only. During the term the value can fall below the redemption price.

Maximum gain: Cap at coupon

Maximum loss: Total loss in the occurrence of a credit event

## Significant Risks for Investors

### Risks in connection with the Reference Entity

Structured products linked to a Reference Entity 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 linked to the creditworthiness of a Reference Entity by seeking expert advice on the risks associated with the specific product, and in particular with the respective Reference Entity.

The value of this investment and the repayment depends, amongst other things, predominantly on the creditworthiness of the Reference Entity. Structured Products linked to a Reference Entity are neither guaranteed by the Reference Entity nor are they backed with liabilities of the Reference Entity.

If the Calculation Agent determines, in accordance with the product terms, a Credit Event at its own discretion with regard to the Reference Entity, the holders of the Structured Products linked to a Reference Entity have no right of recourse against the Reference Entity 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 Credit Event with regard to the Reference Entity by the Calculation Agent, the investors won't benefit from any future positive performance of the relevant Reference Entity's creditworthiness. In particular, the consequences of determination of a Credit Event by the Calculation Agent as specified in the product terms can not be reversed. As such, investors do not participate, i.e. in the event of restructuring as an example of a Credit 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 linked to a Reference Entity may be associated with a higher risk than a direct investment in the liabilities of the Reference Entity. If circumstances arise or an event occurs, which has/have a negative impact on the creditworthiness or credit rating of the Reference Entity, but which do/does not result in the occurrence of a Credit Event, the price of the Structured Products linked to a Reference Entity may fall. As a result, investors who sell their Structured Products linked to a Reference Entity 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 can not 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 risk of default of 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](http://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.

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 Zurich (telephone: +41 58 283 78 88) and may also be downloaded on the [www.derinet.com](http://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.

### **Material changes since the most recent annual financial statements**

Subject to the information in this Termsheet and the Issuance Program, 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, 20 December 2018  
Bank Vontobel AG, Zurich

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

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