

Bonus Certificate on ABB

PRODUCT DESCRIPTION

Bonus Certificate are characterised by participation in the underlying, which is limited upwards by a cap (upper value limit). They also offer a – albeit only conditional – minimum redemption in the amount of the strike price (bonus level). However, this minimum redemption ceases to apply as soon as the underlying touches the barrier during barrier monitoring. The redemption at the end of the term is determined on the basis of the performance and final fixing of the underlying: If the underlying has not touched the barrier during barrier monitoring, redemption is at the final fixing price, but at least the strike price. Nevertheless, if the underlying has touched the barrier during barrier monitoring, the underlying is delivered or cash compensation paid (for details see "Redemption/delivery" or "Redemption formula").

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 text 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	Bonus Certificate (1320), see also www.sspa-association.ch
Underlying	ABB Ltd (further details on the underlying see below)
Spot reference price	CHF 23.14
Number of underlyings	1.00 (fractions are paid out in cash, no accumulation)
Issue price	CHF 23.1400
Strike price	CHF 24.96 (107.87% of the spot reference price)
Cap	CHF 26.61 (115.0% of the spot reference price)
Barrier	CHF 16.20 (70.00% of the spot reference price)
Barrier monitoring	March 02, 2017 until March 15, 2019, continuous monitoring
Initial fixing	March 02, 2017 10:42 hours CET
Payment	March 09, 2017
Last trading day	March 15, 2019 17:00 hours CET
Final fixing	March 15, 2019; Closing price on the reference stock exchange
Redemption	March 22, 2019
Reference currency	CHF; issue, trading and redemption are in the reference currency
Swiss Sec. No. / ISIN / Telekurs Symbol	35451331 / CH0354513316 / -
Redemption/delivery	<ul style="list-style-type: none"> - If the underlying never touches or breaches the barrier during barrier monitoring, cash compensation is paid according to the final fixing price of the underlying, but at least the strike price and no more than the cap, multiplied by the specified number of underlyings. - However, if the underlying touches or breaches the barrier during barrier monitoring, redemption is as follows:

1. If the final fixing of the underlying is lower than the cap, a physical delivery of the specified number of underlyings is made; fractions are not accumulated and are paid out in cash.
2. If the final fixing of the underlying is higher than or equal to the cap, cash compensation is paid in the amount of the cap, multiplied by the specified number of underlyings.

Redemption formula	$\text{Redemption} = \text{MIN}[\text{Cap}; (\text{SF} + I \times \text{MAX}[0; X - \text{SF}])] \times R$ <p>SF = final fixing X = strike price R = number of underlyings I = 1, if the underlying never touches or breaches the barrier during barrier monitoring I = 0, otherwise</p>
Further information	
Issue volume	1'000'000 Bonus Certificate, with the option to increase
Clearing / Settlement	Clearstream (Luxembourg), Euroclear Brussels, SIX SIS AG
Listing	Will be applied for on 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 .
Secondary market	Secondary market trading is ensured over the entire term.
Minimum investment	1 Bonus Certificate
Minimum trading lot	1 Bonus Certificate
Fiscal treatment in Switzerland	<p>This product qualifies as transparent with predominantly one-off interest payments (IUP). The return determined on the bond component of the product for the holding period is subject to direct federal taxes (modified taxation of the difference).</p> <p>Neither withholding tax nor the stamp duty at issuance is imposed. Secondary market transactions are subject to the Swiss securities transfer tax (TK22). If delivery of the underlying is stipulated, the securities transfer tax may, however, be imposed.</p> <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>If delivery of the underlying is stipulated, foreign taxes and duties have to be assumed by the investors.</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. 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>
Net present value of bond components upon issue	CHF 23.14
Discounting factor (IRR) upon issue	0.00000 %
Security	The Structured Products are issued in the form of non-certificated book-entry debt 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 included in the register of the Dubai International Finance Centre as a non-regulated company. Neither Vontobel Financial Products Ltd. nor Vontobel Holding AG is a financial intermediary subject to prudential supervision within the meaning of Article 5 1a) 1-4 CISA.

Figures for fees and charges	Vontobel estimates the Issuer Estimated Value (IEV) of this product at 95.17%, which gives a Total Expense Ratio (TER) of 2.37% p.a.. Distribution charges up to 0.50% p.a. are included in this TER figure.
Description of the underlying ABB Ltd	<p>Name: ABB Ltd, Registered Shares</p> <p>Company and place of registration: ABB Ltd, Postfach 8131, CH-8050 Zürich</p> <p>Identification: ISIN CH0012221716 / Swiss Sec. No. 1222171 / Bloomberg <ABBN VX Equity></p> <p>Reference stock exchange: SIX Swiss Exchange</p> <p>Futures exchange: Eurex; the calculation agent can determine another futures exchange at its discretion</p> <p>Performance: Available at www.bloomberg.com (Symbol: ABBN:VX)</p> <p>Transferability: As per the articles of association ABB Ltd</p> <p>Financial statements: Available at www.abb.com</p>
Collateralisation	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 September 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, Bleicherweg 21, 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

Any possible gain results from the difference between a lower issue price and a higher final fixing price. Nevertheless, there is an upper limit to the gain as a maximum of the cap is paid.

These products have only conditional minimum repayment of the strike price defined by a barrier: If the underlying touches or breaches the barrier during barrier monitoring, the right of this minimum repayment at the strike price ceases to apply immediately. Investors should be aware that this can happen at any time during relevant barrier monitoring (period of time or point(s) of time). Accordingly, the risks of an investment in a Bonus Certificate are considerable; given upwardly limited chances of gains, they correspond largely to the risks of a direct investment in the underlying. The lower the closing price of the underlying after falling below the issue price, the greater the losses sustained. In extreme cases (with a closing price of the underlying of zero), the maximum loss can lead to a loss of the capital invested.

Even if the performance of the underlying is positive and the barrier is not touched, the price of the product during the term may be considerably below the issue price. Potential investors should bear in mind that price changes to the underlying, as well as other influencing factors, may have a negative effect on the value of structured products.

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
Maximum loss: 100%

Positive scenario:

Indicative performance of the certificate: 0% to Cap

Necessary market performance of underlying:

- Barrier not reached and proportional participation in positive performance of the underlying
- OR: Barrier reached and subsequent price recovery of the relevant Underlying
- Limited by the Cap

Break even:

Indicative performance of the certificate: 0%

Necessary market performance of underlying:

- Barrier reached and closing price of underlying = reference price level at the time of the investment

Negative scenario:

Indicative performance of the certificate: Loss of up to 100% possible

Necessary market performance of underlying:

- Barrier reached and closing price of underlying is lower than the reference price level at the time of the investment

SIGNIFICANT RISKS FOR INVESTORS**Currency risks**

If the underlying(s) 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 not only depends on the performance of the underlying(s) but also on any unfavourable performance of the other currency or currencies. This does not apply to 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 ("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 a 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 but also on the creditworthiness of the issuer/guarantor, which can change during the term of the product. 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® collateralisation.

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.

This financial instrument is not an investment fund or an investment company as defined in Art. 2 of the law dated 19 May 2005 on investment companies (IUG, 951.30). The financial instrument is not subject to supervision by the Liechtenstein Financial Market Authority (FMA), and investors do not enjoy the investor protection provided by the IUG.

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 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 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, 8022 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.

Zürich, March 02, 2017 / Deritrade-ID: 195253985
Bank Vontobel AG, Zurich

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



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Bank Vontobel AG
Gotthardstrasse 43
CH-8022 Zürich
Telefon +41 (0)58 283 71 11
www.derinet.com

Banque Vontobel SA
Rue du Rhône 31
CH-1204 Genève
Téléphone +41 (0)58 283 26 26
www.derinet.com