

VONCERT on Bitcoin

PRODUCT DESCRIPTION

End of subscription July 14, 2016, 16:00 hours CET

As tracker certificates, VONCERTs provide the opportunity to participate in an underlying instrument's performance in a transparent way and with a single transaction. The potential yield is comparable to that of the underlying instrument.

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 Information¹

Issuer	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)
Lead Manager	Bank Vontobel AG, Zurich
Paying, exercise and calculation agent	Bank Vontobel AG, Zurich
SSPA product type	Tracker Certificate (1300), see also www.svsp-verband.ch
Underlying	USD Dollar per 1 Bitcoin (further details on the underlying see below)
Spot reference price	USD 665.00 per 1.00 XBT
Issue price	USD 681.62 (2.50% issue surcharge included)
Notional	USD 665.00
Initial fixing	July 15, 2016 The calculation agent determines at its sole discretion the applicable conversion rate on the basis of price quotes for the underlying during the initial fixing day at the reference exchanges.
Payment date	July 22, 2016
Last trading day	July 11, 2018 (17:00 CET)
Final fixing	July 16, 2018 The calculation agent determines at its sole discretion the applicable conversion rate on the basis of price quotes for the underlying during the final fixing day at the reference exchanges.
Redemption	July 23, 2018
Reference currency	USD; issue, trading and redemption will follow in the reference currency
Swiss Security Number / ISIN / Symbol	32760611 / CH0327606114 / ZXBTVU

Redemption amount	At expiration, the investor receives per VONCERT an amount in USD according to the following formula: $Notional * (XBTUSD Final / XBTUSD Initial)$ where: XBTUSD Initial: Exchange rate at Initial fixing XBTUSD Final: Exchange rate at Final fixing
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Further Information

Issue size	1'500 VONCERT
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. In the case of products listed on the SIX Swiss Exchange announcements are also published at www.six-swiss-exchange.com in accordance with the valid provisions.

Early termination	Only possible in case of hedging disruption (as described below), for fiscal or other extraordinary reasons, as well as in case of no outstanding positions (as specified in detail in the issuance programme).
Hedging disruption	A hedging disruption occurs when the Issuer and / or its affiliated companies are not able, even under economically reasonable efforts (i) to conclude hedging transactions, reenter, replace, maintain, solve, acquire or dispose of, or (ii) to realize revenues, recover or transfer such hedging transactions. The Issuer determines in its sole discretion whether a hedging disruption occurs.
Secondary market trading	Throughout the entire term a limited secondary trading is conducted. Indicative daily prices of this product are available at www.derinet.com .
Listing	Will be applied for in the main segment at the SIX Swiss Exchange, however, is subject to the approval of the underlying by the SIX Regulatory Board.
Minimum investment	1 VONCERT
Minimum trading lot	1 VONCERT
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 2.50% p.a.. Distribution charges up to 0.50% 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 by the Federal Financial Markets Regulator FINMA.

Tax treatment in Switzerland

Swiss Income Tax	For natural persons resident in Switzerland, any capital growth represents a capital gain and is in principle not subject to direct federal taxes.
Swiss Withholding Tax	No Swiss withholding tax
Issuance Stamp Tax	No Swiss stamp duty at issuance
Swiss turnover tax	Secondary market transactions are not subject to the Swiss turnover tax.
EU savings tax	For Swiss paying agents: this product is not subject to EU taxation on investment income (TK9).
General Information	If delivery of the underlying is stipulated, foreign taxes and duty have to be assumed by the investors. 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). 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). 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 underlying

USD per 1 XBT	Name:	US Dollar per 1 Bitcoin
	Description:	The term 'Bitcoin' refers to an internet currency whose monetary units are created and managed decentrally on a computer network. Bitcoin users who are connected with each other via the internet can transfer bitcoins to one another electronically. Bitcoins only exist virtually on a computer network and have no physical equivalent. Bitcoins are traded in a completely decentralised way on the internet and do not have to be processed via intermediaries of any kind (e.g. countries, central / commercial banks).
	Reference exchanges:	CoinBase and Kraken Bitcoin Exchange The calculation agent has the right to remove, add or change one or more reference exchanges at its sole discretion
	Identification:	Bloomberg <XBTUSD Curncy>

PROSPECTS OF PROFIT AND LOSSES

VONCERTs are tracker certificates which allow participating in an underlying instrument's performance in a transparent way and with a single transaction. The potential yield of the VONCERTs is comparable to that of the underlying instrument. Any potential profit consists of the positive difference between the sales price achieved, i.e. the redemption price, and the purchase price. VONCERTs do not provide ongoing revenues. The value of the VONCERTs during their term is significantly influenced by the price development and the volatility of the underlying instrument and the respective remaining term.

Even if the performance of the underlying is positive for the investor, that is an appreciation of the USD against the XBT, the price of the product during the term can 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
- Fees and costs both stemming from the certificate and for the acquisition and holding of the certificate

Market scenarios

Maximum gain: Underlying performance

Maximum loss: 100%

Positive scenario:

Indicative performance of the certificate: 0% to underlying performance

Necessary market performance of underlying:

- Proportional participation in positive market performance

Break even:

Indicative performance of the certificate: 0%

Necessary market performance of underlying:

- 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:

- Closing price of underlying is lower than the reference price level at the time of the investment

SIGNIFICANT RISKS FOR INVESTORS

Underlying-related risk

As the Federal Council elaborated in its report on virtual currencies dated 25 June 2014, users of Bitcoins (and therefore investors in products with Bitcoin as an underlying, indirectly) are exposed to elevated risk of fraud and loss. This is principally due to the fact that Bitcoins can be used anonymously and that Bitcoins do not have to be traded through government institutions or banks. Investors thus face increased risk of the issuer identifying occurrence of a hedging disruption, involving the loss risks outlined below.

The market value of a Bitcoin is not based on any kind of claim, nor any physical asset. Instead, the market value depends entirely on the expectation of being usable in future transactions. This strong correlation between an expectation and market value is the basis for the current and probably future volatility of the market value of Bitcoins.

If over 50% of all computers used worldwide for verifying Bitcoin transactions are subject to control by a single instance, there is a risk that the controlling instance could take over 100% of all transactions. Such "51% attacks", as they are known, can cause overall confidence in Bitcoin to evaporate, bringing all trading to a halt, thereby causing losses for investors up to and including a possible total loss.

Risks due to hedging disruptions

If the issuer identifies a hedging disruption, investors are exposed to the risk of total loss, as the final fixing could be based on an underlying valued at zero.

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.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, July 15, 2016

Bank Vontobel AG, Zurich

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



Private Banking
Investment Banking
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Performance creates trust

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