

VONTOBEL

Half-Year Report 2017

VONTOBEL

Shareholders' letter



Dear shareholders and clients

Vontobel delivered a solid result in the first half of 2017 in a market environment shaped by low interest rates and the passive behaviour of investors. We are continuing to achieve organic growth in our Swiss home market and foreign target markets. Our profitability is increasing – although we are faced with an ever fiercer competitive environment, resulting in general pressure on margins within our industry. At Vontobel, we are countering this trend by restricting our focus to selected markets and products while, at the same time, assigning a high level of importance to the improvement of internal efficiency. We want to continue pursuing this strategy of profitable growth through the remainder of 2017.

Our strategic planning process is based on a three-year cycle. The fact that we already reached our ambitious targets for the 2014-2017 planning period during 2016 – even excluding positive exceptional impacts – is especially pleasing. With regard to the next planning period for the years 2017-2020, we are currently defining new and ambitious targets and will provide detailed information about them on 31 August 2017. In parallel to the execution of this strategic planning process, we have sharpened our

positioning. At a time when our industry and the conduct of our clients can change with unusual rapidity due to new developments in the area of digitalization, it is of vital importance that we have a clear idea throughout our company of what we stand for, what we expect of ourselves and what our clients and investors can expect of Vontobel. This positioning process is underpinned by a new brand presence, which we will launch in September.

Good organic growth

The trust that our clients place in Vontobel is reflected by our profit and growth figures. For a meaningful comparison with the first half of the previous year, two exceptional items have to be considered: the non-recurrence from 2017 of dividend income (2016: CHF 7.0 million after tax) from Helvetia following the sale of this participation in autumn 2016, as well as integration costs of CHF 4.6 million (after tax) following the acquisition of Vescore. On an adjusted basis, our result of CHF 106.1 million exceeded the adjusted net profit in the first half of 2016 (CHF 98.7 million) by 7%.

Asset Management was once again the main earnings driver among our individual businesses in the first half of 2017, producing a pre-tax profit of CHF 69.5 million (CHF 85.3 million). Wealth Management generated increased income despite the negative factors mentioned previously, i.e. margin pressures, the impact of negative interest rates and the passive behaviour of investors. Pre-tax profit rose to CHF 38.4 million in the first half of 2017 (CHF 34.2 million). In Financial Products, we grew our pre-tax profit by an impressive 72% to CHF 51.5 million (CHF 30.0 million).

Inflows of new money and the positive performance of existing client assets – which reached a record CHF 207.7 billion at the end of the first half of 2017 (End of June 2016: CHF 179.3 billion) – form the basis of Vontobel's good organic growth. The net inflow of new money at Group level was neutral at CHF 0.3 billion in the first half of 2017. We are attracting steady net inflows of new money in Wealth Management as well as in the Asset Management boutiques Fixed Income, TwentyFour Asset Management, Sustainable Investing and Multi Asset Class.

Wealth Management strategy continues to bear fruit

In the first half of 2017, Wealth Management continued to achieve organic growth that exceeded the benchmark and our target range. In particular, we achieved high net new money growth rates among wealth management clients in our home market of Switzerland, the Emerging markets and Italy, underscoring their confidence in our capabilities. In total, clients entrusted CHF 1.6 billion of new money to Wealth Management, corresponding to an annualized growth rate of 6.8%. As of 30 June 2017, Wealth Management had around CHF 50 billion of client assets. We believe that this positive trend is also attributable to the above-average performance achieved by our portfolio management mandates – especially the Focus Mandate Switzerland, which has generated a cumulative excess return of 49.4% since its launch in 2012.

This continued positive trend confirms that we are pursuing the right strategy in Wealth Management. In Switzerland, we offer our clients our complete range of wealth management products and services. In selected foreign markets, we focus on assuming the role of a specialist that helps clients to achieve greater international diversification of their assets. In this context, we are actively capturing

the opportunities created by digitalization – whether it is to provide a better basis for decision-making in the area of advisory or digital solutions for an enhanced client experience. With our Private Banking App, which is now used by our clients in 20 countries, or with EAMNet, which is available to external asset managers, we are in a position to export our personal advice and expertise to our focus markets.

Looking ahead, Vontobel will strive to achieve further growth in Wealth Management – essentially with a focus on generating growth organically by hiring new relationship managers. On the client side, we want to further intensify our dialogue with clients based on the new requirements resulting from MiFID II, which have been comprehensively implemented at Vontobel. In terms of our range of services for external asset managers, we will further expand our business in Asia and the US. However, Vontobel also continues to see opportunities to support organic growth on a targeted basis through value-creating acquisitions in our home market.

Good performance – Asset Management focuses on quality

In Asset Management, we are seeing the positive impact of the diversification strategy we have pursued in recent years. In the Quality Growth boutique, which remains highly profitable, we grew our assets under management to CHF 33.8 billion in the first half of 2017. The highly professional and extremely stable team led by our CIO Matthew Benkendorf is continuing to work very successfully with an investment process that has proved effective for many years. In the first half of 2017, all the investment strategies in the Quality Growth boutique generated a significant outperformance. In the second quarter, emerging markets strategies also increased in popularity again among our international investors. Vontobel Asset Management has excellent capabilities in this promising investment category, both in the area of fixed income and equities. There were also positive developments in our partnership with Raiffeisen in the investment business, which resulted in notable inflows of assets. Asset Management will continue to focus on performance and diversification in the second half of 2017. Vontobel is now also operating in the US through our successful London-based fixed income boutique TwentyFour Asset Management. We are responding to the trends that are visible in the area

of asset management – such as the general pressure on margins and passive portfolio management – through our positioning as a specialized high-conviction asset manager. We are convinced that active portfolio management creates added value – with greater benefits for our investment clients.

Growth in Financial Products driven by innovation and expansion

We view innovation and digitalization as drivers of growth and therefore devote a very high level of attention to them at Vontobel. As part of this strategy, we launched the “Vontobel Investment Scout” app in the Swiss market in 2017, once again demonstrating our innovation leadership in the field of structured products. With this new app, private investors can – for this first time – create their own individual investment product on their smartphone. Overall, Financial Products is very successful in the structured products business. Vontobel is number 2 in Switzerland, measured in terms of SIX trading volumes, and is one of the leading providers in Europe. We have further expanded our market share in Italy, the Nordics and Germany. In addition, we made our market debut in France and the Netherlands in the first half of 2017, thus capturing further growth potential.

In the second half of 2017, Financial Products will expand its footprint in Asia by establishing a presence in Hong Kong. This step shows how systematically Vontobel is pursuing its organic growth strategy on the basis of digital innovation and broad international expansion. Our priorities are to further strengthen our cost leadership and to harness economies of scale.

Solid capital position

One of the main pillars of our successful growth is our solid BIS common equity tier 1 ratio (CET1 ratio) of 19.3%, which substantially exceeds the regulatory minimum requirement – allowing us to finance acquisitions. The return on equity was 12.9% in the first half of 2017, significantly exceeding the cost of capital and our own target return of over 10%.

2017 remains challenging

Even if some of the uncertainty surrounding the future of Europe was dispelled as a result of the elections in the Netherlands and France in the first half of the year, we expect 2017 to remain challenging in view of the global geopolitical environment and the unchanged situation in the markets. Despite rising markets and continued low interest rates, investors are still adopting a wait-and-see approach. The pressure on margins is also generally evident. As before, we anticipate that we will achieve a solid result for 2017. In contrast to 2016, we do not expect to record any larger exceptional impacts.

Vontobel is well positioned as an internationally active specialist focusing on the areas of Wealth Management, Asset Management and Financial Products. We intend to continue on our growth path and are gathering momentum for our next growth phase. This includes investing – even during challenging periods – in new talents and especially in our employees, whom we owe considerable thanks for their hard work and commitment. We will also make further targeted use of the opportunities created by digitalization. In this context, we can benefit from our groundwork in recent years in the area of basic technology, which today allows us to rapidly and successfully offer digital solutions directly to our clients. We want to continue to capitalize on this advantage.

Vontobel remains Vontobel. This will also be reflected by our ambitious new mid-term targets and our sharper brand positioning. We have a clear compass that will continue to guide us in the future and that our clients and shareholders can count on. Thank you for your trust in Vontobel.



Herbert J. Scheidt
Chairman of the Board
of Directors



Dr Zeno Staub
Chief Executive Officer

Vontobel at a glance

Ratios			
(6 months)	30-06-17	30-06-16	31-12-16
Return on shareholders' equity (ROE) (%) ¹	12.9	14.4	21.6
Cost ² /income ratio (%)	76.1	72.9	64.1
Equity ratio (%)	7.2	7.7	7.8
Basel III leverage ratio (%)	5.1	5.3	5.2

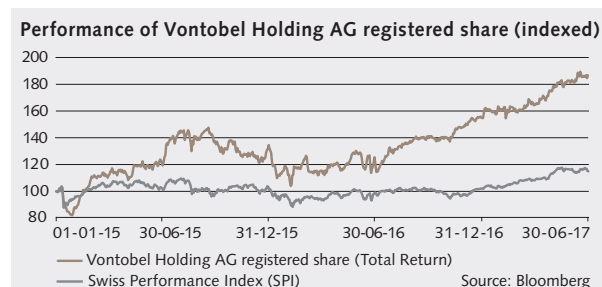
¹ Group net profit annualized as a percentage of average equity based on monthly figures, both without minority interests

² Operating expense, excl. valuation adjustments, provisions and losses

Share data			
(6 months)	30-06-17	30-06-16	31-12-16
Basic earnings per share (CHF) ¹	1.78	1.87	2.85
Diluted earnings per share (CHF) ¹	1.75	1.84	2.75
Equity per share outstanding at balance sheet date (CHF)	27.31	25.50	27.65
Price/book value per share	2.3	1.6	1.9
Price/earnings ² per share	17.5	11.2	9.4
Share price at balance sheet date (CHF)	62.30	42.05	53.45
High (CHF)	63.45	49.00	54.15
Low (CHF)	53.25	36.90	38.85
Market capitalization nominal capital (CHF mn)	3,543.3	2,391.6	3,040.0
Market capitalization less treasury shares (CHF mn)	3,458.0	2,325.8	2,927.4
Undiluted weighted average number of shares	55,357,315	55,140,244	55,024,282

¹ Basis: weighted average number of shares

² Annualized



Share information	
Stock exchange listing	SIX Swiss Exchange
ISIN	CH001 233 554 0
Security number	1 233 554
Par value	CHF 1.00
Bloomberg	VONN SW
Reuters	VONTZn.S
Telekurs	VONN

BIS capital ratios			
	30-06-17	30-06-16	31-12-16
CET1 capital ratio (%)	19.3	18.3	19.0
CET1 capital (CHF mn)	1,088.4	976.8	1,018.4
Risk weighted positions (CHF mn)	5,636.0	5,348.0	5,360.8

At present, Vontobel's equity consists exclusively of Common Equity Tier 1 capital. Calculations are based on the fully applied Basel III framework.

Risk ratio			
CHF mn	30-06-17	30-06-16	31-12-16
Average Value at Risk market risk	2.5	2.8	2.7

Average Value at Risk 6 months for positions in the Financial Products business unit of the Investment Banking division. Historical simulation of Value at Risk; 99% confidence level; 1-day holding period; 4-year historical observation period.

Rating			
	30-06-17	30-06-16	31-12-16
Moody's Rating Bank Vontobel AG (long-term deposit rating)	Aa3	Aa3	Aa3

Income statement				
	30-06-17	30-06-16	31-12-16	Change in % to
(6 months)	CHF mn	CHF mn	CHF mn	30-06-16
Total operating income	517.5	496.8	584.3	4
Operating expense	395.0	367.1	392.7	8
Group net profit	101.5	105.7	158.7	(4)
of which allocated to minority interests	2.8	2.4	2.2	17
of which allocated to the shareholders of Vontobel Holding AG	98.7	103.3	156.5	(4)

Segments (profit before taxes)				
	30-06-17	30-06-16	31-12-16	Change in % to
(6 months)	CHF mn	CHF mn	CHF mn	30-06-16
Private Banking	27.1	26.6	20.6	2
Asset Management	69.5	85.3	78.2	(19)
Investment Banking	62.8	37.6	47.0	67
Corporate Center	(36.9)	(19.8)	45.8	

Balance sheet				
	30-06-17	30-06-16	31-12-16	Change in % to
	CHF mn	CHF mn	CHF mn	31-12-16
Total assets	21,166.1	18,389.9	19,393.9	9
Shareholders' equity (excl. minority interests)	1,515.7	1,410.4	1,514.1	0
Loans	2,925.2	2,359.2	2,601.9	12
Due to customers	9,638.0	8,720.1	9,058.5	6

Client assets				
	30-06-17	30-06-16	31-12-16	Change in % to
	CHF bn	CHF bn	CHF bn	31-12-16
Assets under management	146.5	127.8	138.5	6
of which under discretionary management	95.1	84.9	90.2	5
of which under non-discretionary management	51.4	42.9	48.3	6
Other advised client assets	11.0	6.4	10.4	6
Structured products outstanding	7.2	5.9	6.4	13
Total advised client assets	164.7	140.1	155.3	6
Custody assets	43.0	39.2	40.1	7
Total client assets	207.7	179.3	195.4	6

Net new money				
CHF bn (6 months)	30-06-17	30-06-16	31-12-16	
Net new money	0.3	(8.7)	(1.9)	

Headcount (full-time equivalents)				
	30-06-17	30-06-16	31-12-16	Change in % to
				31-12-16
Number of employees Switzerland	1,315.5	1,201.3	1,347.0	(2)
Number of employees abroad	327.4	293.1	327.4	0
Total number of employees	1,642.9	1,494.4	1,674.4	(2)

Award-winning businesses

In recent months, we once again received a number of industry awards in recognition of our expertise across different businesses, which enables us to generate sustained value for our clients.



Following our top ranking in 2014, 2015 and 2016, we are back among the winners again in 2017, ranked as one of the leading private banks by the Swiss business magazine Bilanz.



Vontobel Mobile Private Banking rated among the top 3 leading online wealth management solutions worldwide by MyPrivateBanking in their study "Behind the Log-in 2017".



Morningstar and Lipper named Vontobel Asset Management the leading provider in the category "Best EUR Corporate Bond Fund" for the second consecutive year.



In the Pension and Investment Provider Awards (PIPA), TwentyFour Asset Management was named best provider in the category "Global Multi Asset Credit". Vontobel Asset Management was named "Equity Manager of the Year" in the areas of Quality Growth and Thematic Investing in the UK Pension Awards.

TwentyFour Asset Management won the "Chief Investment Officer Magazine's 2016 European Innovation Award" for Fixed Income for the second consecutive time.



At the Swiss Derivative Awards 2017, Vontobel received the award for "Best Product On Alternative Underlyings", as well as ranking first in the category "Best Market Maker Leverage Products" for the fourth time and as "Top Service" for the seventh time in succession.



In the Extel Survey 2017, Vontobel's Brokerage team took first place in the segment "Swiss Equities" for the seventh consecutive time.



ITALIAN CERTIFICATE AWARDS 2016



Premio Speciale Newcomer



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Vontobel

A solid result in a challenging environment

In the first half of 2017, decisive elections halted the wave of populism directed against the European Union, thus removing significant sources of political and economic uncertainty in Europe in the short term. The generally brighter global economic outlook and the overall continuation of expansionary monetary policies – coupled with moderate inflationary pressures – provided a favourable backdrop for most equity markets, which experienced low levels of volatility. At the same time, interest rates in Switzerland and Europe remained at a very low level.

The finance industry is faced with increasingly fierce competition. The low interest rate environment and the trend towards passive investments are resulting in general pressure on margins. At the same time, preparations for MIFID II and the automatic exchange of information are leading to additional costs. In this environment, an ever greater focus is being placed on the generation of above-average performance for investors. As an established wealth and asset manager, Vontobel achieved success once again in the first half of 2017 thanks to its forward-looking business model and its focus on its own strengths – providing responsible advice, managing assets actively and delivering tailor-made investment solutions for clients. The high level of trust that clients place in Vontobel and its successful positioning in the market are reflected by its solid net profit of CHF 101.5 million (CHF 1.78 per share), compared to CHF 105.7 million in the first half of 2016. On a comparable basis, i.e. excluding the Helvetia dividend of CHF 7.0 million after taxes last received by Vontobel in the first half of 2016 and excluding Vescore integration costs of CHF 4.6 million after taxes in the current year, Vontobel increased its net profit by 7% from the adjusted figure of CHF 98.7 million in the first half of 2016 to CHF 106.1 million (CHF 1.87 per share) in the first half of 2017. The return on equity was 12.9% on an annualized basis, once again significantly exceeding the cost of capital. Vontobel has maintained its comfortable equity position. The BIS common equity tier 1 ratio (CET1 ratio) remained very solid at 19.3% at the end of June 2017, substantially exceeding the regulatory minimum requirement for the total capital ratio of 12%.

Client assets exceed CHF 200 billion for the first time – good investment performance

In recent years, Vontobel has invested systematically across all divisions in the targeted expansion of its activities in its home market of Switzerland and its defined focus markets. This is now reflected by its client base, which has a good balance of private and institutional clients. Vontobel's strategy proved successful in the first half of 2017, as it absorbed the impacts from the Quality Growth boutique – which was faced with exceptional circumstances following the departure of the former CIO and the “Trump effect” on the emerging markets that lasted until early 2017.

Total client assets reached a record CHF 207.7 billion at the end of June 2017, an increase of 6% compared to the end of 2016. Total advised client assets – which consist of assets under management, other advised client assets and structured products – rose by 6% to CHF 164.7 billion. The volume of total advised client assets is an important indicator for Vontobel in view of the significant value generated by these assets; Vontobel provides advisory services and/or has portfolio management agreements in place for these assets. Other advised client assets mainly comprise assets acquired in the context of the cooperation with the Australian banking group ANZ; Vontobel provides advice on asset allocation to ANZ in respect of these assets. The volume of structured products outstanding rose by 13% to CHF 7.2 billion, reflecting the further strengthening of Vontobel Financial Products' position in its Swiss home market and in European markets. Vontobel is a leader in terms of innovation and technology in the structured products and derivatives business and also demonstrates cost leadership as a result of its high volumes and efficient platform. Vontobel currently provides custody services to around 50 banks. Its custody assets of CHF 43.0 billion include the portfolios of Raiffeisen Switzerland, for which Vontobel provides custody and other services as part of their long-term partnership.

Client assets			
CHF bn	30-06-17	30-06-16	31-12-16
Assets under management	146.5	127.8	138.5
Other advised client assets	11.0	6.4	10.4
Structured products outstanding	7.2	5.9	6.4
Total advised client assets	164.7	140.1	155.3
Custody assets	43.0	39.2	40.1
Total client assets	207.7	179.3	195.4

Assets under management grew to CHF 146.5 billion as of 30 June 2017, an increase of CHF 8.0 billion, or 6%, compared to the end of 2016. This growth was mainly attributable to good investment performance. The net inflow of new money totalled CHF 0.3 billion in the first six months of the year, as the CHF 2.1 billion net inflow of new money achieved across all divisions in the second quarter of 2017 more than offset outflows in the Quality Growth boutique in the first quarter, driven by exceptional factors. Overall, fluctuations in the exchange rates of foreign currencies against the Swiss franc had a negative impact of CHF 2.1 billion.

Development of assets under management			
CHF bn	30-06-17	30-06-16	31-12-16
Wealth Management	48.5	42.3	46.8
Private Banking	39.8	35.0	39.0
External Asset Managers	8.7	7.3	7.8
Institutional clients	98.0	85.5	91.7
Asset Management ¹	97.2	86.4	92.3
Investment Banking ²	3.7	2.5	3.1
Corporate Center ³	(2.9)	(3.4)	(3.7)
Total assets under management	146.5	127.8	138.5

¹ Including intermediaries

² Excluding External Asset Managers

³ Assets under management that are managed on behalf of other segments.

At the end of June 2017, CHF 48.5 billion of assets were entrusted to Vontobel by private clients (+4% compared to the end of December 2016), the highest-ever volume in Vontobel's more than 90-year history. Institutional clients accounted for CHF 98.0 billion of assets, an increase of 7% compared to the end of 2016.

Development of net new money			
CHF bn 6 months	30-06-17	30-06-16	31-12-16
Wealth Management	1.6	1.0	1.2
Private Banking	1.0	0.9	1.1
External Asset Managers	0.6	0.1	0.1
Institutional clients	(1.3)	(9.7)	(3.1)
Asset Management ¹	(1.7)	(9.7)	(3.5)
Investment Banking ²	0.4	0.0	0.4
Corporate Center ³	0.0	0.0	0.0
Total net new money	0.3	(8.7)	(1.9)

¹ Including intermediaries

² Excluding External Asset Managers

³ Net new money from assets that are managed on behalf of other segments.

The needs of all our clients are at the centre of our business philosophy and actions, as evidenced by our employees' consistent focus on delivering service and performance. This philosophy – combined with our continued investments in growth and in an efficient sales structure at a global and product-oriented level – form the basis for Vontobel's long-term success. As a result, Vontobel once again generated considerable growth in new money of CHF 2.1 billion in the second quarter of 2017.

Vontobel Wealth Management has attracted an above-average volume of new assets in recent years relative to its peers and has achieved this organically. In the period under review, Wealth Management once again recorded impressive growth in new money in our Swiss home market and our focus markets, where it produced an annualized growth rate of 6.8%. This is the result of Vontobel's successful positioning in the wealth management sector, which is undergoing major structural changes. It also shows that our rigorous client focus and ongoing measures to strengthen our advisory expertise are bearing fruit.

In Asset Management, growth in new money of CHF 1.0 billion in the second quarter of 2017 partly offset the outflows in the first three months of the year. Significant inflows were generated in particular by fixed income products offered by the successful boutique TwentyFour Asset Management, which is continuing to achieve strong growth and is now active not only in our UK focus market but also in Continental Europe and the US. The Multi Asset Class and Sustainable Investing boutiques also generated strong inflows, and Raiffeisen's investment business made a positive contribution to the acquisition of new money.

Assets under management by investment category			
in %	30-06-17	30-06-16	31-12-16
Swiss equities	14	13	13
Foreign equities	37	40	39
Bonds	31	29	30
Alternative investments	3	3	3
Liquid assets, fiduciary investments	11	11	11
Other ¹	4	4	4

¹ Including structured products

The structure of assets by investment category reflects the systematic diversification of the Asset Management boutiques as well as changes in the Quality Growth boutique, which is focused on equity strategies. As a result, the proportion of fixed income securities increased by a further one percentage point during the period under review, while the weighting of foreign equities continued to decline slightly. The proportion of liquid assets and fiduciary investments was unchanged at 11% of Group assets under management, demonstrating the continued strong preference for low-risk investments and cash among private clients.

Assets under management by currency			
in %	30-06-17	30-06-16	31-12-16
CHF	26	25	27
EUR	22	20	22
USD	30	29	28
GBP	8	8	7
Other	14	18	16

Our investment expertise is geared towards our international client base – as reflected by our broadly diversified allocation of assets under management in terms of currencies. In the first half of 2017, the proportion of investments in US dollars and in British pounds increased, while the proportion in euro remained stable. In contrast, the proportion of investments in Swiss Francs and other currencies (mainly the Indian rupee and the Hong Kong dollar) decreased slightly.

Organic growth and investments in the future

In recent years, Vontobel has successfully transformed itself from a financial institution that focused predominantly on the Swiss market into an established and globally active wealth and asset manager. This is demonstrated not only by our international client base, the successful international expansion of Financial Products and the balanced structure of assets under management in terms of currencies but also by the significant contribution from fee and commission income, which accounted for almost two-thirds of operating income of over CHF 500 million in the period under review.

Net fee and commission income grew by 2% to CHF 333.6 million compared to the first half of 2016, driven by the further strengthening of Vontobel's market position as well as an upturn in volumes in some financial markets, resulting in a 6% rise in brokerage volumes and an CHF 8.2 million increase in income from corporate finance. Due to changes in the composition of assets – with an increased focus on fixed income securities – and general pressure on margins, advisory and management fees decreased by 2% to CHF 268.1 million, while average assets under management grew by 8% over the same period. Custody fees rose by 5% to CHF 77.5 million compared to the first half of 2016.

At CHF 143.5 million, trading income exceeded the strong result for the first half of 2016 by 20% after Vontobel gained further market share in Switzerland and international markets. Vontobel's trading income mainly comprises income from the issuing, market making and hedging of structured products and warrants – represented by the total of "Securities" and "Other financial instruments at fair value". In the period under review, these activities contributed CHF 133.1 million (+29%) to trading income. Income from forex and precious metals trading decreased by 34% to CHF 10.4 million.

Managing the bank's balance sheet while maintaining a conservative risk profile is especially challenging in the current environment of extremely low or negative interest rates. Compared to the previous year, loans to clients rose by 24% to almost CHF 3 billion. As a result, interest income from financial instruments at amortized cost increased by 36% to CHF 23.2 million. In contrast, the 69% reduction in dividend income from available-for-sale financial assets to CHF 3.4 million was attributable to the non-recurrence of the dividend from the participation in

Helvetia, which was sold at the end of 2016. In the previous year, Vontobel received a dividend of CHF 7.6 million. Furthermore, in Treasury it was not possible to reinvest the capital from maturing bonds at the same attractive conditions and this also had a negative impact on interest income. In total, net interest income declined by 12% to CHF 34.7 million. Other income decreased by 43% to CHF 5.7 million, reflecting significantly lower income from the sale of treasury assets (available-for-sale financial assets) of CHF 3.5 million (first half of 2016: CHF 8.1 million).

Structure of the income statement				
(6 months)	30-06-17 CHF mn	30-06-17 in % ¹	30-06-16 in % ¹	31-12-16 in % ¹
Net interest income	34.7	7	8	5
Fee and commission income	333.6	64	66	55
Trading income	143.5	28	24	22
Other income	5.7	1	2	18
Total operating income	517.5	100	100	100
Personnel expense	262.1	50	48	42
General expense	101.8	20	19	16
Depreciation, amortization	29.7	6	6	6
Valuation adjustments, provisions and losses	1.4	0	1	3
Operating expense	395.0	76	74	67
Taxes	21.0	4	5	6
Group net profit	101.5	20	21	27

¹ Share of operating income

Investments in new markets, talent, technology and our brand in order to generate growth are reflected by the development of operating expense, which rose by 8% to CHF 395.0 million compared to the first half of 2016. This also includes expenses of CHF 5.1 million before taxes related to the Vescore integration. Personnel expense – the largest cost component – increased by 10% to CHF 262.1 million due to the growth in headcount. At the end of June 2017, Vontobel employed 1,643 full-time equivalents, an increase of 149 (+10%) compared to 30 June 2016.

General expense rose by 9% to CHF 101.8 million. This increase was mainly driven by higher expenses for IT and telecommunications, as well as for travel and representation, public relations and marketing – including the planned implementation in the second half of 2017 of our branding initiative, which will reflect our sharper brand positioning.

Capital expenditure and depreciation			
CHF mn (6 months)	30-06-17	30-06-16	31-12-16
Capital expenditure	21.8	13.2	28.9
Depreciation	29.7	29.9	32.4

Depreciation of property, equipment and intangible assets decreased by 1% to CHF 29.7 million, as planned. Capital expenditure totalled CHF 21.8 million in the period under review, mainly comprising IT investments related to our digitalization strategy.

In view of the continued challenging market environment and the resulting latent pressure on margins within the industry, as well as the shift of weightings within our business model, Vontobel's income base proved very resilient. At the same time, Vontobel invested in future growth, resulting in a slight reduction in operating efficiency. The cost/income ratio rose to 76.1%.

Pre-tax profit declined by 6% to CHF 122.5 million compared to the strong result for the first half of 2016. The tax charge decreased by 13% to CHF 21.0 million; the tax rate was 17.1%, compared to 18.5% in the first half of 2016.

Net profit after taxes totalled CHF 101.5 million (-4%) and basic earnings per share were CHF 1.78 (-5%). On a comparable basis, i.e. excluding the Helvetia dividend last received in the first half of 2016 and excluding Vescore integration costs in the current year, Vontobel increased its net profit by 7% from the adjusted figure of CHF 98.7 million in the first half of 2016 to CHF 106.1 million in the first half of 2017. A respectable return on equity of 12.9% was generated in the first half of 2017.

As a wealth and asset manager with an international client structure and strong roots in its Swiss home market, Vontobel is systemically affected by the strong Swiss franc, like companies in the Swiss export industry. The proportion of income and costs generated in US dollars decreased further in the first half of 2017. As a result, 46% of income and 78% of operating expense at Vontobel were generated in Swiss francs. The US dollar continued to represent the second most important currency, accounting for 28% of income and 10% of operating expense. This was followed by the euro, with 16% of income and 8% of costs.

Structure of income statement by currency			
in %	30-06-17	30-06-16	31-12-16
Operating income			
CHF	46	43	49
EUR	16	14	13
USD	28	33	29
GBP	5	5	4
Other	5	5	5
Operating expense			
CHF	78	76	77
EUR	8	6	7
USD	10	14	12
GBP	3	3	3
Other	1	1	1

Divisional results reflect Vontobel's strong positioning as a wealth and asset manager as well as the successful expansion of Financial Products

Profit before taxes by segment			
CHF mn (6 months)	30-06-17	30-06-16	31-12-16
Private Banking	27.1	26.6	20.6
Asset Management	69.5	85.3	78.2
Investment Banking	62.8	37.6	47.0
of which External Asset Managers	11.3	7.6	7.7
Corporate Center	(36.9)	(19.8)	45.8
Total	122.5	129.7	191.6

In the Private Banking division, the asset base grew significantly thanks to the acquisition of new client assets and an impressive investment performance. The continued strength of the Swiss franc, general pressure on margins, and investments in future growth once again had a negative impact on the result in the period under review. Private Banking nevertheless delivered a slight increase in pre-tax profit to CHF 27.1 million (+2%).

In Asset Management, strong investment performance and high product and service quality, as well as a successful diversification strategy, are the hallmarks of the business. In the first half of 2017, Asset Management was once again the main earnings driver at Vontobel, contributing CHF 69.5 million to its pre-tax profit.

The Financial Products business in Investment Banking has, for years, demonstrated a high level of innovation as well as technology and cost leadership while maintaining its close proximity to clients. It has successfully established itself as one of the leading providers of structured products and derivatives in Europe. In the first half of 2017, Investment Banking delivered a significant increase in pre-tax profit (+67%) to CHF 62.8 million as a result of further market share gains in Financial Products as well as the good performance of Corporate Finance and Brokerage. Financial Products accounted for nearly one-third of Vontobel's pre-tax profit (excluding the Corporate Center) in the first half of 2017. Wealth & Asset Management (Private Banking, Asset Management and the External Asset Managers business) contributed 68% of the pre-tax profit generated by the divisions.

The result for the Corporate Center declined, reflecting the negative impact of the non-recurrence of the dividend from the participation in Helvetia, which was sold at the end of 2016, as well as Vescore integration costs of CHF 4.6 million after taxes.

Conservative risk management

Vontobel remains committed to a conservative risk management approach. This is reflected by the further decrease in average Value at Risk in the Financial Products business to CHF 2.5 million in the first half of 2017, compared to CHF 2.8 million in the first half of 2016 and CHF 2.7 million in the second half of 2016. At CHF 1.5 million, the equity component accounted for the largest proportion of Value at Risk this time, while the interest rate component, which mainly reflects credit spread risks in the bond portfolio, accounted for CHF 1.2 million of Value at Risk.

Value at Risk (VaR) for the positions of Financial Products			
CHF mn	30-06-17	30-06-16	31-12-16
Equities	1.5	1.4	1.3
Interest rates	1.2	2.3	2.0
Currencies	0.9	0.5	0.5
Commodities	0.8	1.5	0.9
Diversification effect	(1.9)	(2.9)	(2.0)
Total	2.5	2.8	2.7

Average Value at Risk (6 months) for positions in the Financial Products business unit of the Investment Banking division. Historical simulation of Value at Risk; 99% confidence level; 1-day holding period; 4-year historical observation period.

Continued comfortable capital position

Vontobel has maintained its comfortable equity position. At 30 June 2017, the BIS common equity tier 1 ratio (CET1 ratio) was 19.3%. This represents a very good level in an industry comparison and substantially exceeds the regulatory minimum requirement.

Consolidated shareholders' equity was CHF 1.52 billion, in line with the level at the end of 2016. Vontobel's very solid capital position is also reflected by its equity ratio of 7.2% and a leverage ratio under Basel III of 5.1%. Furthermore, Vontobel's balance sheet can be described as highly liquid, since the liquidity coverage ratio averages 194.1% and thus significantly exceeds the minimum requirement of 80% defined by FINMA for 2017.

Total assets grew by 9% to CHF 21.2 billion in the first six months of 2017 due to the expansion of the business. On the liabilities side of the balance sheet, client deposits rose by CHF 0.6 billion to CHF 9.6 billion, while liabilities from the structured products business rose by 13% from CHF 6.4 billion to CHF 7.2 billion. On the assets side of the balance sheet, there was a slight increase in cash to CHF 6.5 billion. Trading portfolio assets and financial assets at fair value held for hedging purposes grew significantly by 22% and 28%, respectively. Loans to clients totalled almost CHF 3 billion, an increase of 12% from the end of 2016.

Allocation of regulatory capital required (BIS) as of 30 June 2017					
CHF mn	Credit risks	Market risks	Operational risks	Goodwill etc.	Total
Private Banking	33.5	0.0	35.5	76.2	145.2
Asset Management	9.5	0.0	62.3	198.2	270.0
Investment Banking	33.3	139.2	38.8	(1.4)	209.9
Corporate Center	31.2	62.1	5.5	0.0	98.8
Total	107.5	201.3	142.1	273.0	723.9

Of the total regulatory capital of CHF 723.9 million required under BIS rules (31-12-16: CHF 703.9 million), 37% was allocated to Asset Management, 29% to Investment Banking and 20% to Private Banking.

96% of client assets come from Swiss home market and international focus markets

Client assets by client domicile as of 30 June 2017						
CHF bn	Assets under management	Other advised client assets	Structured products outstanding	Total advised client assets	Custody assets	Total client assets
Home market						
Switzerland ¹	63.0	0.4	5.7	69.1	42.6	111.7
Focus markets						
Germany	13.7	4.0	1.5	19.2	0.0	19.2
Italy	8.6	0.0	0.0	8.6	0.0	8.6
UK	15.1	0.0	0.0	15.1	0.0	15.1
US	18.9	0.0	0.0	18.9	0.0	18.9
Emerging Markets ²	19.2	6.4	0.0	25.6	0.0	25.6
Other markets	8.0	0.2	0.0	8.2	0.4	8.6
Total client assets	146.5	11.0	7.2	164.7	43.0	207.7

¹ Including Liechtenstein

² Asia Pacific region, CEE, LATAM, Middle East, Africa

At 30 June 2017, 54% of client assets comprised the assets of clients domiciled in Switzerland, underscoring the high level of confidence that clients in our home market have in Vontobel's expertise and financial solidity. Today, 96% of our client assets come from our Swiss home market and

focus markets. With the exception of Emerging Markets, we succeeded in growing our asset base in all our markets in the first half of 2017 as a result of positive performance and the inflow of new money.

Business strategy focused on achieving long-term success

We believe that our role is, first and foremost, to invest the assets entrusted to us in a way that creates value for our clients while taking account of their needs. In this context, we pursue a business strategy that is focused on the achievement of long-term success. This strategy is founded on three main components:

- Our core competencies
- Target markets (home and focus markets)
- Technology leadership

With our solid brand, very strong capital position, future-oriented business model and stable majority shareholders, Vontobel is well positioned to succeed in an environment characterized by ever fiercer and increasingly global competition.

Mid-term targets 2020

Our business philosophy and actions are focused primarily on delivering a sustained increase in shareholder value. We are therefore committed to achieving a sustainable return on equity, a solid capital position, a competitive cost/income ratio and a generous payout ratio.

With Vontobel having already achieved its mid-term targets for 2017 in the course of 2016, new mid-term targets for the period to 2020 are now being defined in the annual strategy discussion of the Board of Directors and the Executive Board. We will provide detailed information about our strategy and targets for 2020 on 31 August 2017.

Private Banking

Our business philosophy and actions centre on the needs of our clients and on ensuring they are satisfied with our offering. We strive to deliver the highest standards of Swiss quality when advising our clients. With our family shareholders, who have a long-term commitment to Vontobel, as well as our strong capital position and the transparency we must provide as a listed company, we are a trusted and unique partner to our clients. Swiss clients benefit from our comprehensive advice and services, ranging from portfolio management and specific investment recommendations to wealth planning, tax planning and various financing solutions. In the case of our international clientele, our market-specific offerings primarily give them opportunities for global wealth diversification based on our active, broadly diversified investment strategy and our expertise as an integrated wealth and investment manager.

Our relationship managers have a pivotal role to play in the provision of high-quality service. We invest in their advisory expertise and in their knowledge of the financial markets as well as our products and solutions. In 2017, Vontobel Private Banking was assigned a top-three place in the “Bilanz Private Banking Rating” by the Swiss business magazine Bilanz for the fourth year in succession, demonstrating our client focus and attractive offering. In addition, the results of the client survey we conducted at the end of 2016 revealed a very pleasing increase in client satisfaction since 2013.

In the move towards increased digitalization, we have significantly expanded our client offering. Today, Vontobel clients in all relevant countries can access our market-specific services via “Vontobel Mobile Private Banking” – a solution for smartphones, tablets and computers. This solution provides investment information and ideas, portfolio access, trading functions and access to all banking documents. It also allows clients to engage with their relationship manager securely. Vontobel clients now enjoy continuous and uniform access to all the functions available in their specific market across all channels. “Vontobel Mobile Private Banking” is today a pioneering solution in our peer group. In March 2017, the digital solution “Vontobel Mobile Private Banking” was assigned the number three ranking globally among online wealth management solutions for ultra-high-net-worth and high-net-worth individuals by the renowned research institute MyPrivateBanking. We want to defend the competitive advantage this gives us and will therefore continue to develop our digital channel in the future.

After taking profitability in Vontobel Private Banking to a new level in 2013 by focusing our activities, we have since made effective use of our new earning power to expand our business organically. In 2017, we have continued to deliver above-market growth – thus maintaining the trend in recent years – thanks to our excellent positioning. At 5.1%, the annualized growth in new money was above our own target range of 3–5% and was thus significantly above the market growth rate. Our high level of investment expertise is reflected by the impressive performance of client portfolios with asset management mandates, of which 69% outperformed their benchmarks in the period under review. In total, clients in Private Banking entrusted us with CHF 41.2 billion of assets, an increase of 3% compared to the end of 2016, as Vontobel gained further market share. Overall, the number of relationship managers amounted to 186 FTE, further hires are planned for the second half of the year. In addition, we are carefully evaluating possible acquisitions to complement our organic growth.

Despite historically low interest rates and continued low levels of client activity, operating income rose to CHF 132.0 million. The result continues to be negatively impacted by the strong Swiss franc, general pressure on margins, and investments in future growth. Private Banking nevertheless generated a slight improvement (+2%) in pre-tax profit to CHF 27.1 million.

Vontobel Private Banking is committed to protecting and building the assets entrusted to it and therefore offers clients long-term and forward-looking advice across the generations, with a focus on individual solutions. Our offering encompasses a wide variety of services – from portfolio management and active investment advisory to integrated financial advice, inheritance planning and financing solutions. Through our integrated business model, private clients also benefit from access to the proven expertise of the Asset Management and Investment Banking divisions. Vontobel Private Banking has a presence in Zurich, Basel, Berne, Geneva, Lugano, Lucerne, Vaduz, Munich, Hamburg and Hong Kong. It is also present in New York and Dallas through its SEC-registered company Vontobel Swiss Wealth Advisors AG.

Segment results					
	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Net interest income	16.0	11.9	13.4	4.1	34
Other operating income	116.0	110.7	108.3	5.3	5
Operating income	132.0	122.6	121.7	9.4	8
Personnel expense	55.4	49.6	54.5	5.8	12
General expense	7.7	6.2	7.4	1.5	24
Services from/to other segment(s)	40.0	38.5	36.9	1.5	4
Depreciation of property, equipment and intangible assets	1.5	1.5	1.6	0.0	0
Valuation adjustments, provisions and losses	0.3	0.2	0.7	0.1	50
Operating expense	104.9	96.0	101.1	8.9	9
Segment profit before taxes	27.1	26.6	20.6	0.5	2

Key figures			
in %	30-06-17	30-06-16	31-12-16
Cost ¹ /income ratio	79.2	78.1	82.5
Change of assets under management	2.1	2.3	11.4
of which net new money	2.6	2.6	3.1
of which change in market value	0.8	(0.3)	8.3
of which other effects	(1.3) ²	0.0	0.0
Operating income/average assets under management (bp) ^{3,4}	67	71	67
Profit before taxes/average assets under management (bp) ^{3,4}	14	15	11

Client assets					
	30-06-17	30-06-16	31-12-16	Change to 31-12-16	
	CHF bn	CHF bn	CHF bn	CHF bn	in %
Assets under management	39.8	35.0	39.0	0.8	2
Other advised client assets	1.4	1.0	1.0	0.4	40
Total advised client assets	41.2	36.0	40.0	1.2	3
Average assets under management ⁴	39.4	34.4	36.6	2.8	8

Net new money			
CHF bn (6 months)	30-06-17	30-06-16	31-12-16
Net new money	1.0	0.9	1.1

Personnel					
	30-06-17	30-06-16	31-12-16	Change to 31-12-16	
					in %
Employees (full-time equivalents)	390.3	369.2	387.0	3.3	1
of which relationship managers	186.4	187.2	199.0	(12.6)	(6)

¹ Operating expense excl. valuation adjustments, provisions and losses

² The decrease in assets under management reflects the reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.

³ Annualized

⁴ Calculation based on average values for individual months

Asset Management

The growth achieved by Vontobel Asset Management in recent years has far exceeded the market average. Income has almost doubled from the first half of 2011 to the first half of 2017. Over the same period, Asset Management has generated a four-fold increase in pre-tax profit from CHF 17.5 million to CHF 69.5 million. This disproportionately large rise in profit is the result of our successful global growth strategy and a simultaneous increase in operating efficiency, with the cost/income ratio improving from 82.3% to 65.5%.

Our diversification strategy and performance orientation are continuing to prove successful. Assets under management increased across all boutiques – including the Quality Growth boutique, which was faced with exceptional circumstances following the departure of the former CIO and the “Trump effect” on the emerging markets that lasted until early 2017. Client assets in Asset Management grew by 5% compared to the end of 2016 and reached a record CHF 106.8 billion, reflecting the impressive quality of our products. In the first six months, 79% of our assets outperformed their benchmarks. As a result of the systematic execution of its proven investment style and investment process, the Quality Growth team delivered another significant outperformance of up to 700 basis points with its strategies, measured in terms of the gross performance of the composite. The growth in new money of CHF 1.0 billion in the second quarter partly offset outflows in the first quarter of 2017. Significant inflows were generated in particular by the fixed income products of the successful boutique TwentyFour Asset Management – which is continuing to achieve strong growth and is now present not only in our UK focus market but also in Europe and the US – as well as by the Multi Asset Class boutiques. Raiffeisen’s investment business also made a positive contribution to the acquisition of new money.

As part of the redefinition of the collaboration between Vontobel and Raiffeisen in the area of asset management, Vontobel acquired Raiffeisen’s asset management subsidiary Vescore AG in September 2016. Vontobel Asset Management’s successful international boutique model has been strengthened by the Sustainable Investing team and by Vescore Quantitative Investments, which are contributing to its further diversification. In mid-May 2017, Vontobel completed the legal integration of the remaining Vescore business, which will already contribute to its profitability in 2018.

The search for income is more important than ever in the current low return environment. Against this backdrop, Vontobel’s Quality Growth boutique recently launched a Global Equity Income Strategy based on its proven fundamental, research-based investment philosophy. Vontobel has been investing in emerging markets strategies since 1992. At present, investments in equities and bonds from these regions, which continue to have significant growth potential in our view, total CHF 21.0 billion. The impressive investment performance and quality of our products were once again recognized by renowned rating agencies, which presented us with numerous awards. For example, the Vontobel Fund mtx China Leaders was assigned to the “Best Group” in the category China Equity and the Vontobel Fund Emerging Market Debt was assigned to the “Best Group” in the category Emerging Markets Global Hard Currency by Citywire Asia. In addition, Vontobel received the Lipper Fund Award 2017 for the Vontobel Fund mtx Sustainable Emerging Markets Leaders as the “Best performer over three years” in the Equity Emerging Markets Global category, while the Vontobel Fund Dynamic Commodity was named “Best performer over three years” in the Commodity Blended category. Vontobel Asset Management will pursue its successful growth strategy as an active asset manager. Our positioning as a high-conviction manager clearly sets us apart from a passive investment approach. At the same time, we are investing in big data and digitalization. In future, even more of the findings from big data research will be incorporated into the investment process and portfolio management.

Asset Management was once again the main earnings driver at Vontobel in the first half of 2017. Operating income totalled CHF 201.7 million and pre-tax profit was CHF 69.5 million. The gross margin declined to 43 basis points, mainly reflecting changes in the composition of assets.

As an active asset manager, the division creates financial value for clients. To achieve this, it develops first-class solutions to optimize returns and manage risk. Asset Management is positioned as a multi-boutique provider that focuses on the following areas: Quality Growth Equities, Multi Asset Class, Fixed Income, TwentyFour Asset Management, Thematic Equities and Alternatives. Each boutique is run as an independent centre of expertise. The Asset Management division has a presence in Zurich, Basel, Berne, Geneva, New York, Frankfurt, London, Luxembourg, Madrid, Milan, Munich, Hong Kong and Sydney.

Segment results					
	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Net interest income	0.1	0.3	0.0	(0.2)	(67)
Other operating income	201.6	210.3	204.1	(8.7)	(4)
Operating income	201.7	210.6	204.1	(8.9)	(4)
Personnel expense	82.3	80.5	77.7	1.8	2
General expense	21.9	19.3	22.6	2.6	13
Services from/to other segment(s)	25.4	23.2	23.3	2.2	9
Depreciation of property, equipment and intangible assets	2.5	2.1	2.1	0.4	19
Valuation adjustments, provisions and losses	0.1	0.2	0.2	(0.1)	(50)
Operating expense	132.2	125.3	125.9	6.9	6
Segment profit before taxes	69.5	85.3	78.2	(15.8)	(19)

Key figures			
in %	30-06-17	30-06-16	31-12-16
Cost ¹ /income ratio	65.5	59.4	61.6
Change of assets under management ²	6.4	(9.8)	6.7
of which net new money	(1.9)	(10.4)	(4.3)
of which change in market value	8.3	0.6	1.5
of which other effects	0.0	0.0	9.5 ³
Operating income/average assets under management (bp) ^{4,5}	43	46	45
Profit before taxes/average assets under management (bp) ^{4,5}	15	19	17

Client assets					
	30-06-17	30-06-16	31-12-16	Change to 31-12-16	
	CHF bn	CHF bn	CHF bn	CHF bn	in %
Assets under management	97.2	86.4	92.3	4.9	5
of which Vontobel funds	22.7	23.3	20.6	2.1	10
of which private label funds	17.7	12.1	16.7	1.0	6
of which managed on behalf of other segments	2.9	3.4	3.7	(0.8)	(22)
Other advised client assets	9.6	5.4	9.4	0.2	2
Total advised client assets	106.8	91.8	101.7	5.1	5
Average assets under management ⁵	94.8	90.9	89.9	4.9	5

Net new money			
CHF bn (6 months)	30-06-17	30-06-16	31-12-16
Net new money	(1.7)	(9.7)	(3.5)

Personnel				
	30-06-17	30-06-16	31-12-16	Change to 31-12-16
				in %
Employees (full-time equivalents)	398.5	323.7	397.5	1.0
				0

¹ Operating expense excl. valuation adjustments, provisions and losses

² Adjusted for assets that are managed on behalf of other segments

³ Acquisition of Vescore AG as per 20 September 2016

⁴ Annualized

⁵ Calculation based on average values for individual months

Investment Banking

Vontobel is one of the world's leading providers of structured investment products and leverage products, with a market share of over 10% in Europe and 25% in our Swiss home market, measured in terms of the exchange-traded volume in the target segment. As an innovative and professional issuer, Vontobel offers investors a broad investment universe with more than 190,000 issued products spanning all geographical regions and risk classes. The international expansion of Financial Products is advancing rapidly. We have been operating successfully in Germany and the Nordic market for a number of years. We entered the Italian market in 2016 and this year made our market debut in the Netherlands and France. We plan to offer our leading range of leverage products on the Hong Kong stock exchange – one of the world's largest markets in terms of trading volumes – in the second half of 2017.

Thanks to our innovative strength and our state-of-the-art digital ecosystem, we can now rapidly enter new markets and serve new target groups. With our unique and leading multi issuer platform Vontobel deritrade® MIP, we enable asset managers and banks to independently compare, create and manage structured products from different issuers for their clients. In the first half of 2017, a total of CHF 2.2 billion of products were purchased on our platform – a significant increase of 29% compared to the same period of the previous year and more than the turnover on the SIX Swiss Exchange in the segment for yield enhancement products. We are now also offering our multi issuer capabilities to our clients in Germany through the issuing platform "mein-zertifikat.de". In Switzerland, private investors have been able to use a new type of app, "Vontobel Investment Scout", since the end of March 2017 in order to select a structured product tailored to their individual preferences and have it issued immediately via their iPhone or iPad. In Vontobel Financial Products, business processes have been fully automated as a result of innovation and digitalization, resulting in a significant reduction in unit costs, which have fallen by 96% since 2009.

Vontobel Corporate Finance has succeeded in expanding its leading position in the Swiss equity capital market, in the area of public takeover bids and as a lead manager for bond issues. In the first half of 2017, the team advised on 14 corporate finance transactions worth between CHF 20 million and CHF 30 billion.

Vontobel's External Asset Managers (EAM) business provides support and advice to external asset managers. We increased our number of relationship managers in the first half of 2017. The EAMs we serve benefit from our excellent service offering, such as Investment Advisory – with our global investment expertise – and our first-class competence in active asset management, as well as our extensive compliance knowhow. In addition, our new digital platform "Vontobel EAMNet" provides external asset managers with access to a pioneering solution compared to peer offerings that also features a very client-friendly design. This was rewarded by our clients with impressive annualized growth in new money of considerably more than 10%.

In the first half of 2017, Investment Banking generated a significant increase in operating income of 27% to CHF 168.8 million as a result of further gains in market share and our successful performance in Corporate Finance and Brokerage. At the same time, operating expense rose by only 12% despite the expansion of our offering and our international growth, reflecting a high level of cost discipline. This resulted in a 67% increase in pre-tax profit to CHF 62.8 million.

Investment Banking creates customized investment solutions for our clients. Vontobel is one of the leading issuers of structured products and derivatives in Europe and has a presence in Asia. Investment Banking also provides comprehensive services for external asset managers. In addition to its award-winning Brokerage function, Vontobel is active in the field of corporate finance. Securities and foreign exchange trading, as well as the securities services supplied by Transaction Banking, complete its range of offerings. Prudent risk management is assigned the utmost importance in all of these activities. Vontobel Investment Banking is a global leader in the digitalization of investment solutions. Investment Banking has operations in Zurich, Basel, Geneva, Lugano, Cologne, Frankfurt, Dubai, London, New York, Hong Kong and Singapore.

Segment results					
	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Net interest income	4.7	1.8	3.3	2.9	161
Other operating income	164.1	130.8	141.4	33.3	25
Operating income	168.8	132.6	144.7	36.2	27
Personnel expense	59.4	46.7	53.1	12.7	27
General expense	24.7	23.2	22.1	1.5	6
Services from/to other segment(s)	19.2	22.6	20.3	(3.4)	(15)
Depreciation of property, equipment and intangible assets	2.7	2.3	2.3	0.4	17
Valuation adjustments, provisions and losses	0.0	0.2	(0.1)	(0.2)	(100)
Operating expense	106.0	95.0	97.7	11.0	12
Segment profit before taxes	62.8	37.6	47.0	25.2	67

Key figures			
in %	30-06-17	30-06-16	31-12-16
Cost ¹ /income ratio	62.8	71.5	67.6
Change of assets under management	13.8	(3.0)	11.2
of which net new money	9.2	1.0	5.1
of which change in market value	4.6	(4.0)	6.1

Client assets					
	30-06-17	30-06-16	31-12-16	Change to 31-12-16	
	CHF bn	CHF bn	CHF bn	CHF bn	in %
Assets under management	12.4	9.8	10.9	1.5	14
Structured products outstanding	7.2	5.9	6.4	0.8	13
Total advised client assets	19.6	15.7	17.3	2.3	13
Custody assets	43.0	39.2	40.1	2.9	7
Total client assets	62.6	54.9	57.4	5.2	9

Net new money			
CHF bn (6 months)	30-06-17	30-06-16	31-12-16
Net new money	1.0	0.1	0.5

Personnel					
	30-06-17	30-06-16	31-12-16	Change to 31-12-16	
					in %
Employees (full-time equivalents)	376.9	349.6	372.8	4.1	1

Of which External Asset Managers					
	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)					in %
Operating income (CHF mn)	25.9	21.7	21.7	4.2	19
Profit before taxes (CHF mn)	11.3	7.6	7.7	3.7	49
Cost ¹ /income ratio (%)	56.0	65.0	64.1		
Assets under management (CHF bn)	8.7	7.3	7.8		
Net new money (CHF bn)	0.6	0.1	0.1		
Operating income/average assets under management (bp) ^{2,3}	62	59	57		

¹ Operating expense excl. valuation adjustments, provisions and losses

² Annualized

³ Calculation based on average values for individual months

Corporate Center

Vontobel has a long tradition of corporate responsibility and sustainability, which are part of our corporate culture. We strive to take greater account of sustainability aspects across every area of our business and we view this as a permanent and pressing commitment. Since the 1990s, Vontobel has continuously expanded its sustainable investing activities and is seeking to play a leading role in this area. Vontobel has been a signatory to the UN Principles for Responsible Investment (UN PRI) since 2010 and achieved an above-average score in the PRI reporting for 2016. In June 2017, Vontobel joined the global network of the United Nations Global Compact as well as the Global Compact Network Switzerland. The UN Global Compact is a strategic initiative for companies that pledge to align their operations and strategies with ten universal principles in the areas of human rights, labour, environment and anti-corruption.

With the rollout of Avaloq in 2009 and the subsequent upgrading of peripheral systems, Vontobel laid the foundations for the current digital transformation of the business. This reflects the vital importance today of having a modern back- and middle-office landscape in order to successfully implement innovative front-office applications. To drive forward the digital transformation process in a coordinated and targeted manner, a dedicated programme was launched that encompasses more than 20 digitalization projects. In March 2017, for example, Financial Products introduced “Vontobel Investment Scout” – the world’s first app that allows private investors to use their iPhone and iPad to create structured products, tailor them to their specific requirements and monitor them. At the same time, the range of products offered on the “Vontobel Mobile Private Banking” and “Vontobel EAMNet” platforms has been continuously refined and expanded. A substantial proportion of IT investment is now being channelled into the digitalization of the business; with these future-oriented investments, we are securing a strong and competitive position for Vontobel in the market.

Vontobel has long adopted a future-oriented approach in its business – especially with German clients. Some time ago, it therefore began to systematically review the tax status of all German clients, as well as other clients, and actively supported their efforts to regularize their tax status where applicable. Irrespective of this, the German tax

authorities launched an investigation into Vontobel and a large number of other Swiss financial institutions in 2014. Like the other banks, Vontobel is currently holding talks with the relevant German authorities to obtain transparency and legal certainty for the bank, its clients and its employees.

The negative interest rates that apply to certain sight deposits held by banks at the Swiss National Bank (SNB), as well as the negative key interest rate in the Eurozone, adversely affected our result once again. They primarily had an impact in Private Banking and in the External Asset Managers business, as well as in Treasury. This effect was partly offset by an increase in lending to clients in the form of secured loans (“lombard loans”) as well as by the active management of excess liquidity. The decline in interest income in the Corporate Center was primarily due to the non-recurrence of the dividend from the participation in Helvetia, which was sold at the end of 2016. In the previous year, a dividend of CHF 7.6 million (pre-tax) was received. In addition, in Treasury, it was not possible to reinvest the capital from maturing bonds at the same attractive conditions and this also had a negative impact on interest income.

The integration of Vescore was completed in May 2017, just nine months after it was acquired. This resulted in a charge of approximately CHF 4.6 million after taxes in the period under review. Consequently, the Corporate Center’s pre-tax result decreased by CHF 17.1 million compared to the first half of 2016 to CHF –36.9 million.

The Corporate Center provides central services for the divisions and comprises the units Operations, Finance & Risk and Corporate Services, as well as the Board of Directors support unit. Operations consists of the central IT unit and Facility Management, as well as Legal, Compliance & Tax. Finance & Risk combines the areas of Finance, Controlling, Treasury, Risk Control and Investor Relations. Corporate Services is divided into the areas Corporate Human Resources, Corporate Marketing & Communications, and Corporate Business Development. The Board of Directors support unit assists the Board of Directors with all administrative and legal matters and includes Internal Audit.

Segment results					
	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Net interest income	13.9	25.6	11.4	(11.7)	(46)
Other operating income	1.1	5.4	102.4	(4.3)	(80)
Operating income	15.0	31.0	113.8	(16.0)	(52)
Personnel expense	65.0	61.8	60.9	3.2	5
General expense	47.5	45.0	43.9	2.5	6
Services from/to other segment(s)	(84.6)	(84.3)	(80.5)	(0.3)	
Depreciation of property, equipment and intangible assets	23.0	24.0	26.4	(1.0)	(4)
Valuation adjustments, provisions and losses	1.0	4.3	17.3	(3.3)	(77)
Operating expense	51.9	50.8	68.0	1.1	2
Segment profit before taxes	(36.9)	(19.8)	45.8	(17.1)	

Personnel					
	30-06-17	30-06-16	31-12-16	Change to 31-12-16	
					in %
Employees (full-time equivalents)	477.2	451.9	517.1	(39.9)	(8)

Capital/Liquidity

Eligible and required capital		
CHF mn	30-06-17	31-12-16
Eligible capital		
Equity according to balance sheet	1,515.7	1,514.1
Paid-in capital	56.9	56.9
Disclosed reserves	1,425.8	1,291.2
Net profit for the current financial year	98.7	259.8
Deduction for treasury shares	(65.7)	(93.8)
Deduction for minority interests	0.0	0.0
Deduction for dividends (current estimate)	(56.9)	(113.8)
Deduction for goodwill	(222.7)	(223.3)
Deduction for intangible assets	(51.7)	(55.7)
Deduction for deferred tax assets	(22.8)	(24.4)
Addition (deduction) for losses (gains) due to changes in own credit risk	1.4	3.9
Deduction for unrealised gains related to financial investments AFS	(6.1)	(9.2)
Deduction for defined benefit pension fund assets (IAS 19)	(33.3)	(22.1)
Other adjustments	(35.2)	(51.1)
Net eligible BIS common equity tier 1 capital (CET1)	1,088.4	1,018.4
Additional tier 1 capital (AT1)	0.0	0.0
Net eligible BIS tier 1 capital	1,088.4	1,018.4
Supplementary capital (tier 2)	0.0	0.0
Other deductions from total capital	0.0	0.0
Net eligible regulatory capital (BIS tier 1 + 2)	1,088.4	1,018.4
Risk-weighted positions		
Credit risks	1,717.2	1,622.4
Receivables	1,613.5	1,519.7
Price risk relating to equity instruments in the banking book	103.7	102.7
Non-counterparty related risks	147.9	152.9
Market risks	1,995.2	1,862.0
Interest rates	1,077.8	1,076.1
Equities	338.4	314.7
Currencies	283.7	248.6
Gold	29.1	13.0
Commodities	266.2	209.6
Operational risk	1,775.7	1,723.5
Total risk-weighted positions	5,636.0	5,360.8

The disclosures for capital adequacy, leverage ratio and liquidity coverage ratio are in accordance with the requirements set out in FINMA Circular 16/01. The values used to calculate the liquidity coverage ratio are simple monthly averages for the relevant quarter or halfyear. The average is calculated based on the values shown in the monthly liquidity status reports submitted to FINMA and the SNB. This results in three data points per quarter.

For 2017, the liquidity coverage ratio had to exceed 80%. The main factors influencing Vontobel's liquidity coverage ratio are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows, and reverse-repurchase agreements maturing within 30 calendar days as cash inflows.

Capital ratios in accordance with FINMA Circular 16/01		
(as a percentage of risk-weighted positions)	30-06-17	31-12-16
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%) ¹	19.3	19.0
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%) ²	19.3	19.0
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%) ³	19.3	19.0
CET1 available to cover BCBS minimum capital and buffer requirements after deduction of AT1 and T2 capital requirements which are filled by CET1	15.8	15.5
CET1 available	15.1	14.8
T1 available	16.9	16.6
Eligible regulatory capital available	19.3	19.0

¹ CET1 capital ratio target according to Annex 8 CAO plus countercyclical buffer: 7.8%

² T1 capital ratio target according to Annex 8 CAO plus countercyclical buffer: 9.6%

³ Total capital ratio target according to Annex 8 CAO plus countercyclical buffer: 12.0%

The countercyclical buffer requirement (as a percentage of risk-weighted positions) is 0.0.

All investments in the financial sector (< 10%) are risk-weighted for CAD calculations (30-06-2017: CHF 8.5 mn; 31-12-2016: CHF 8.5 mn).

Leverage ratio in accordance with FINMA Circular 15/03		
	30-06-17	31-12-16
Net eligible BIS tier 1 capital in CHF mn	1,088.4	1,018.4
Total leverage ratio exposure in CHF mn	21,362.1	19,437.9
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	5.1	5.2

Liquidity Coverage Ratio in accordance with FINMA Circular 15/02			
Average	1 st Half year 2017	2 nd Quarter 2017	1 st Quarter 2017
Total stock of high quality liquid assets (HQLA) in CHF mn	7,017.8	7,121.0	6,914.7
Total net cash outflows in CHF mn	3,616.3	3,809.3	3,423.3
Liquidity Coverage Ratio LCR in %	194.1	186.9	202.0

Consolidated income statement

Consolidated income statement						
(6 months)	Note	30-06-17 CHF mn	30-06-16 CHF mn	31-12-16 CHF mn	Change to 30-06-16 CHF mn	in %
Interest income		41.0	42.3	33.5	(1.3)	(3)
Interest expense		6.3	2.7	5.4	3.6	133
Net interest income	1	34.7	39.6	28.1	(4.9)	(12)
Fee and commission income		433.2	417.0	414.9	16.2	4
Fee and commission expense		99.6	88.9	94.3	10.7	12
Net fee and commission income	2	333.6	328.1	320.6	5.5	2
Trading income	3	143.5	119.1	130.9	24.4	20
Other income	5	5.7	10.0	104.7	(4.3)	(43)
Total operating income		517.5	496.8	584.3	20.7	4
Personnel expense	6	262.1	238.6	246.2	23.5	10
General expense	7	101.8	93.7	96.0	8.1	9
Depreciation of property, equipment and intangible assets	8	29.7	29.9	32.4	(0.2)	(1)
Valuation adjustments, provisions and losses	9	1.4	4.9	18.1	(3.5)	(71)
Operating expense		395.0	367.1	392.7	27.9	8
Profit before taxes		122.5	129.7	191.6	(7.2)	(6)
Taxes	10	21.0	24.0	32.9	(3.0)	(13)
Group net profit		101.5	105.7	158.7	(4.2)	(4)
of which allocated to minority interests		2.8	2.4	2.2	0.4	17
of which allocated to shareholders of Vontobel Holding AG		98.7	103.3	156.5	(4.6)	(4)
Share information (CHF)						
Basic earnings per share ¹		1.78	1.87	2.85	(0.09)	(5)
Diluted earnings per share ¹		1.75	1.84	2.75	(0.09)	(5)

¹ Basis: weighted average number of shares

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income						
(6 months)	Note	30-06-17 CHF mn	30-06-16 CHF mn	31-12-16 CHF mn	Change to 30-06-16 CHF mn	in %
Group net profit according to the income statement		101.5	105.7	158.7	(4.2)	(4)
Other comprehensive income, net of tax	11					
Other comprehensive income that will be reclassified to the income statement						
Currency translation adjustments						
Income during the reporting period		(7.6)	(9.8)	3.6	2.2	
Gains and losses transferred to the income statement		0.0	0.0	0.0	0.0	
Total currency translation adjustments		(7.6)	(9.8)	3.6	2.2	
Financial investments carried at fair value ("available-for-sale")						
Income during the reporting period		2.4	1.3	(27.4)	1.1	85
Gains and losses transferred to the income statement		(2.3)	(2.6)	(94.4)	0.3	
Total financial investments carried at fair value ("available-for-sale")		0.1	(1.3)	(121.8)	1.4	
Cash flow hedges						
Income during the reporting period		0.2	1.2	(1.5)	(1.0)	(83)
Gains and losses transferred to the income statement		0.0	(0.1)	0.1	0.1	
Total cash flow hedges		0.2	1.1	(1.4)	(0.9)	(82)
Total other comprehensive income that will be reclassified to the income statement		(7.3)	(10.0)	(119.6)	2.7	
Other comprehensive income that will not be reclassified to the income statement						
Defined benefit pension plans						
Total gains/(losses) on defined benefit pension plans		11.8	(10.4)	71.0	22.2	
Total other comprehensive income that will not be reclassified to the income statement		11.8	(10.4)	71.0	22.2	
Total other comprehensive income, net of tax		4.5	(20.4)	(48.6)	24.9	
Comprehensive income		106.0	85.3	110.1	20.7	24
of which allocated to minority interests		2.7	1.1	1.8	1.6	145
of which allocated to shareholders of Vontobel Holding AG		103.3	84.2	108.3	19.1	23

Consolidated balance sheet

Assets				
	30-06-17	31-12-16	Change to 31-12-16	
	CHF mn	CHF mn	CHF mn	in %
Cash	6,536.3	6,374.0	162.3	3
Due from banks	1,127.7	1,502.7	(375.0)	(25)
Cash collateral for reverse-repurchase agreements	933.4	823.1	110.3	13
Trading portfolio assets	3,077.5	2,515.8	561.7	22
Positive replacement values	203.3	172.3	31.0	18
Other financial assets at fair value	2,929.7	2,293.4	636.3	28
Loans	2,925.2	2,601.9	323.3	12
Financial investments	1,920.8	2,111.3	(190.5)	(9)
Investments in associates	0.5	0.6	(0.1)	(17)
Property and equipment	149.7	153.9	(4.2)	(3)
Goodwill and other intangible assets	274.4	279.0	(4.6)	(2)
Other assets	1,087.6	565.9	521.7	92
Total assets	21,166.1	19,393.9	1,772.2	9

Liabilities and equity				
	30-06-17	31-12-16	Change to 31-12-16	
	CHF mn	CHF mn	CHF mn	in %
Due to banks	804.4	1,139.0	(334.6)	(29)
Trading portfolio liabilities	141.9	99.7	42.2	42
Negative replacement values	616.0	515.4	100.6	20
Other financial liabilities at fair value	7,163.1	6,354.8	808.3	13
Due to customers	9,638.0	9,058.5	579.5	6
Provisions	34.8	33.4	1.4	4
Other liabilities	1,252.2	679.0	573.2	84
Total liabilities	19,650.4	17,879.8	1,770.6	10
Share capital	56.9	56.9	0.0	0
Treasury shares	(65.7)	(93.8)	28.1	
Capital reserve	(175.8)	(157.8)	(18.0)	
Retained earnings	1,753.2	1,754.5	(1.3)	(0)
Other components of shareholders' equity	(52.9)	(45.7)	(7.2)	
Shareholders' equity	1,515.7	1,514.1	1.6	0
Minority interests	0.0	0.0	0.0	
Total equity	1,515.7	1,514.1	1.6	0
Total liabilities and equity	21,166.1	19,393.9	1,772.2	9

Statement of equity

Statement of equity			
CHF mn	Share capital	Treasury shares	Capital reserve
Balance as of 01-01-16	56.9	(94.6)	(156.1)
Group net profit			
Income recognized in other comprehensive income during the period under review			
Gains and losses transferred to the income statement			
Other comprehensive income from defined benefit pension plans			
Other comprehensive income, net of tax	0.0	0.0	0.0
Comprehensive income	0.0	0.0	0.0
Dividend payment ²			
Purchase of treasury shares		(28.9)	
Sale of treasury shares		9.1	(0.6)
Share-based compensation expense			3.2
Allocations from share-based compensation		47.2	(26.6)
Change in minority interests			0.0
Change in liability to purchase minority interests			0.3
Other effects	0.0	0.0	0.0
Ownership-related changes	0.0	27.4	(23.7)
Balance as of 30-06-16	56.9	(67.2)	(179.8)
Balance as of 01-01-17	56.9	(93.8)	(157.8)
Group net profit			
Income recognized in other comprehensive income during the period under review			
Gains and losses transferred to the income statement			
Other comprehensive income from defined benefit pension plans			
Other comprehensive income, net of tax	0.0	0.0	0.0
Comprehensive income	0.0	0.0	0.0
Dividend payment ²			
Purchase of treasury shares		(38.3)	
Sale of treasury shares		7.2	1.0
Share-based compensation expense			18.9
Allocations from share-based compensation		59.2	(33.8)
Change in minority interests			0.0
Change in liability to purchase minority interests			(4.1)
Other effects	0.0	0.0	0.0
Ownership-related changes	0.0	28.1	(18.0)
Balance as of 30-06-17	56.9	(65.7)	(175.8)

¹ "Net unrealized gains/(losses) on available-for-sale financial investments", "Currency translation adjustments" and "Cash flow hedges" are reported in the balance sheet item "Other components of shareholders' equity".

² Vontobel Holding AG paid a dividend (gross) of CHF 2.00 (previous year CHF 1.85), consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10 per registered share with a par value of CHF 1.00 in April 2017.

Retained earnings	Net unrealized gains/(losses) on available-for-sale financial investments ¹	Currency translation adjustments ¹	Cash flow hedges ¹	Shareholders' equity	Minority interests	Total equity
1,536.8	127.7	(45.1)	(0.4)	1,425.2	0.0	1,425.2
103.3				103.3	2.4	105.7
	1.3	(8.5)	1.2	(6.0)	(1.3)	(7.3)
	(2.6)	0.0	(0.1)	(2.7)	0.0	(2.7)
(10.4)				(10.4)	0.0	(10.4)
(10.4)	(1.3)	(8.5)	1.1	(19.1)	(1.3)	(20.4)
92.9	(1.3)	(8.5)	1.1	84.2	1.1	85.3
(102.7)				(102.7)	(3.8)	(106.5)
				(28.9)	0.0	(28.9)
				8.5	0.0	8.5
				3.2	0.0	3.2
				20.6	0.0	20.6
	0.0	0.0		0.0	0.0	0.0
				0.3	2.5	2.8
0.0	0.0			0.0	0.2	0.2
(102.7)	0.0	0.0	0.0	(99.0)	(1.1)	(100.1)
1,527.0	126.4	(53.6)	0.7	1,410.4	0.0	1,410.4
1,754.5	4.6	(49.6)	(0.7)	1,514.1	0.0	1,514.1
98.7				98.7	2.8	101.5
	2.4	(7.5)	0.2	(4.9)	(0.1)	(5.0)
	(2.3)	0.0	0.0	(2.3)	0.0	(2.3)
11.8				11.8	0.0	11.8
11.8	0.1	(7.5)	0.2	4.6	(0.1)	4.5
110.5	0.1	(7.5)	0.2	103.3	2.7	106.0
(111.8)				(111.8)	(4.3)	(116.1)
				(38.3)	0.0	(38.3)
				8.2	0.0	8.2
				18.9	0.0	18.9
				25.4	0.0	25.4
	0.0	0.0		0.0	0.0	0.0
				(4.1)	1.6	(2.5)
0.0	0.0			0.0	0.0	0.0
(111.8)	0.0	0.0	0.0	(101.7)	(2.7)	(104.4)
1,753.2	4.7	(57.1)	(0.5)	1,515.7	0.0	1,515.7

Share capital

Share capital				
	Number of shares	Share capital	Authorized capital	
		Par value CHF mn	Number of shares	Par value CHF mn
Balance as of 01-01-16	56,875,000	56.9	0	0.0
Balance as of 31-12-16	56,875,000	56.9	0	0.0
Balance as of 30-06-17	56,875,000	56.9	0	0.0

Treasury shares			
		Number	CHF mn
		Balance as of 01-01-16	
Purchases		682,635	28.9
Decreases		(1,220,631)	(56.3)
Balance as of 30-06-16		1,565,113	67.2
Purchases		661,435	32.0
Decreases		(120,181)	(5.4)
Balance as of 31-12-16		2,106,367	93.8
Purchases		676,627	38.3
Decreases		(1,414,404)	(66.4)
Balance as of 30-06-17		1,368,590	65.7

Consolidated cash flow statement

Consolidated cash flow statement		
CHF mn (6 months)	30-06-17	30-06-16
Cash flow from operating activities		
Group net profit (incl. minorities)	101.5	105.7
Reconciliation to net cash flow from operating activities		
Non-cash positions in Group results		
Depreciation and valuation adjustments of property, equipment and intangible assets	29.7	29.9
Credit loss expense	0.0	0.1
Income from investments in associates	0.1	0.1
Deferred income taxes	2.5	3.0
Change in provisions	0.9	(1.4)
Net income from investing activities	0.4	(1.7)
Other non-cash income	18.3	4.1
Net (increase)/decrease in assets relating to banking activities		
Due from/to banks, net	(295.5)	72.5
Reverse-repurchase agreements, cash collateral for securities borrowing agreements	(110.3)	(377.1)
Trading positions and replacement values, net	(376.3)	216.8
Other financial assets/liabilities at fair value, net	172.0	565.7
Loans/due to customers, net	256.2	(49.8)
Other assets	(482.3)	(751.9)
Net increase/(decrease) in liabilities relating to banking activities		
Repurchase agreements, cash collateral from securities lending agreements	0.0	(76.1)
Other liabilities	590.0	499.3
Taxes paid	(30.8)	(30.8)
Cash flow from operating activities	(123.6)	208.4
Cash flow from investing activities		
Investments in subsidiaries and associates	(28.7)	0.0
Purchase of property, equipment and intangible assets	(21.8)	(13.2)
Disposal of property, equipment and intangible assets	0.0	0.0
Investment in financial instruments	(234.5)	(392.0)
Divestment of financial instruments	352.7	371.9
Cash flow from investing activities	67.7	(33.3)
Cash flow from financing activities		
Net movements in treasury shares	(30.1)	(20.4)
Dividends paid	(116.1)	(106.5)
Cash flow from financing activities	(146.2)	(126.9)
Effects of exchange rate differences	(0.1)	(2.6)
Net increase/(decrease) in cash and cash equivalents	(202.2)	45.6
Cash and cash equivalents, beginning of the year	7,787.0	6,283.7
Cash and cash equivalents at the balance sheet date	7,584.8	6,329.3

Consolidated financial statements

Consolidated cash flow statement		
CHF mn (6 months)	30-06-17	30-06-16
Cash and cash equivalents comprise at the balance sheet date		
Cash	6,536.3	5,232.0
Due from banks on demand	1,048.5	1,097.3
Total	7,584.8	6,329.3
Further information:		
Dividends received	44.6	47.0
Interest received	73.7	70.9
Interest paid	8.4	5.1

Accounting principles

1. Basis of presentation

Vontobel's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). This half-year report meets the requirements set out in IAS 34 – Interim Financial Reporting. Since it does not contain all of the information and disclosures required in the Annual Report, this interim report should be read in conjunction with the audited consolidated financial statements in the Annual Report 2016. With the exception of the following changes, the accounting principles applied in this report are the same as in the consolidated financial statements dated 31 December 2016.

2. Changes in financial reporting

2.1 Changes in accounting principles

2.1.1 Standards and interpretations that have been implemented

The following new or revised standards and interpretations did not have any material impact on Vontobel or were not relevant to Vontobel when applied for the first time:

- IAS 7 – Disclosure Initiative;
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses;
- Annual Improvements 2014–2016.

2.1.2 Other changes

None.

2.2 Changes in estimates

No material changes in estimates.

Details on consolidated income statement

1 Net interest income

(6 months)	30-06-17 CHF mn	30-06-16 CHF mn	31-12-16 CHF mn	Change to 30-06-16 CHF mn	in %
Interest income from banks and customers	17.8	14.2	15.4	3.6	25
Interest income from securities borrowing and reverse-repurchase agreements	3.1	1.7	3.0	1.4	82
Interest income from financial liabilities	2.3	1.2	1.7	1.1	92
Interest income from financial instruments at amortized cost	23.2	17.1	20.1	6.1	36
Dividend income from financial assets available-for-sale	3.4	10.9	0.0	(7.5)	(69)
Interest income from financial assets available-for-sale	14.4	14.3	13.4	0.1	1
Interest and dividend income from financial assets at fair value	17.8	25.2	13.4	(7.4)	(29)
Total interest income	41.0	42.3	33.5	(1.3)	(3)
Interest expense from securities lending and repurchase agreements	1.0	0.5	0.8	0.5	100
Interest expense from other financial liabilities at amortized cost	2.0	0.8	0.9	1.2	150
Interest expense from financial assets	3.3	1.4	3.7	1.9	136
Interest expense from financial instruments at amortized cost	6.3	2.7	5.4	3.6	133
Total	34.7	39.6	28.1	(4.9)	(12)

2 Net fee and commission income

(6 months)	30-06-17 CHF mn	30-06-16 CHF mn	31-12-16 CHF mn	Change to 30-06-16 CHF mn	in %
Commission income from lending activities	0.3	0.3	0.7	0.0	0
Brokerage fees	59.4	55.8	53.5	3.6	6
Custody fees	77.5	73.5	76.0	4.0	5
Advisory and management fees	268.1	274.2	272.0	(6.1)	(2)
Corporate finance	9.9	1.7	3.0	8.2	482
Fiduciary transactions	0.6	0.4	0.5	0.2	50
Other commission income from securities and investment transactions	14.8	9.5	8.0	5.3	56
Total fee and commission income from securities and investment transactions	430.3	415.1	413.0	15.2	4
Other fee and commission income	2.6	1.6	1.2	1.0	63
Brokerage fees	9.8	8.4	8.8	1.4	17
Other commission expense	89.8	80.5	85.5	9.3	12
Total commission expense	99.6	88.9	94.3	10.7	12
Total	333.6	328.1	320.6	5.5	2

3 Trading income

	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Securities	353.9	138.2	532.0	215.7	156
Other financial instruments at fair value	(220.8)	(34.8)	(423.9)	(186.0)	
Forex and precious metals	10.4	15.7	22.8	(5.3)	(34)
Total	143.5	119.1	130.9	24.4	20

Trading income as of 30-06-17 includes income of CHF 1.9 mn (6 months ending 30-06-16: CHF –1.4 mn; 6 months ending 31-12-16: CHF –2.2 mn), which is attributable to changes in fair value due to a change in Vontobel's own credit risk. Of the total impact, CHF –0.6 mn was realized as of 30-06-17 (6 months ending 30-06-16: CHF –0.6 mn; 6 months ending 31-12-16: CHF –0.8 mn), while the remaining CHF 2.5 mn (6 months ending 30-06-16: CHF –0.8 mn; 6 months ending 31-12-16: CHF –1.4 mn) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF 2.7 mn, of which CHF 4.1 mn was realized and CHF –1.4 mn was unrealized. Cumulative unrealized income is shown in the balance sheet item "Other financial liabilities at fair value" and will be completely reversed over the term of the relevant instruments provided they are not redeemed or repurchased prior to their contractual maturity.

4 Comprehensive income from financial instruments before tax

	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Financial instruments held-for-trading	353.9	138.2	532.0	215.7	156
Other financial instruments at fair value	(220.8)	(34.8)	(423.9)	(186.0)	
Forex and precious metals	10.4	15.7	22.8	(5.3)	(34)
Trading income	143.5	119.1	130.9	24.4	20
Financial instruments available-for-sale	21.3	32.9	116.1	(11.6)	(35)
Loans and receivables	17.6	14.4	14.8	3.2	22
Financial liabilities measured at amortized cost	(0.7)	(0.1)	0.0	(0.6)	
Total financial instruments income statement	181.7	166.3	261.8	15.4	9
Unrealized gains/(losses) on available-for-sale financial instruments, recorded in other comprehensive income	3.3	6.0	(33.8)	(2.7)	(45)
(Gains)/losses on available-for-sale financial instruments, transferred from other comprehensive income to the income statement	(3.1)	(3.7)	(102.5)	0.6	
Unrealized gains/(losses) on cash flow hedges, recorded in other comprehensive income	0.2	1.2	(1.5)	(1.0)	(83)
(Gains)/losses on cash flow hedges, transferred from other comprehensive income to the income statement	0.0	(0.1)	0.1	0.1	
Total	182.1	169.7	124.1	12.4	7

Comprehensive income includes interest income, dividend income, net realized and unrealized gains and currency translation adjustments, as well as impairment losses and reversals.

5 Other income

	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Real estate income	0.0	0.0	0.0	0.0	
Income from the sale of property and equipment	0.0	0.0	(0.1)	0.0	
Income from the sale of financial instruments available-for-sale	3.5	8.1	102.7	(4.6)	(57)
Impairments of financial instruments available-for-sale	0.0	(0.4)	0.0	0.4	
Income from investments in associates	0.2	0.1	0.1	0.1	100
Other income	2.0	2.2	2.0	(0.2)	(9)
Total	5.7	10.0	104.7	(4.3)	(43)

6 Personnel expense

	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Salaries and bonuses	217.4	206.4	206.4	11.0	5
Pension and other employee benefit plans	17.8	7.6 ¹	14.6	10.2	134
Other social contributions	19.0	16.8	16.2	2.2	13
Other personnel expense	7.9	7.8	9.0	0.1	1
Total	262.1	238.6	246.2	23.5	10

Personnel expense includes the expense for share-based compensation of CHF 15.9 mn (6 months ending 30-06-16: CHF 3.7 mn; 6 months ending 31-12-16: CHF 16.1 mn), of which CHF 12.7 mn (6 months ending 30-06-16: CHF 9.3 mn; 6 months ending 31-12-16: CHF 14.7 mn) relates to performance shares and CHF 3.2 mn (6 months ending 30-06-16: CHF 3.2 mn; 6 months ending 31-12-16: CHF 1.5 mn) to the awarding of bonus shares at preferential terms and CHF 0.0 mn (6 months ending 30-06-16: CHF -8.8 mn; 6 months ending 31-12-16: CHF -0.1 mn) to other share-based compensation as well as deferred compensation in cash of CHF 1.3 mn (6 months ending 30-06-16: CHF -2.2 mn; 6 months ending 31-12-16: CHF 0.5 mn).

¹ Expense from pension and other employee benefit plans includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 11.1 mn (primarily the reduction of conversion rates).

7 General expense

	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
(6 months)	CHF mn	CHF mn	CHF mn	CHF mn	in %
Occupancy expense	16.7	17.4	18.5	(0.7)	(4)
IT, telecommunications and other equipment	38.9	33.7	30.9	5.2	15
Travel and representation, public relations, marketing	18.8	16.0	20.2	2.8	18
Consulting and audit fees	12.9	11.4	12.9	1.5	13
Other general expense	14.5	15.2	13.5	(0.7)	(5)
Total	101.8	93.7	96.0	8.1	9

8 Depreciation of property, equipment and intangible assets

(6 months)	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
	CHF mn	CHF mn	CHF mn	CHF mn	in %
Depreciation of property and equipment	25.9	26.3	27.0	(0.4)	(2)
Amortization of other intangible assets	3.8	3.6	3.6	0.2	6
Impairments of property and equipment	0.0	0.0	1.8	0.0	
Total	29.7	29.9	32.4	(0.2)	(1)

9 Valuation adjustments, provisions and losses

(6 months)	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
	CHF mn	CHF mn	CHF mn	CHF mn	in %
Impairments on credit risks	0.0	0.1	0.0	(0.1)	(100)
Decrease of allowances for credit losses	0.0	0.0	(0.1)	0.0	
Increase in provisions	1.3	0.4	17.5	0.9	225
Release of provisions	(0.2)	(0.9)	(0.7)	0.7	
Recoveries	0.0	0.0	0.1	0.0	
Other	0.3	5.3	1.3	(5.0)	(94)
Total	1.4	4.9	18.1	(3.5)	(71)

10 Taxes

(6 months)	30-06-17	30-06-16	31-12-16	Change to 30-06-16	
	CHF mn	CHF mn	CHF mn	CHF mn	in %
Current income taxes	18.5	21.0	33.6	(2.5)	(12)
Deferred income taxes	2.5	3.0	(0.7)	(0.5)	(17)
Total	21.0	24.0	32.9	(3.0)	(13)

11 Tax effects to other comprehensive income

			30-06-17
CHF mn (6 months)	Amount before tax	Tax yield/ tax expense	Amount net of tax
Translation differences during the reporting period	(7.6)	0.0	(7.6)
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from available-for-sale financial instruments during the reporting period	3.3	(0.9)	2.4
Income from available-for-sale financial instruments transferred to the income statement	(3.1)	0.8	(2.3)
Income from cash flow hedges during the reporting period	0.2	0.0	0.2
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Defined benefit pension plans	15.1	(3.3)	11.8
Total other comprehensive income	7.9	(3.4)	4.5

			30-06-16
CHF mn (6 months)	Amount before tax	Tax yield/ tax expense	Amount net of tax
Translation differences during the reporting period	(9.8)	0.0	(9.8)
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from available-for-sale financial instruments during the reporting period	6.0	(4.7)	1.3
Income from available-for-sale financial instruments transferred to the income statement	(3.7)	1.1	(2.6)
Income from cash flow hedges during the reporting period	1.2	0.0	1.2
Income from cash flow hedges transferred to the income statement	(0.1)	0.0	(0.1)
Defined benefit pension plans	(13.3)	2.9	(10.4)
Total other comprehensive income	(19.7)	(0.7)	(20.4)

			31-12-16
CHF mn (6 months)	Amount before tax	Tax yield/ tax expense	Amount net of tax
Translation differences during the reporting period	3.6	0.0	3.6
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from available-for-sale financial instruments during the reporting period	(33.8)	6.4	(27.4)
Income from available-for-sale financial instruments transferred to the income statement	(102.5)	8.1	(94.4)
Income from cash flow hedges during the reporting period	(1.5)	0.0	(1.5)
Income from cash flow hedges transferred to the income statement	0.1	0.0	0.1
Defined benefit pension plans	91.1	(20.1)	71.0
Total other comprehensive income	(43.0)	(5.6)	(48.6)

Risk related to balance sheet positions

12 Fair value of financial instruments

12a Financial instruments measured at fair value

The following table shows the fair value hierarchy of those financial instruments that are measured at fair value. Fair

value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value				30-06-17
CHF mn	Level 1	Level 2	Level 3	Total
Assets				
Trading portfolio assets				
Equity instruments	2,027.0	-	0.0	2,027.0
Units in investment funds	121.9	0.1	0.1	122.1
Debt instruments	254.7	151.2	-	405.9
Precious metals	522.5	-	-	522.5
Positive replacement values	29.8	173.5	0.0	203.3
Other financial assets at fair value				
Units in investment funds	49.7	9.4	5.5	64.6
Debt instruments ¹	1,991.7	857.7	-	2,849.4
Structured products	-	15.7	-	15.7
Financial assets available-for-sale				
Equity instruments and other participations	0.2	-	14.8	15.0
Units in investment funds	0.9	0.3	0.0	1.2
Debt instruments	1,876.2	28.4	-	1,904.6
Other assets at fair value	0.0	0.0	3.7	3.7
Total financial assets at fair value	6,874.6	1,236.3	24.1	8,135.0
Liabilities				
Trading portfolio liabilities				
Equity instruments	19.2	-	0.0	19.2
Debt instruments	116.8	5.9	-	122.7
Negative replacement values	34.5	581.5	-	616.0
Other financial liabilities at fair value ²	-	7,163.1	-	7,163.1
Other liabilities at fair value	-	0.0	53.2	53.2
Total financial liabilities at fair value	170.5	7,750.5	53.2	7,974.2

¹ In the case of interest rate instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 44.7 mn.

² Level 2 of the balance sheet item "Other financial liabilities at fair value" contains listed issued products with a fair value of CHF 4,188.7 mn.

Financial instruments measured at fair value				
CHF mn	Level 1	Level 2	Level 3	31-12-16 Total
Assets				
Trading portfolio assets				
Equity instruments	1,341.8	-	0.0	1,341.8
Units in investment funds	101.9	0.1	0.1	102.1
Debt instruments	333.9	258.8	-	592.7
Precious metals	479.2	-	-	479.2
Positive replacement values	21.2	151.1	0.0	172.3
Other financial assets at fair value				
Units in investment funds	42.3	9.1	6.1	57.5
Debt instruments ¹	1,873.1	357.2	-	2,230.3
Structured products	-	5.6	-	5.6
Financial assets available-for-sale				
Equity instruments and other participations	0.2	-	14.9	15.1
Units in investment funds	6.4	0.0	0.0	6.4
Debt instruments	2,057.5	32.3	-	2,089.8
Other assets at fair value	0.0	0.0	3.7	3.7
Total financial assets at fair value	6,257.5	814.2	24.8	7,096.5
Liabilities				
Trading portfolio liabilities				
Equity instruments	28.1	-	0.0	28.1
Debt instruments	68.4	3.2	-	71.6
Negative replacement values	18.1	497.3	-	515.4
Other financial liabilities at fair value ²	-	6,354.8	-	6,354.8
Other liabilities at fair value	-	0.0	50.3	50.3
Total financial liabilities at fair value	114.6	6,855.3	50.3	7,020.2

¹ In the case of interest rate instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 33.7 mn.

² Level 2 of the balance sheet item "Other financial liabilities at fair value" contains listed issued products with a fair value of CHF 4,129.7 mn.

Level 1 instruments

In the fair value hierarchy defined in IFRS 13, level 1 instruments are those financial instruments whose fair value is based on quoted prices in active markets. This category essentially comprises almost all equity instruments and government bonds, liquid interest rate instruments issued by public sector entities and companies, investment funds for which a binding net asset value is published at least daily, exchange-traded derivatives and precious metals.

Mid-market prices are used for the valuation of interest rate instruments in the trading book provided the market price risks from these positions are offset fully or to a significant extent by other positions in the trading book. For the valuation of other interest rate instruments, bid prices are used in the case of long positions and ask prices are used in the case of short positions. For equity instruments, listed investment funds and exchange-traded derivatives, the closing or settlement prices of the relevant markets are used. Published net asset values are used in the case of unlisted investment funds. In the case of foreign currencies and precious metals, generally accepted prices are applied.

No valuation adjustments are made in the case of level 1 instruments.

Level 2 instruments

Level 2 instruments are financial instruments whose fair value is based on quoted prices in markets that are not active or on a valuation method where significant input parameters can be observed directly or indirectly. They mainly comprise products issued by Vontobel, interest rate instruments issued by public sector entities and companies with reduced market liquidity and OTC derivatives, as well as investment funds for which a binding net asset value is published at least quarterly.

Since there is no active market pursuant to the definition of IFRS 13 for the products issued by Vontobel, their fair value is determined using valuation methods. In the case of issued options (warrants) and option components of structured products, generally recognized option pricing models and quoted prices in markets that are not active are used to determine their fair value, while the present value method is used to determine the fair value of the interest rate components of structured products. To measure the fair value of interest rate instruments where

quoted prices are available but the low trading volume means there is no active market, the same rules apply to the use of mid-market prices and bid or ask prices as for the corresponding level 1 instruments. The valuation of interest rate instruments for which no quoted prices are available is carried out using generally recognized methods. For the valuation of OTC derivatives, generally recognized valuation models and quoted prices in markets that are not active are used. Published net asset values are used in the case of investment funds.

The valuation models take account of the relevant parameters such as contract specifications, the market price of the underlying asset, foreign exchange rates, market interest rates or funding rates, default risks and volatility. Vontobel's credit risk is only taken into account when determining the fair value of financial liabilities if market participants would consider it when calculating prices. OTC derivatives are traded only on a collateralized basis, which is why own credit risk (as well as third-party credit risk in the case of receivables) is not included in the valuation.

Level 3 instruments

Level 3 instruments are financial instruments whose fair value is based on a valuation method that uses at least one significant input parameter that cannot be observed directly or indirectly in the market. They include the liability to acquire the minority interests in TwentyFour Asset Management LLP, an asset from an earn-out agreement related to the acquisition of Finter Bank Zurich AG (a liability from an earn-out agreement related to the acquisition of TwentyFour Asset Management LLP was settled in the financial year 2016), investment funds for which a binding net asset value is not published at least quarterly, and several unlisted equity instruments.

The fair value of the liability to acquire minority interests in TwentyFour Asset Management LLP is calculated using a discounted cash flow analysis in which expected future cash flows based on internal business plans are discounted. This involves various input parameters that cannot be observed such as the future development of assets under management, their profitability, the cost/income ratio and long-term growth.

The fair value of the asset from the earn-out agreement related to the acquisition of Finter Bank Zurich AG is

dependent on individual contractually agreed key performance indicators. The measurement of this asset is based on internal business plans. The fair value of investment funds is generally calculated using estimates from external experts regarding the level of future payouts from fund units. The measurement of unlisted shares is based on the acquisition costs less any impairment. To test unlisted

equity instruments for impairment, current financial information – provided Vontobel has access to such data as a result of its participation – or annual reports are consulted.

The following table shows the change in level 3 financial instruments in Vontobel's balance sheet and the income on the positions as of the balance sheet date.

Level 3 financial instruments						
CHF mn (6 months)	Fair value financial instruments	Available- for-sale financial instruments	Other assets ¹	Total financial assets	Other liabilities ²	30-06-17 Total financial liabilities
Balance sheet						
Holdings at the beginning of the year	6.2	14.9	3.7	24.8	(50.3)	(50.3)
Additions in scope of consolidations	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Redemptions	(0.3)	0.0	0.0	(0.3)	0.0	0.0
Expense recognized in the income statement	(0.4)	0.0	0.0	(0.4)	(0.4)	(0.4)
Expense recognized in other comprehensive income	0.0	(0.1)	0.0	(0.1)	0.0	0.0
Income recognized in the income statement	0.1	0.0	0.0	0.1	0.0	0.0
Income recognized in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	(3.0)	(3.0)
Reclassifications to level 3	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications from level 3	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	0.5	0.5
Total book value at balance sheet date	5.6	14.8	3.7	24.1	(53.2)	(53.2)
Income in the financial year on holdings on balance sheet date						
Unrealized losses recognized in the trading income	(0.4)	0.0	0.0	(0.4)	0.0	0.0
Unrealized losses recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Expense recognized in operating expense	0.0	0.0	0.0	0.0	(0.4)	(0.4)
Unrealized losses recognized as other comprehensive income	0.0	(0.1)	0.0	(0.1)	0.0	0.0
Unrealized gains recognized in the trading income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized as other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0

Of the gains and losses recognized in the income statement, CHF –0.3 mn were included in trading income, CHF 0.0 mn in other income and CHF –0.4 mn in operating expense.

¹ This item contains an asset from an earn-out agreement relating to the acquisition of Finter Bank Zurich AG.

² This item contains the liability to acquire the minority interests in TwentyFour Asset Management LLP.

Level 3 financial instruments						
CHF mn (6 months)	Fair value financial instruments	Available- for-sale financial instruments	Other assets ¹	Total financial assets	Other liabilities ²	30-06-16 Total financial liabilities
Balance sheet						
Holdings at the beginning of the year	6.2	6.7	0.5	13.4	(60.7)	(60.7)
Additions in scope of consolidations	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Redemptions	(0.1)	0.0	0.0	(0.1)	0.0	0.0
Expense recognized in the income statement	(0.2)	(0.4)	0.0	(0.6)	(0.4)	(0.4)
Expense recognized in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Income recognized in the income statement	0.1	0.0	1.4	1.5	0.0	0.0
Income recognized in other comprehensive income	0.0	0.2	0.0	0.2	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	3.2	3.2
Reclassifications to level 3	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications from level 3	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	0.6	0.6
Total book value at balance sheet date	6.0	6.5	1.9	14.4	(57.3)	(57.3)
Income in the financial year on holdings on balance sheet date						
Unrealized losses recognized in the trading income	(0.2)	0.0	0.0	(0.2)	0.0	0.0
Unrealized losses recognized in other income	0.0	(0.4)	0.0	(0.4)	0.0	0.0
Expense recognized in operating expense	0.0	0.0	0.0	0.0	(0.4)	(0.4)
Unrealized losses recognized as other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized in the trading income	0.1	0.0	0.0	0.1	0.0	0.0
Unrealized gains recognized in other income	0.0	0.0	1.4	1.4	0.0	0.0
Unrealized gains recognized as other comprehensive income	0.0	0.2	0.0	0.2	0.0	0.0

Of the gains and losses recognized in the income statement, CHF -0.1 mn were included in trading income, CHF 1.0 mn in other income and CHF -0.4 mn in operating expense.

¹ This item contains an asset from an earn-out agreement relating to the acquisition of Finter Bank Zurich AG.

² This item contains a liability from an earn-out agreement relating to the acquisition of TwentyFour Asset Management LLP (30-06-16: CHF 4.7 mn; 31-12-15: CHF 5.3 mn) as well as the liability to acquire the relevant minority interests (30-06-16: CHF 52.6 mn; 31-12-15: CHF 55.4 mn).

Valuation adjustments

The fair value of level 2 and level 3 instruments is always an estimate or an approximation of a value that cannot be determined with absolute certainty. Furthermore, the valuation methods used do not always reflect all of the factors that are relevant when determining fair value. To ensure that the valuations are appropriate, additional factors are considered in the case of products issued by Vontobel. These factors include uncertainties relating to models and parameters, as well as liquidity risks and the risk of the early redemption of the products issued. The adjustments due to uncertainties relating to the models and parameters reflect the uncertainties in the model

assumptions and input parameters associated with the valuation methods used. The adjustments due to liquidity risks take account of the expected costs of hedging open net risk positions. Management believes it is necessary and appropriate to take these factors into account in order to correctly determine the fair value.

The appropriateness of the valuation of financial instruments that are not traded in an active market is ensured through the application of clearly defined methods and processes as well as independent controls. The control processes comprise the analysis and approval of new instruments, the regular analysis of risks as well as gains

and losses, the verification of prices and the examination of the models on which the estimates of the fair value of financial instruments are based. These controls are conducted by units that possess the relevant specialist knowledge and operate independently from the trading and investment functions.

Sensitivity of fair values of level 3 instruments

Key assumptions for the measurement of the liability to acquire minority interests in TwentyFour Asset Management LLP are the discount interest rate (30-06-17: 12.0%; 31-12-16: 12.0%) that will be used to discount future cash flows, as well as the long-term growth of these cash flows (30-06-17: 1.0%; 31-12-16: 1.0%). The following table shows how the measurement is affected by changes in these two assumptions.

Key assumptions	Variation of the key assumption	Change in the fair value as of 30-06-17 in CHF mn	Change in the fair value as of 31-12-16 in CHF mn
Discount rate	+1 percentage point	(4.0)	(4.1)
Discount rate	-1 percentage point	4.7	4.9
Long-term growth	+1 percentage point	2.1	2.1
Long-term growth	-1 percentage point	(1.9)	(1.8)

In the case of the asset from the earn-out agreement related to the acquisition of Finter Bank Zurich AG, a reasonably realistic change in input parameters has no significant impact on Vontobel's consolidated financial statements.

A change in the net asset value of investment funds or in the price of unlisted shares leads to a proportional change in fair value of these financial instruments. A reasonably realistic change in input parameters has no significant impact on Vontobel's consolidated financial statements.

Day 1 profit

When a financial instrument is recognized for the first time, the transaction price provides the best indication of the fair value unless the fair value of this financial instrument can be evidenced by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses market data (level 2 instrument). If this is the case, the difference between the transaction price and the fair value – referred to as “day 1 profit” – is recorded in “Trading income” in the case of trading portfolio assets and liabilities, other financial instruments at fair value and derivative financial instruments and is recorded in “Other comprehensive income” in the case of financial investments.

In the case of level 3 instruments, the “day 1 profit” is deferred and is not recognized in the income statement. It is only recorded as “Trading income” or as “Other comprehensive income” when the fair value can be determined using observable market data. During the financial year and the previous year, no positions with deferred day 1 profit were recorded.

Reclassifications within the fair value hierarchy

In the first half 2017 (first respectively second half-year of 2016), positions with a fair value of CHF 55.3 mn (6 months ending 30-06-16: CHF 88.9 mn; 6 months ending 31-12-16: CHF 60.8 mn) were reclassified from level 1 to level 2, positions with a fair value of CHF 21.5 mn (6 months ending 30-06-16: CHF 57.4 mn; 6 months ending 31-12-16: CHF 58.0 mn) were reclassified from level 2 to level 1, and positions with a fair value of CHF 0.0 mn (6 months ending 30-06-16: CHF 0.0 mn; 6 months ending 31-12-16: CHF 0.0 mn) were reclassified from level 2 to level 3. In the event of changes in the availability of market prices (market liquidity) or of binding net asset values of investment funds, reclassifications are made at the end of the period under review.

12b Financial instruments measured at amortized cost

The following table shows the book value, the estimated

fair value and the fair value hierarchy of those financial instruments that are measured at amortized cost.

Financial instruments measured at amortized cost							
CHF mn	Level 1	Level 2	Level 3	Fair value Total	30-06-17 Book value Total	Fair value Total	31-12-16 Book value Total
Assets							
Cash	6,536.3	0.0	-	6,536.3	6,536.3	6,374.0	6,374.0
Due from banks	-	1,127.7	-	1,127.7	1,127.7	1,502.7	1,502.7
Cash collateral for reverse-repurchase agreements	-	933.4	-	933.4	933.4	823.1	823.1
Loans	-	2,956.3	-	2,956.3	2,925.2	2,626.1	2,601.9
Other financial assets ¹	27.6	700.1	-	727.7	727.7	305.1	305.1
Total	6,563.9	5,717.5	0.0	12,281.4	12,250.3	11,631.0	11,606.8
Liabilities							
Due to banks	-	804.4	-	804.4	804.4	1,139.0	1,139.0
Due to customers	-	9,638.0	-	9,638.0	9,638.0	9,058.5	9,058.5
Other financial liabilities ¹	0.9	818.9	-	819.8	819.8	271.5	271.5
Total	0.9	11,261.3	0.0	11,262.2	11,262.2	10,469.0	10,469.0

¹ The position mainly includes the accrued interest as well as open settlement positions.

Short-term financial instruments at amortized cost or par value

Included here are accounts due from/to banks, loans and accounts due to customers as well as cash collateral from repurchase and for reverse-repurchase agreements that have a maturity or a refinancing profile of at most one year, the balance sheet item "cash", as well as financial instruments included in other assets/liabilities (primarily accrued interest and open settlement positions). In the case of short-term financial instruments, it is assumed that the book value is close enough to the fair value.

Long-term financial instruments at amortized cost

Included here are accounts due from/to banks, loans and accounts due to customers as well as cash collateral from repurchase and for reverse-repurchase agreements that have a maturity or a refinancing profile of over one year. Fair value is determined using the present value method.

Off-balance sheet and other information

13 Off-balance sheet information

Off-balance sheet information				
	30-06-17	31-12-16	Change to 31-12-16	
	CHF mn	CHF mn	CHF mn	in %
Contingent liabilities	423.4	422.3	1.1	0
Irrevocable commitments	58.4	32.0	26.4	83
Fiduciary transactions	1,166.0	1,046.8	119.2	11
Contract volumes of derivatives	23,381.8	19,536.1	3,845.7	20

14 Litigation

In 2014, the German tax authorities launched an investigation into Vontobel and a large number of other Swiss financial institutions. Vontobel is currently holding talks with the German authorities to obtain transparency and legal certainty for the bank, its employees and its clients. Vontobel is doing so although it has long adopted a future-oriented approach in its business – especially with German clients – and has systematically reviewed the tax status of its clients and actively supported their efforts to regularize their tax status. We have recorded an appropriate level of provisions relating to remaining litigation risks in Germany.

In connection with the fraud committed by Bernard Madoff, the liquidators of investment vehicles that invested directly or indirectly in Madoff funds have filed lawsuits with various courts against more than 100 banks and custodians. The litigation is targeted at investors who redeemed their investments in these vehicles between 2004 and 2008. The liquidators are demanding that the investors repay the sums involved because they consider them to have been obtained unjustly as a result of the redemptions. Since the liquidators often only know the names of the investors' custodian banks, they have filed the lawsuits against them. Several legal entities of Vontobel are or may be affected by the litigation in their capacity as a bank or custodian. The claims filed against Vontobel since 2010 concern the redemption of investments worth around USD 43.1 mn. However, based on the information currently available to it, Vontobel believes the probability of a lawsuit resulting in an outflow of funds is low and has therefore decided not to set aside any provisions for such a lawsuit, but rather to disclose the amount under contingent liabilities.

15 Client assets

Client assets				
	30-06-17	31-12-16	Change to 31-12-16	
	CHF bn	CHF bn	CHF bn	in %
Assets under management	146.5	138.5	8.0	6
Other advised client assets	11.0	10.4	0.6	6
Structured products outstanding	7.2	6.4	0.8	13
Total advised client assets	164.7	155.3	9.4	6
Custody assets	43.0	40.1	2.9	7
Total client assets	207.7	195.4	12.3	6

Client assets

Client assets is a broader term than assets under management and comprises all bankable assets that are managed by or deposited with Vontobel, including assets that are

held solely for transaction or custody purposes and for which further services are provided, as well as investment products offered by Financial Products to give private and institutional clients access to all asset classes and markets.

Assets under management				
	30-06-17	31-12-16	Change to 31-12-16	
	CHF bn	CHF bn	CHF bn	in %
Assets in self-managed collective investment instruments	40.6	37.4	3.2	9
Assets with management mandate	59.6	57.5	2.1	4
Other assets under management	46.3	43.6	2.7	6
Total assets under management (including double counts)	146.5	138.5	8.0	6
of which double counts	4.2	3.7	0.5	14

Calculation in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA) concerning accounting standards for financial institutions and Vontobel internal guidelines

Development of assets under management			
CHF bn	30-06-17	30-06-16	31-12-16
Total assets under management (incl. double counts) at the beginning of the period	138.5	136.3	127.8
Change attributable to net new money	0.3	(8.7)	(1.9)
Change attributable to market value	8.2	0.2	4.7
Change attributable to other effects	(0.5) ¹	0.0	7.9 ²
Total assets under management (incl. double counts) at the balance sheet date	146.5	127.8	138.5

¹ The decrease in assets under management reflects the reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.

² Acquisition of Vescore AG as per 20 September 2016

Assets under management and net inflows/outflows of new money

Assets under management are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA) concerning accounting standards for financial institutions. Assets under management comprise all of the assets managed or held for investment purposes of private, corporate and institutional clients excluding borrowings, as well as assets in self-managed collective investment instruments. This includes all amounts due to customers on savings and deposit accounts, fixed-term and fiduciary deposits, and

all valued assets. Assets under management that are deposited with third parties are included to the extent that they are managed by a Vontobel company. Assets under management only include those assets on which Vontobel generates considerably higher income than on assets that are held solely for custody purposes or the execution of transactions. These types of custody assets are reported separately. Assets that are counted more than once, i. e. in several categories of assets under management to be disclosed, are shown under double counts. They primarily include shares in self-managed collective investment instruments in client portfolios.

Net inflows or outflows of assets under management during the reporting period consist of the acquisition of new clients, the departure of clients as well as inflows and outflows of assets from existing clients. This also includes borrowing and the repayment of loans. The calculation of the net inflow or outflow of new money is performed at the level "total assets under management" (excl. double counts). If there is a change in the service provided, resulting in the reclassification of assets under management as assets held for custody purposes or vice versa, this is recorded as an outflow of new money or an inflow of new money, respectively. Securities-related and currency-related changes in market value, interest income and dividends, fee charges, loan interest paid and the impacts of acquisitions and disposals in Vontobel's subsidiaries or businesses do not constitute inflows or outflows of assets.

16 Events after the balance sheet date

No events have occurred since the balance sheet date that affect the relevance of the information provided in the half-year 2017 financial statements and would therefore need to be disclosed.

Segment reporting

17 Segment reporting principles

External segment reporting reflects the organizational structure of Vontobel as well as internal management reporting, which forms the basis for the assessment of the financial performance of the segments and the allocation of resources to the segments.

The segments correspond to the divisions, which comprise the following activities:

Private Banking

Private Banking encompasses portfolio management services for private clients, investment advisory, custodian services, financial advisory services relating to legal, inheritance and tax matters, lending against collateral, mortgage loans, pension advice and wealth consolidation services.

Asset Management

Asset Management specializes in active asset management, and is positioned as a multi-boutique provider. Its products are distributed to institutional clients, indirectly through wholesale channels, and also by cooperation partners.

Investment Banking

Investment Banking focuses on the structured products and derivatives business, services for external asset managers, brokerage, corporate finance, securities and foreign exchange trading, and securities services supplied by Transaction Banking.

Corporate Center

The Corporate Center provides core services for the divisions, and comprises the support units Operations, Finance & Risk, and Corporate Services as well as the Board of Directors support units.

Income, expenses, assets and liabilities are allocated to the divisions on the basis of client responsibility or according to the principle of origination. Items that cannot be allocated directly to the divisions are reported in the Corporate Center accounts. The Corporate Center also includes consolidating entries.

The costs of the services supplied internally are reported in the item "Services from/to other segment(s)" as a reduction in costs for the service provider and as an increase in costs for the recipient. This cost allocation is based on agreements that are renegotiated periodically according to the same principle as if they were concluded between independent third parties ("at arm's length").

Notes to the consolidated financial statements

Segment reporting					
CHF mn (6 months)	Private Banking	Asset Management	Investment Banking	Corporate Center	30-06-17 Total
Net interest income	16.0	0.1	4.7	13.9	34.7
Other operating income	116.0	201.6	164.1	1.1	482.8
Operating income	132.0	201.7	168.8	15.0	517.5
Personnel expense	55.4	82.3	59.4	65.0	262.1
General expense	7.7	21.9	24.7	47.5	101.8
Services from/to other segment(s)	40.0	25.4	19.2	(84.6)	0.0
Depreciation of property, equipment and intangible assets	1.5	2.5	2.7	23.0	29.7
Valuation adjustments, provisions and losses	0.3	0.1	0.0	1.0	1.4
Operating expense	104.9	132.2	106.0	51.9	395.0
Segment profit before taxes	27.1	69.5	62.8	(36.9)	122.5
Taxes					21.0
Net profit					101.5
of which minority interests					2.8
Additional information					
Segment assets	2,559.9	477.0	6,895.2	11,234.0	21,166.1
Segment liabilities	7,002.8	743.7	10,070.6	1,833.3	19,650.4
Allocated equity according to BIS ¹	145.2	270.0	209.9	98.8	723.9
Client assets (CHF bn)	41.2	106.8	62.6	(2.9)	207.7
Net new money (CHF bn)	1.0	(1.7)	1.0	0.0	0.3
Capital expenditure	0.0	0.0	0.0	21.8	21.8
Employees (full-time equivalents)	390.3	398.5	376.9	477.2	1,642.9

¹ The allocation of the regulatory capital required in accordance with BIS standards to the individual segments is based on the principle of origination. With regard to capital requirements for credit risks related to balance sheet assets, allocation is based on guidelines analogous to those used for reporting segmental assets. The prescribed deduction of CHF 274.4 mn from core capital for intangible assets has been included in the figures above of the divisions Private Banking and Asset Management. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 65.7 mn from core capital for treasury shares is not included in the figures above.

Information on regions¹						
CHF mn (6 months)	Switzerland	Europe excl. Switzerland	Americas	Other countries ²	Consolidation	30-06-17 Total
Operating income related to external customers	260.4	112.4	63.3	81.4		517.5
Assets	14,806.0	606.2	142.3	7,114.8	(1,503.2)	21,166.1
Property, equipment and intangible assets	342.4	77.3	2.9	1.5		424.1
Capital expenditure	21.2	0.1	0.2	0.3		21.8

¹ Reporting is based on operating locations.

² Mainly U. A. E.

Segment reporting					
CHF mn (6 months)	Private Banking	Asset Management	Investment Banking	Corporate Center	30-06-16 Total
Net interest income	11.9	0.3	1.8	25.6	39.6
Other operating income	110.7	210.3	130.8	5.4	457.2
Operating income	122.6	210.6	132.6	31.0	496.8
Personnel expense ¹	49.6	80.5	46.7	61.8	238.6
General expense	6.2	19.3	23.2	45.0	93.7
Services from/to other segment(s)	38.5	23.2	22.6	(84.3)	0.0
Depreciation of property, equipment and intangible assets	1.5	2.1	2.3	24.0	29.9
Valuation adjustments, provisions and losses	0.2	0.2	0.2	4.3	4.9
Operating expense	96.0	125.3	95.0	50.8	367.1
Segment profit before taxes	26.6	85.3	37.6	(19.8)	129.7
Taxes					24.0
Net profit					105.7
of which minority interests					2.4

Additional information

Segment assets	2,183.8	377.5	5,145.1	10,683.5	18,389.9
Segment liabilities	6,736.6	603.6	8,304.5	1,334.8	16,979.5
Allocated equity according to BIS ²	138.2	194.0	194.4	104.0	630.6
Client assets (CHF bn)	36.0	91.8	54.9	(3.4)	179.3
Net new money (CHF bn)	0.9	(9.7)	0.1	0.0	(8.7)
Capital expenditure	0.1	0.7	0.0	12.4	13.2
Employees (full-time equivalents)	369.2	323.7	349.6	451.9	1,494.4

¹ Personnel expense includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 11.1 mn (primarily the reduction of conversion rates). This positive impact was broken down according to the employer contributions made during the reporting period and allocated to the divisions (Private Banking CHF 3.0 mn; Asset Management CHF 2.0 mn; Investment Banking CHF 2.6 mn; Corporate Center CHF 3.5 mn).

² The allocation of the regulatory capital required in accordance with BIS standards to the individual segments is based on the principle of origination. With regard to capital requirements for credit risks related to balance sheet assets, allocation is based on guidelines analogous to those used for reporting segmental assets. The prescribed deduction of CHF 205.2 mn from core capital for intangible assets has been included in the figures above of the divisions Private Banking and Asset Management. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 67.2 mn from core capital for treasury shares is not included in the figures above.

Information on regions¹

CHF mn (6 months)	Switzerland	Europe excl. Switzerland	Americas	Other countries ²	Consolidation	30-06-16 Total
Operating income related to external customers	252.4	103.8	87.1	53.5		496.8
Assets	13,199.7	582.3	150.0	6,243.9	(1,786.0)	18,389.9
Property, equipment and intangible assets	269.3	83.0	4.0	1.5		357.8
Capital expenditure	11.9	0.1	0.5	0.7		13.2

¹ Reporting is based on operating locations.

² Mainly U.A.E.

Notes to the consolidated financial statements

Segment reporting					
CHF mn (6 months)	Private Banking	Asset Management	Investment Banking	Corporate Center	31-12-16 Total
Net interest income	13.4	0.0	3.3	11.4	28.1
Other operating income	108.3	204.1	141.4	102.4	556.2
Operating income	121.7	204.1	144.7	113.8	584.3
Personnel expense	54.5	77.7	53.1	60.9	246.2
General expense	7.4	22.6	22.1	43.9	96.0
Services from/to other segment(s)	36.9	23.3	20.3	(80.5)	0.0
Depreciation of property, equipment and intangible assets	1.6	2.1	2.3	26.4	32.4
Valuation adjustments, provisions and losses	0.7	0.2	(0.1)	17.3	18.1
Operating expense	101.1	125.9	97.7	68.0	392.7
Segment profit before taxes	20.6	78.2	47.0	45.8	191.6
Taxes					32.9
Net profit					158.7
of which minority interests					2.2

Additional information					
Segment assets	2,380.5	383.0	5,409.0	11,221.4	19,393.9
Segment liabilities	6,985.4	685.9	8,513.3	1,695.2	17,879.8
Allocated equity according to BIS ¹	142.5	270.5	191.3	99.6	703.9
Client assets (CHF bn)	40.0	101.7	57.4	(3.7)	195.4
Net new money (CHF bn)	1.1	(3.5)	0.5	0.0	(1.9)
Capital expenditure	0.0	2.0	0.0	26.9	28.9
Employees (full-time equivalents)	387.0	397.5	372.8	517.1	1,674.4

¹ The allocation of the regulatory capital required in accordance with BIS standards to the individual segments is based on the principle of origination. With regard to capital requirements for credit risks related to balance sheet assets, allocation is based on guidelines analogous to those used for reporting segmental assets. The prescribed deduction of CHF 279.0 mn from core capital for intangible assets has been included in the figures above of the divisions Private Banking and Asset Management. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 93.8 mn from core capital for treasury shares is not included in the figures above.

Information on regions¹						
CHF mn (6 months)	Switzerland	Europe excl. Switzerland	Americas	Other countries ²	Consolidation	31-12-16 Total
Operating income related to external customers	337.7	109.4	67.1	70.1		584.3
Assets	13,845.4	597.6	135.3	6,415.1	(1,599.5)	19,393.9
Property, equipment and intangible assets	347.8	80.0	3.7	1.4		432.9
Capital expenditure	26.6	2.0	0.3	0.0		28.9

¹ Reporting is based on operating locations.

² Mainly U. A. E.

Investors' informations

Vontobel Holding AG registered shares	
Stock exchange listing	SIX Swiss Exchange
ISIN	CH001 233 554 0
Security number	1 233 554
Par value	CHF 1.00

Ticker symbols	
Bloomberg	VONN SW
Reuters	VONTZn.S
Telekurs	VONN

Moody's Ratings	
Bank Vontobel AG	
Long-term deposit rating	Aa3
Short-term deposit rating	Prime-1
Long-term counterparty risk assessment	A2 (cr)
Short-term counterparty risk assessment	Prime-1 (cr)
Vontobel Holding AG	
Long-term rating (issuer rating)	A3

Financial calendar	
Investor Day 2017	31 August 2017
Business update third quarter 2017	25 October 2017
Publication annual results 2017	13 February 2018
Annual General Meeting 2018	18 April 2018

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