Annual Report 2016

Shareholders' letter

Dear shareholders and clients

Vontobel delivered another very solid result in the financial year 2016 despite the challenging operating environment, thus confirming the trend in recent years. With our prudent and decisive actions and our future-oriented business model, we have achieved a 65% increase in profitability over the last three years, adjusted for significant one-off impacts in 2016 that had a positive overall effect. Even excluding exceptional impacts, all Group targets defined for 2017 were already exceeded in the year under review.

2016 was not an easy year for Vontobel. It began with the sad news of the death of Dr Hans J. Vontobel, our patron and longstanding Honorary Chairman. He shaped Vontobel more than any other individual through his entrepreneurial foresight and actions. It was under the aegis of Dr Vontobel that our company developed from a small Zurich-based brokerage firm to a globally active wealth and asset manager.

Global economic and geopolitical uncertainties were constant factors that Vontobel and other companies had to contend with last year. Migration, the Syria crisis, terrorist threats, Brexit and the US presidential election, as well as the fears of growing populism in response to the loss of identity and certainty in a post-factual era, were and still are topics on the public and political agenda.

In this type of environment, it is crucial that we do not lose sight of our long-term direction. Vontobel is pursuing its own strategy with tenacity. This strategy is designed to successfully capture business opportunities in the wealth and asset management business, which is growing globally, and to continue to actively seek out new chances for our business even in a difficult environment. In 2016, we worked intensively to drive forward the development of Vontobel. Our growth has mainly been achieved organically – by concentrating on quality and innovation. We also made a targeted acquisition as part of the extension of our partnership with Raiffeisen. Our strategy of focusing on delivering top performance in our chosen areas of business while simultaneously achieving a high level of efficiency has helped us to skilfully navigate a difficult environment. In addition, we recorded one-off impacts, such as from the sale of our 4% equity participation in Helvetia Holding AG in November 2016, which had a positive impact of CHF 91 million on our profit after taxes.

Renewed growth in net profit

Adjusted for one-off impacts, net profit grew by 12% to CHF 201.5 million compared to the previous year. Including all exceptional impacts, net profit was CHF 264.4 million, an increase of 47% compared to the previous year, and earnings per share rose by 48% to CHF 4.72.

Asset Management was once again the main earnings driver at Vontobel in 2016. Compared to the previous year, Asset Management grew its pre-tax profit by 18% to CHF 163.5 million. Despite the adverse impacts of the continued phase of low interest rates, Wealth Management generated a slight increase in pre-tax profit (+3%) to CHF 62.5 million. Financial Products gained further market share in weak markets and delivered an impressive 11% increase in annual profit to CHF 69.3 million thanks to an exceptionally strong performance in the second half of the year.

One of the main pillars of this very solid result was the good net inflow of new money in a market that tended to be characterized by a wait-and-see attitude amid a general climate of uncertainty. In 2016, private and institutional clients entrusted us with CHF 5.1 billion of new money – adjusted for the Quality Growth boutique – corresponding to a growth rate of 5.8%. At the end of 2016, total client assets reached a new record level of CHF 195.4 billion. This reflects the fact that in Asset Management, the CHF 15.7 billion dent in assets under management due to the CIO change was more than offset by the Vescore acquisition in particular, as well as by the good overall performance in the boutiques.

Across all three of Vontobel's businesses, the focus was on qualitative growth and on investing in the future.

Wealth Management – growth remains above benchmark

In 2016, we once again strengthened our Wealth Management team with the recruitment of further qualified relationship managers in our home market as well as our focus markets. Today, we have 199 relationship managers around the globe to support our clients. In total, Wealth Management clients entrusted us with CHF 2.2 billion of new money in the year under review. This corresponds to growth in new money of 5.3%, which is once again above benchmark and above our defined target range of 3-5%. Our business performed well in our traditionally strong Swiss market in particular but also in Germany. The numerous prestigious awards that we received in recognition of our private banking services demonstrate that we are on the right track.

Vontobel is harnessing the potential of digitalization to create benefits for clients and to support relationship managers and we will continue to do so in the future. With the help of new technologies – such as our private banking app – we are exporting Swiss private banking to our focus markets. As a Swiss wealth and asset manager, we can, first and foremost, offer clients solutions for global diversification and we are seeing growing levels of demand in this area.

Growth is also a topic in the US. In addition to our presence in Dallas, we have had a private banking operation in New York since 2016. The special structure of our business with US citizens was of particular importance in the assessment of Vontobel's Wealth Management business in the US by the American authorities. As a result, Vontobel was able to conclude the discussions with the US Department of Justice in December 2016 without paying a financial penalty. In this context, Bank Vontobel AG did not seek a non-prosecution agreement or apply for a non-target letter, and has received neither. After Vontobel was able to close the legal chapter with the Munich authorities in spring 2016, the only matter that has yet to be resolved is the proceedings involving the authorities in North Rhine-Westphalia. Like many other banks, Vontobel is currently engaged in discussions to reach a final settlement in order to achieve legal certainty for clients, employees and Vontobel's future-oriented business model. In 2016, Vontobel recorded a provision of CHF 13.4 million in connection with this matter. Vontobel is confident that it will also be able to close this chapter of the past.

We want to continue to pursue our growth strategy in Wealth Management in 2017. In our Swiss home market, we remain committed to our strategy of achieving growth primarily on an organic basis. In this context, we expect to continue benefiting from the "silent consolidation" that is underway in the Swiss private banking market and to gain further market share. At the same time, we are willing to consider acquisitions that create value, as we have done in the past.

Asset Management – more diversified and global
Growth in Vontobel Asset Management was once again driven by strong performance and diversification. Our new sales activities in Taiwan, Scandinavia and the Netherlands have helped to further diversify our business at a regional level. We have also increased the diversity of our products. Today, more than 50% of advised assets originate from the Fixed Income, Multi Asset Class and Thematic Investing boutiques, as well as from the new Vescore Quantitative Investment boutique.

Our fixed income solutions that are offered by the rapidly growing and successful boutique TwentyFour Asset Management, among others, were the main contributors to growth in Asset Management. The Multi Asset Class and Thematic Equities boutiques also generated a significant income contribution.

In the second half of the year – especially after the US election – a sector rotation and shift from "Growth" to "Value" and from Emerging Markets to Developed Markets occurred. Consequently, the Quality Growth investment style remained below benchmark in the second half of the year.

In phases such as this, it is important not to deviate from the investment style. We have confidence in the tried-and-tested and successful investment processes used by the stable Quality Growth team under the new leadership of Matthew Benkendorf, who has many years of investment expertise at Vontobel Asset Management in the US. The outflows in the Quality Growth boutique relating to the CIO change were partly offset by strong growth in certain other boutiques.

The deepening of the partnership between Vontobel and Raiffeisen in the asset management business based on the agreement reached on 29 June 2016 has already begun to have a positive impact. In the investment business, Raiffeisen will focus on advisory services and the client business in the future. Within the scope of the partnership, Vontobel will make its experience in global asset management available to Raiffeisen and will, in particular, support it with its investment process and sales. In addition, Vontobel will continue to be responsible for the development and management of selected asset management products for Raiffeisen. As part of the redefinition of their collaboration, Vontobel acquired the Raiffeisen subsidiary Vescore. The acquisition of Vescore was already completed in mid-September 2016. During the integration of Vescore, Vontobel focused on the Sustainable Investments and Quantitative Investments businesses, which fit very well in the successful international boutique model in Vontobel Asset Management. The other non-strategic businesses have already been sold to third parties. Vontobel gained CHF 7.9 billion of new assets as a result of the transaction.

We have identified opportunities for growth due, in particular, to the broader and deeper access to 3.7 million Raiffeisen clients that we have gained as a result of our new partnership in the investment business, which extends well into the next decade. In 2016, Vontobel Asset Management recorded inflows of around CHF 400 million of assets as a result of this partnership. Furthermore, Vontobel is gaining improved access to the institutional business in our focus market of Germany through Vescore.

The former Vescore business should already begin making a positive contribution to Vontobel's Group net profit by 2018. The return on this investment should significantly exceed the target return on equity of 10%. The costs of the Vescore integration totalled CHF 12.4 million in 2016. Further integration costs – albeit on a smaller scale – are expected for the following year.

In 2017, Asset Management will continue its expansion based primarily on the achievement of organic growth. In this context, we are focusing on performance and on the growth of new money, while seeking to further diversify our business and driving forward the international expansion of our sales organization. While taking all these steps, our stable investment process will serve as a reliable compass to guide us through uncertain markets.

Financial Products – growth based on innovation and international expansion

The growth we achieved in new markets and through the launch of new solutions also helped us to mitigate the effects of difficult market conditions in the structured products business. Thanks to our innovative, open platforms, we generated new turnover that allowed us to offset the impact of the general decline in trading volumes on the exchanges in Continental Europe. In addition to trading volumes in our traditional markets, Vontobel also generated new turnover in Italy, where we began distributing leverage products in the first half of 2016. After only a few weeks, Vontobel was already the issuer with the broadest range of products in the Italian market for factor certificates.

Our state-of-the-art technology underpinned our efforts to develop new solutions for our clients in Financial Products. With our innovative "mein-zertifikat.de" platform for Germany, for example, we have successfully set a new standard and initiated an industry-wide transition from a supplier's market to a buyer's market – in which the offering is driven by clients – by introducing efficient structures for derivative products.

In future, we will continue to focus on achieving growth through innovation and international expansion. For example, we will further drive the transition towards a buyer's market with a new smart app for structured products in Switzerland and Germany in 2017. We already entered the market in the Netherlands and France in January 2017. We will also make our debut in Hong Kong – one of the world's largest markets for leverage products – with the establishment of a local team and by drawing on all our experience. Through innovation and increased economies of scale, we will further strengthen our cost leadership after already reducing units costs by 95% since 2009.

Solid capital base for growth and an increased dividend for our shareholders

Solid foundations are essential in order to achieve growth. Our robust BIS common equity tier 1 (CET1) ratio of 19.0% – which substantially exceeds the regulatory minimum requirement – forms part of our foundations. The sale of our participation in Helvetia had a positive impact, enabling Vontobel to focus its capital resources on its own operational activities. The transaction generated equity capital, further strengthening Vontobel's CET1 ratio by around 2 percentage points. The return on equity increased to 18% in 2016, significantly exceeding our cost of capital and our own target of 10%.

Based on the very solid financial result for 2016, which represents a further improvement compared to the prior year, the Board of Directors will propose an 8% increase in the dividend to a total of CHF 2.00 per share. It consists of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10.

Renewal of the shareholder agreement provides stability to promote entrepreneurial freedom

Our entrepreneurial freedom, which has traditionally been guaranteed by our stable shareholder base, forms another vitally important foundation for growth at Vontobel. In November 2016, the family shareholders further strengthened their commitment to the company with the renewal of their shareholder agreement, the scope of which has been extended. In doing so, they once again underscored their desire to continue giving Vontobel and its employees the stability needed to ensure the company can develop with a focus on the long term.

The Board of Directors was further strengthened in spring 2016. With the election of Dr Maja Baumann and Björn Wettergren, two members of the owner families have

joined the Board of Directors – enriching it with their experience in the areas of legal and regulatory topics as well as digitalization. The third new member David Cole brings to the Board the extensive financial market expertise he has gained over many years in international roles in the finance industry.

2017 – gaining momentum for the next growth phase
Issues that shaped 2016 will continue to influence the markets in 2017. With changeable market conditions, low interest rates and the uncertain political landscape, generating returns for clients will prove challenging once again. As a globally active specialist focusing on our three areas of business – Wealth Management, Asset Management and Financial Products – and with our clear commitment to delivering quality for our clients, we are well positioned to achieve this. Our strategy, which has proved effective even in challenging times, will form the basis for our 2020 objectives. These objectives will be defined in the coming months as part of our regular strategy process and will be communicated in August.

Turning to the current year, we know that there will be no recurrence of the exceptional impacts that had an influence on our financial results for 2016. However, we already have a strong basis for our investments in the future and we will take decisive steps in 2017 to reinforce this and gain momentum as we embark on a new phase of strong and profitable growth.

As we do so, we can build on our motivated and highly qualified team of employees. They embody Vontobel's values day after day as they serve our clients. We owe them our gratitude. We also wish to express our thanks to our clients and shareholders for their trust in Vontobel.

Herbert J. Scheidt Chairman of the Board of Directors	Dr Zeno Staub Chief Executive Officer

Vontobel at a glance

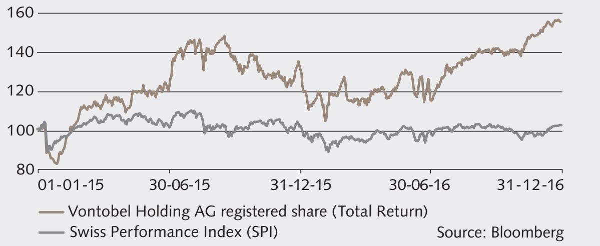
Ratios					
	31-12-16	31-12-15	31-12-14	31-12-13	31-12-12
Return on shareholders' equity (ROE) (%)[1]	**18.0**	12.4	8.7	7.6	8.3
Cost[2]/income ratio (%)	**68.2**	77.0	80.3	80.8	79.9
Equity ratio (%)	**7.8**	8.1	7.6	8.3	7.4
Basel III leverage ratio (%)	**5.2**	5.1	6.0	n/a	n/a

[1] Group net profit 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					
	31-12-16	31-12-15	31-12-14	31-12-13	31-12-12
Basic earnings per share (CHF)[1]	**4.72**	3.20	2.24	1.92	1.95
Diluted earnings per share (CHF)[1]	**4.59**	3.11	2.19	1.89	1.92
Equity per share outstanding at balance sheet date (CHF)	**27.65**	26.02	25.65	25.67	24.49
Dividend per share (CHF)	**2.00**[2]	1.85	1.55	1.30	1.20
Price/book value per share	**1.9**	1.8	1.5	1.4	1.2
Price/earnings per share	**11.3**	14.8	16.7	19.3	14.5
Share price at balance sheet date (CHF)	**53.45**	47.50	37.50	36.95	28.20
High (CHF)	**54.15**	53.45	37.50	37.20	28.20
Low (CHF)	**36.90**	30.25	30.10	27.25	17.80
Market capitalization nominal capital (CHF mn)	**3,040.0**	2,701.6	2,437.5	2,401.8	1,833.0
Market capitalization less treasury shares (CHF mn)	**2,927.4**	2,601.7	2,063.6	2,340.1	1,787.0
Undiluted weighted average number of shares	**55,082,263**	55,375,938	60,042,271	63,726,002	63,693,221

[1] Basis: weighted average number of shares
[2] As per proposal submitted to the General Meeting, consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10

Performance of Vontobel Holding AG registered share (indexed)



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					
	31-12-16	31-12-15	31-12-14	31-12-13	31-12-12
CET1 capital ratio (%)	**19.0**	17.9	21.3	25.5	27.2
CET1 capital (CHF mn)	**1,018.4**	895.1	1,117.3	1,348.2	1,364.2
Risk weighted positions (CHF mn)	**5,360.8**	5,001.9	5,236.1	5,294.1	5,019.4

At present, Vontobel's equity consists exclusively of Common Equity Tier 1 capital. From 2013, calculations are based on the fully applied Basel III framework.

Risk ratio					
(CHF mn)	**31-12-16**	31-12-15	31-12-14	31-12-13	31-12-12
Average Value at Risk market risk	**2.7**	3.0	5.9	8.0	14.1

Average Value at Risk 12 months for positions in the Financial Products division of the Investment Banking business unit. Historical simulation Value at Risk; 99% confidence level; 1-day holding period; 4-year historical observation period.

Rating					
	31-12-16	31-12-15	31-12-14		
Moody's Rating Bank Vontobel AG (long-term deposit rating)	**Aa3**	Aa3	A2		

Income statement					
CHF mn	**31-12-16**	31-12-15	31-12-14	31-12-13	31-12-12
Total operating income	**1,081.1**	988.6	884.4	849.3	775.0
Operating expense	**759.8**	764.7	711.6	695.9	627.0
Group net profit	**264.4**	180.1	134.5	122.3	124.1
of which allocated to minority interests	**4.6**	2.9	0.0	0.0	0.0
of which allocated to the shareholders of Vontobel Holding AG	**259.8**	177.2	134.5	122.3	124.1

Segments (pre-tax profit)					
CHF mn	**31-12-16**	31-12-15	31-12-14	31-12-13	31-12-12
Private Banking	**47.2**	46.1	57.1	59.4	38.0
Asset Management	**163.5**	138.5	108.2	103.3	75.5
Investment Banking	**84.6**	77.0	66.1	56.6	69.1
Corporate Center	**26.0**	(37.7)	(58.6)	(65.9)	(34.6)

Balance sheet					
CHF mn	**31-12-16**	31-12-15	31-12-14	31-12-13	31-12-12
Total assets	**19,393.9**	17,604.8	18,472.8	19,643.2	21,062.3
Shareholders' equity (excl. minority interests)	**1,514.1**	1,425.2	1,411.5	1,626.0	1,552.0
Loans	**2,601.9**	2,365.1	2,116.2	1,839.7	2,478.6
Due to customers	**9,058.5**	8,775.8	8,960.6	9,303.8	8,658.9

Client assets					
CHF bn	**31-12-16**	31-12-15	31-12-14	31-12-13	31-12-12
Assets under management	**138.5**	136.3	123.8	109.6	98.4
of which under discretionary management	**90.2**	93.9	82.3	70.6	63.8
of which under non-discretionary management	**48.3**	42.4	41.5	39.0	34.6
Other advised client assets	**10.4**	6.0	6.6	–	–
Structured products outstanding	**6.4**	5.5	6.5	7.0	7.0
Total advised client assets	**155.3**	147.8	136.9	116.6	105.4
Custody assets	**40.1**	39.4	53.8	46.5	44.2
Total client assets	**195.4**	187.2	190.7	163.1	149.6

Net new money					
CHF bn	**31-12-16**	31-12-15	31-12-14	31-12-13	31-12-12
Net new money	**5.1** [1]	8.0	6.2	9.1	8.6
Net new money Quality Growth boutique	**(15.7)**				

[1] Excluding Quality Growth boutique

Headcount (full-time equivalents)					
	31-12-16	31-12-15	31-12-14	31-12-13	31-12-12
Number of employees Switzerland	**1,347.0**	1,201.2	1,135.5	1,097.2	1,117.1
Number of employees abroad	**327.4**	292.7	242.1	240.6	266.3
Total number of employees	**1,674.4**	1,493.9	1,377.6	1,337.8	1,383.4

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Our brand

Positioning of Vontobel

Vontobel's mission is to protect and build the wealth our clients have entrusted to us over the long term. Specialising in active asset management and tailor-made investment solutions, we provide responsible and forward-looking advice. In doing so, we are committed to Swiss quality and performance standards. With their good name, our owner family has stood by these principles for generations. These three core capabilities distinguish us at Vontobel:

Protect and build wealth
Over the long term, we are committed to protecting and building the wealth our clients have entrusted to us. In doing so, we provide our clients with responsible and forward-looking advice, transcending generations.

Manage assets actively
As active asset managers, we create financial value-added for our clients. To accomplish this, we elaborate first-class solutions for optimising returns and managing risk.

Deliver tailor-made investment solutions
We implement tailor-made investment solutions for our clients. Our forward-looking research, as well as our competence in developing products and processes, assure our clients that we are the right partner.

Around 1,700 Vontobel employees worldwide manage the assets entrusted to us by clients, carefully monitor the financial markets and interpret global macroeconomic developments. Whether they are in the heart of Zurich, New York, Hong Kong or Frankfurt – employees in 22 international locations identify and analyze trends and subsequently create innovative investment strategies and products.

Vontobel was first established in Zurich in 1924. The registered shares of Vontobel Holding AG are listed on the SIX Swiss Exchange. Our solid capital position and stable shareholder structure – reflecting the entrepreneurial, long-term view of our major shareholders – provide our company with strong and secure foundations. The Vontobel families hold the majority of the company's votes and capital.

Key messages in our Mission Statement

Our benefits for clients, employees and shareholders
- Our integrated business model, with its three core competencies Private Banking, Asset Management and Investment Banking, allows us to combine know-how and resources in the best interests of our clients and cooperation partners.
- We are an attractive and fair employer.
- As a long-term-oriented company we aim to offer our shareholders sustainable growth of the company's value.
- We strongly support social and cultural causes.
- We measure our success on the basis of mutually agreed benchmarks and report regularly on our performance.

Our ambition
- We offer outstanding service quality.
- We are both objective-oriented and flexible in our work.
- We are experts in the development of tailored solutions.
- We communicate openly and transparently.
- We are the bank with short decision paths.

Trust is at the core of our business
- We know that our success and the loyalty of our clients and cooperation partners depend on the trust placed in us on a daily basis. And we know just what a precious and fragile gift this is. Which is why we are so careful with it.
- We are a solid, independent partner.
- We have integrity.
- We are discrete and respect other privacy.
- We are transparent.

Our principles
Our solid reputation and the confidence accorded us are built upon a daily balance between the quest for profit, the willingness to take risks and the principles of responsible management. Our medium-term bank strategy is the embodiment of this mission statement. It determines our operational aims, the measures taken to achieve them and the responsibilities set out.

Brand strategy

The Vontobel brand

A good corporate name is today more important than ever before in determining the success of a company. Banks are therefore investing increasingly in their brands, which serve as a valuable guide for clients when selecting a financial partner.

Our corporate identity is a decisive factor in achieving a uniform corporate image and presence both internally and externally. Within our company, the Vontobel brand provides us with a clear sense of identity. Our brand is conveyed externally through the systematic application of our corporate design, which guarantees a consistent overall presence in our communication with the market. Vontobel employees have a key role to play in this context by acting as the primary ambassadors for our brand in their contact with clients and business partners. Their conduct and performance are key in determining the way Vontobel is perceived in the public arena. Our claim "Performance creates trust" is a powerful and unique expression of our brand promise.

Award-winning businesses

In 2016, 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.

Vontobel was named "Best Private Bank" in Switzerland by the business magazine "Bilanz" for the third time in succession.

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 2016, Vontobel received the award for "Best Market Maker Leverage Products", as well as ranking first in the category "Top Service" for the sixth time in succession.

In the Extel Survey 2016, Vontobel's Brokerage team took first place across all categories in the segment "Swiss Equities" and was named "Best Broker for Swiss Equities" for the sixth consecutive time.

Vontobel

Vontobel successfully navigates a year of unexpected events and impresses with another significant rise in profit

2016 brought some very surprising developments: few people predicted that UK voters would decide in favour of Britain leaving the European Union (Brexit) or that Americans would elect Donald Trump as their next President. OPEC nations delivered a further surprise when they actually agreed to cut oil output at the end of November. These events sent shockwaves through the political and economic landscape and they signal a turning point in economic policy. Austerity is being replaced by an expansionary fiscal policy in key economies and it appears likely that some existing trade agreements will have to be renegotiated. Overall, the debt problem – which called for the continuation of low interest rate policies in Europe and Japan in particular – ceased to be the main focus of attention. 2016 also saw conflicts on the edges of the EU continue with the same level of intensity.

This uncertainty and political upheaval had a comparatively moderate impact on the global economy and financial markets. The US experienced strong economic growth. Despite the low – and still falling – rate of unemployment, the US Federal Reserve remained cautious and waited until mid-December before announcing a moderate increase in the federal funds rate. In the Eurozone, growth was distributed more evenly across member states but declined slightly overall. This trend, coupled with low inflation and the balance sheet problems facing some banks, prompted the European Central Bank to extend its expansionary monetary policy. In Japan, whose economy is stagnating, the central bank left long-term interest rates at zero. China's economy generated growth of over 6% – and thus remained an exception – while growth was virtually absent in key emerging markets.

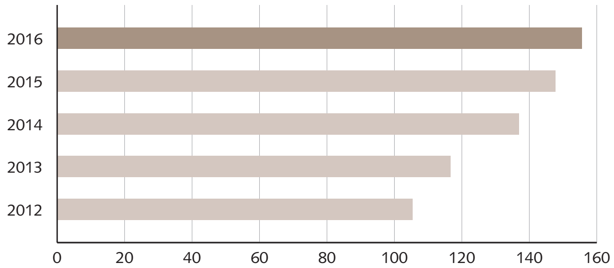
Bond yields, which were already very low, initially declined even further and reached historic lows in mid-2016. However, rising inflation expectations in the US resulted in a clear reversal of this trend in the second half of 2016, so that by the end of the year, yields had generally returned to the level seen at the start of 2016, with US bonds even exceeding the previous year's level.

Following a period of relatively low volatility and moderately positive performance in the first ten months of 2016, the financial markets achieved a spectacular end to the year – stimulated by the outcome of the US presidential election. There was a substantial rise in volumes and the financial sector, which had previously been spurned by investors, saw share prices rise. However, private investors remained cautious and continued to hold large cash positions.

Sustained growth as a result of organic expansion and targeted acquisitions

Against this backdrop, Vontobel delivered a pleasing increase in net profit, which grew by 47% to CHF 264.4 million in the financial year 2016, compared to CHF 180.1 million in 2015. Compared to the previous year, earnings per share rose by 48% to CHF 4.72. Adjusted for one-off impacts, profit totalled CHF 201.5 million (CHF 3.57 per share). The return on equity increased by 5.6 percentage points to 18.0%, significantly exceeding our cost of capital. Our focus on our own strengths – providing responsible advice, managing assets actively and delivering tailor-made investment solutions for clients – thus proved effective once again. In the year under review, our clients entrusted us with CHF 5.1 billion of net new money, excluding outflows of assets of CHF 15.7 billion related to the CIO change in the Quality Growth boutique. In addition, the acquisition of Vescore provided Vontobel with a total of CHF 7.9 billion of assets under management. Total client assets reached a record CHF 195.4 billion, an increase of 4% compared to the end of 2015. Vontobel has maintained its very comfortable equity position. At the end of 2016, the BIS capital ratio, which, at Vontobel, consists exclusively of Common Equity Tier 1 capital, remained extremely solid at 19.0% and substantially exceeds the regulatory minimum requirement of 12%. The Board of Directors' confidence in Vontobel's existing strategy and Vontobel's active capital management are demonstrated by the proposed dividend of CHF 2.00, which consists of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10, compared to CHF 1.85 per share in the previous year. This represents a generous payout ratio of 56% based on adjusted Group net profit.

Advised client assets
in CHF bn



Advised client assets reach a record level

Total client assets reached a new record level of CHF 195.4 billion. Total advised client assets – which consist of assets under management, other advised client assets and structured products – grew by 5% to CHF 155.3 billion. Advised client assets are 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 include advised assets from the cooperation with the Australian banking group ANZ; Vontobel provides advice on asset allocation to ANZ in respect of these assets. Vontobel also acquired CHF 3.8 billion of relatively low-margin assets in 2016 as a result of the Vescore acquisition. The volume of structured products outstanding rose by 16% to CHF 6.4 billion. This growth demonstrates the success of Vontobel Financial Products in gaining further market share in the European market in a period of declining volumes and in benefiting from the growing shift towards the platform business. The volume of low-return custody assets rose slightly (+2%).

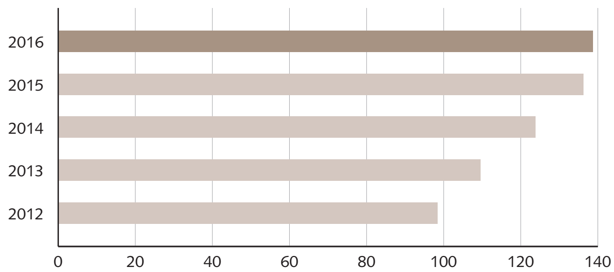
Client assets		
CHF bn	**31-12-16**	31-12-15
Assets under management	**138.5**	136.3
Other advised client assets	**10.4**	6.0
Structured products outstanding	**6.4**	5.5
Total advised client assets	**155.3**	147.8
Custody assets	**40.1**	39.4
Total client assets	**195.4**	187.2

The volume of assets under management entrusted to Vontobel was higher than ever before at CHF 138.5 billion at the end of 2016. This reflects a 13% increase in assets in Wealth Management (Private Banking and the External Asset Managers business) to CHF 46.8 billion due to the continued inflow of new money and positive investment performance. However, assets under management from the institutional side declined slightly (–3%) to CHF 91.7 billion. Here, outflows of assets related to the CIO change in the Quality Growth boutique were offset to a large extent by the positive development of new money in other Asset Management boutiques and in Investment Banking, as well as by the first-time consolidation of Vescore (CHF 7.9 billion) and generally positive market and currency effects.

Development of assets under management		
CHF bn	**31-12-16**	31-12-15
Wealth Management	**46.8**	41.6
Private Banking	**39.0**	34.2
External Asset Managers	**7.8**	7.4
Institutional clients	**91.7**	94.7
Asset Management[1]	**92.3**	95.7
Investment Banking[2]	**3.1**	2.7
Corporate Center[3]	**(3.7)**	(3.7)
Total assets under management	**138.5**	136.3

[1] Including intermediaries
[2] Excluding External Asset Managers
[3] Assets under management that are managed on behalf of other segments.

Assets under management
in CHF bn



Broad-based growth in new money

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. Our efforts to put this philosophy into practice and our continued investments in growth and an efficient sales structure at a global and product-oriented level are bearing fruit. Excluding the Quality Growth boutique, Vontobel once again delivered very respectable growth in new money of 5.8% in the other businesses in 2016.

Building on existing activities, Wealth Management (Private Banking and the External Asset Managers business) acquired CHF 2.2 billion of net new money. This corresponds to growth in net new money of 5.3%, which is slightly above the target range of 3-5%.

The net inflow of new money in Private Banking totalled CHF 2.0 billion – corresponding to growth in net new money of 5.8% – and was mainly attributable to inflows from Vontobel's Swiss home market, Germany and Emerging Markets. The External Asset Managers business achieved growth in net new money of 2.7%. A total of CHF 0.2 billion of net new money was acquired by this business.

In Asset Management, outflows in the Quality Growth boutique relating to the CIO change and towards the end of the year relating to substantial sector rotations were partly offset by strong growth in certain other boutiques. This reflects the successful diversification of the asset and income base in recent years. Today, more than 50% of advised assets originate from the Fixed Income, Multi Asset Class and Thematic Investing boutiques as well as from the new Vescore Quantitative Investment boutique. The fixed income solutions offered by the rapidly growing and successful boutique TwentyFour Asset Management, among others, were the main driver of growth in Asset Management. The Multi Asset Class and Thematic Equities boutiques also made a significant income contribution. In the Quality Growth boutique, business remained challenging in the second half of 2016 – especially after the US elections. This resulted in increased sector rotations from "Quality Growth" to "Value" and from Emerging Markets to Developed Markets. Consequently, the Quality Growth investment style remained below benchmark in the second half of the year. Overall, net outflows of assets were significantly lower in the second half of the year at CHF –3.9 billion than in the first half (CHF –11.8 billion).

Development of net new money		
CHF bn	**31-12-16**	31-12-15
Wealth Management	**2.2**	1.7
Private Banking	**2.0**	1.3
External Asset Managers	**0.2**	0.4
Institutional clients	**2.9**	6.3
Asset Management[1]	**2.5** [2]	7.9
Investment Banking[3]	**0.4**	(1.2)
Corporate Center[4]	**0.0**	(0.4)
Total net new money	**5.1**	8.0
Net new money Quality Growth boutique	**(15.7)**	

[1] Including intermediaries
[2] Excluding Quality Growth boutique
[3] Excluding External Asset Managers
[4] Net new money from assets that are managed on behalf of other segments.

The structure of assets by investment category also reflects the systematic diversification of the boutiques in Asset Management. As a result, the proportion of fixed income securities increased by 4 percentage points during the year under review, while the weighting of foreign equities declined due primarily to developments in the Quality Growth equities boutique. The proportion of liquid assets and fiduciary investments was unchanged at 11% of assets under management.

Assets under management by investment category		
in %	**31-12-16**	31-12-15
Swiss equities	**13**	12
Foreign equities	**39**	45
Bonds	**30**	26
Alternative investments	**3**	3
Liquid assets, fiduciary investments	**11**	11
Other[1]	**4**	3

[1] Including structured products

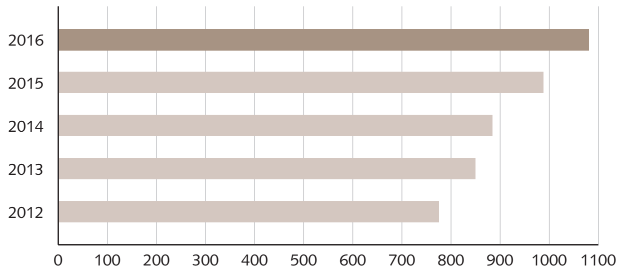
Our investment expertise is geared towards our international client base – as reflected by our broadly diversified allocation of assets under management in terms of currencies. In 2016, the proportion of investments in Swiss francs, euros and the US dollar increased. In contrast, the proportion of investments in other currencies (mainly the Indian rupee and the Hong Kong dollar) as well as the British pound declined slightly.

Assets under management by currency		
in %	**31-12-16**	31-12-15
CHF	**27**	23
EUR	**22**	19
USD	**28**	26
GBP	**7**	8
Other	**16**	24

Increase in operating efficiency and profitability – also when excluding one-off impacts

In an environment shaped by major and unforeseeable events, Vontobel continued to successfully pursue its growth strategy and generated a very solid result in 2016. All of the financial targets that were defined for 2017 were already exceeded in the financial year 2016. Reported net profit according to IFRS totalled CHF 264.4 million in 2016, corresponding to an increase of 47% compared to the previous year. Excluding one-off impacts, net profit rose by 12% to CHF 201.5 million.

Operating income
in CHF mn



This result was adjusted for the following one-off impacts:

- Operating income in 2016 includes the proceeds from the sale of the 4% equity participation in Helvetia Holding AG in November 2016, which had a positive impact in the amount of CHF 91.0 million on profit after taxes.
- A charge recognized in the first half of the year due to the agreement reached with the Munich authorities for the partial settlement of legacy tax matters had a negative impact on profit after taxes of CHF 3.9 million.
- In addition, we recorded a provision in the second half of the year relating to remaining litigation risks in Germany that resulted in a charge of CHF 13.4 million (CHF 12.0 million after taxes).
- The integration of Finter Bank was fully completed in fiscal year 2016; this resulted in a charge of CHF 4.2 million after taxes. On the other side, the result benefited from the adjustment of the purchase price by CHF 3.7 million.
- Costs of CHF 12.4 million (CHF 11.7 million after taxes) were incurred in 2016 in connection with the integration of Vescore. Further integration costs are expected for 2017.

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 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 60% of operating income of CHF 1,081.1 million in the year under review (+9% compared to 2015). In the year under review, net commission income declined by 7% to CHF 648.7 million, reflecting developments in Asset Management.

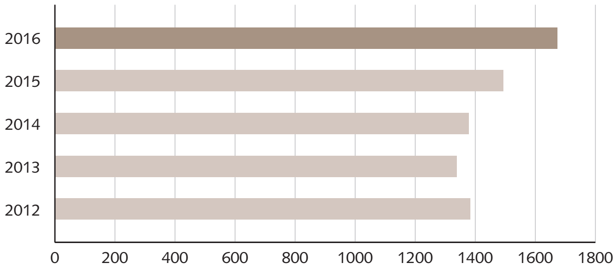
Advisory and management fees decreased by 6% to CHF 546.2 million, while custody fees of CHF 149.5 million were flat compared to the previous year. The wait-and-see attitude among many investors was reflected by the development of brokerage fees – also part of net commission income – which decreased by 12% to CHF 109.3 million.

In an environment of declining market volumes for structured products, the 13% rise in trading income to CHF 250.0 million was attributable to a further improvement in market positioning in Switzerland and in international markets as well as the growing shift to the platform business. Vontobel's trading income mainly comprises income from the issuing, hedging and market making of structured products and warrants – represented by the total of "Securities" and "Other financial instruments at fair value". In the year under review, these activities contributed CHF 211.5 million (+14%) to trading income. Income from forex and precious metals trading increased by 9% to CHF 38.5 million.

Managing the bank's balance sheet while maintaining a conservative risk profile is especially challenging in an environment of continued extremely low or negative interest rates. As a result of active and systematic treasury management as well as increased loans to clients, and despite lower dividend income (2015: special dividend from the SIX Swiss Exchange of CHF 6.7 million), net interest income increased slightly (+1%) to CHF 67.7 million. Other income includes income from the sale of treasury assets (available-for-sale financial assets) of CHF 110.8 million. This mainly comprises the sale of the 4% equity participation in Helvetia in the second half of the year.

Operating expense decreased slightly to CHF 759.8 million due primarily to a reduction in personnel expense. At CHF 484.8 million, personnel expense – which is the largest cost component – was 8% lower than in the previous year, mainly reflecting the impact of lower income and the scalable cost structure in Asset Management. At the end of 2016, Vontobel employed 1,674 full-time equivalents, an increase of 180 from the end of 2015.

Headcount
full-time equivalents



Operating expense includes one-off expenses of CHF 4.2 million after tax for the integration of Finter Bank and one-off expenses of CHF 12.4 million for the integration of Vescore. General expense rose 14% to CHF 189.7 million, mainly reflecting higher expenses for IT and telecommunications, as well as for travel and representation, public relations and marketing. In addition, as mentioned above, a charge of CHF 3.9 million (after taxes) for a payment to the Munich tax authorities for the partial settlement of legacy tax matters, as well as a provision of CHF 13.4 million for further litigation risks in Germany, were recognized.

Depreciation of property, equipment and intangible assets decreased by 6% to CHF 62.3 million, as planned. As a result of our state-of-the-art digital platform, the amount that needed to be invested in the business decreased significantly in the last two years to about CHF 40 million a year.

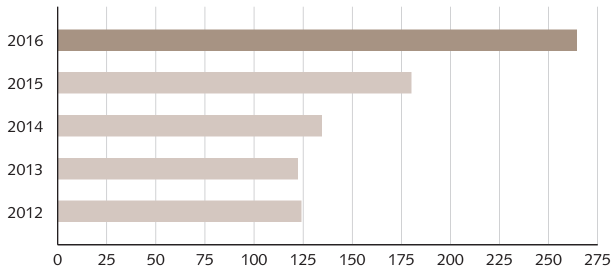
Capital expenditure and depreciation of property, equipment and intangible assets

CHF mn	**31-12-16**	31-12-15
Capital expenditure	**42.1**	35.3
Depreciation	**62.3**	66.1

The broadening of the income base combined with rigorous cost management resulted in a significant increase in operating efficiency in 2016, also when excluding one-off impacts. This was reflected by an improvement of 3.4 percentage points in the cost/income ratio to 73.6% (excluding one-off impacts). Pre-tax profit grew by 44% to CHF 321.3 million. The tax charge increased by 30% to CHF 56.9 million, resulting in a lower tax rate of 17.7%, compared to 19.6% in the previous year.

Net profit after taxes increased by 47% to CHF 264.4 million. As the average number of shares outstanding was slightly lower than in the previous year, earnings per share rose by 48% to CHF 4.72. Adjusted for the above-mentioned one-off impacts, net profit totalled CHF 201.5 million, an increase of 12% compared to the previous year.

Group net profit
in CHF mn



Structure of the income statement				
	31-12-16 CHF mn	**31-12-16 in %** [1]	31-12-15 CHF mn	31-12-15 in %[1]
Net interest income	**67.7**	**6**	67.1	7
Fee and commission income	**648.7**	**60**	701.1	71
Trading income	**250.0**	**23**	221.4	22
Other income	**114.7**	**11**	(1.0)	0
Total operating income	**1,081.1**	**100**	988.6	100
Personnel expense	**484.8**	**45**	528.4	53
General expense	**189.7**	**18**	167.1	17
Depreciation, amortization	**62.3**	**6**	66.1	7
Valuation adjustments, provisions and losses	**23.0**	**2**	3.1	0
Operating expense	**759.8**	**71**	764.7	77
Taxes	**56.9**	**5**	43.8	5
Group net profit	**264.4**	**24**	180.1	18

[1] Share of operating income

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, in particular, costs generated in US dollars decreased slightly in 2016. As a result, 49% of income and 77% of operating expense were generated in Swiss francs. The US dollar continued to represent the second most important currency, accounting for 29% of income and 12% of operating expense. This was followed by the euro, with 13% of income and 7% of costs.

Structure of income statement by currency		
in %	**31-12-16**	31-12-15
Operating income		
CHF	**49**	41
EUR	**13**	13
USD	**29**	36
GBP	**4**	4
Other	**5**	6
Operating expense		
CHF	**77**	69
EUR	**7**	6
USD	**12**	22
GBP	**3**	2
Other	**1**	1

Increased profit contributions from all divisions

In Private Banking, the asset base grew significantly in a saturated market thanks to the acquisition of new money and positive investment performance. The number of relationship managers also increased further to 199 (+17). Private Banking is the division within Vontobel that is most strongly affected by the impacts of negative interest rates, the strong Swiss franc and the wait-and-see attitude of many investors. It nevertheless delivered a slight increase in pre-tax profit to CHF 47.2 million (+2%).

The diversification of the investment universe in Asset Management that was initiated several years ago proved to be the right decision in view of the CIO change in Vontobel's US boutique, since the division was again the main earnings driver in 2016 – generating a pre-tax income contribution of CHF 163.5 million (+18%). The agreement reached by Vontobel with Raiffeisen Switzerland in summer 2016 was an important future-oriented step for the business. It defines their partnership in the area of asset management, the scope and duration of which go far beyond what had previously been agreed. We have also identified attractive opportunities for development as a result of the acquisition of Vescore that was carried out in this context. Vescore specializes in quant strategies and sustainable investments.

The Financial Products business in Investment Banking has demonstrated a high level of innovation and maintained a close proximity to clients for many years, successfully establishing itself as one of the leading providers of structured products and derivatives in Europe. In 2016, Financial Products was able to more than compensate for the strong decline in volumes in Continental Europe through its innovations in the platform business and its continued international expansion, enabling it to significantly improve its result.

Financial Products (excluding the External Asset Managers business) accounted for 23% of Vontobel's pre-tax profit in 2016 (excluding the Corporate Center). Wealth & Asset Management (Private Banking, Asset Management and the External Asset Managers business) accounted for 77% of the pre-tax profit generated by the divisions. This large proportion reflects Vontobel's clear positioning as a wealth and asset manager.

In the Corporate Center, the sale of the equity participation in Helvetia had a positive impact on the pre-tax result. This in contrast to the above-mentioned one-off costs, which negatively impacted the cost side. Overall, the pre-tax result improved significantly to CHF 26.0 million.

Pre-tax profit by segment		
CHF mn	**31-12-16**	31-12-15
Private Banking	**47.2**	46.1
Asset Management	**163.5**	138.5
Investment Banking	**84.6**	77.0
of which External Asset Managers business	**15.3**	14.8
Corporate Center	**26.0**	(37.7)
Total	**321.3**	223.9

Conservative risk management

Vontobel remains committed to a conservative risk management approach. This is reflected by the further decline in average Value at Risk in the Financial Products business from CHF 3.0 million in 2015 to CHF 2.7 million in 2016. As before, Value at Risk is influenced most strongly by the interest rate component, which mainly reflects credit spread risks in the bond portfolio.

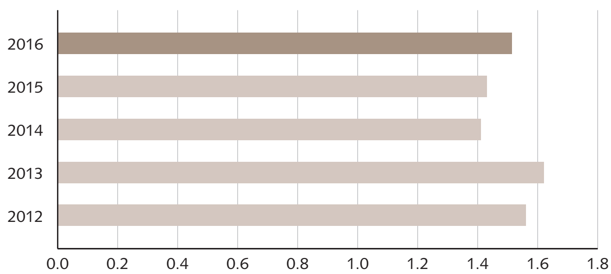
Value at Risk (VaR) for the positions of Financial Products		
CHF mn (Average 12 months ending)	**31-12-16**	31-12-15
Equities	**1.4**	2.0
Interest rates	**2.1**	2.1
Currencies	**0.5**	0.8
Commodities	**1.2**	0.4
Diversification effect	**(2.5)**	(2.3)
Total	**2.7**	3.0

Average Value at Risk 12 months for positions in the Financial Products division of the Investment Banking business unit. Historical simulation 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 the end of 2016, the BIS common equity tier 1 ratio (CET1 ratio) was 19.0%. This represents a very good level in an industry comparison and substantially exceeds the regulatory minimum requirement. The change in the CET1 ratio of +1.1 percentage points is mainly attributable to the acquisition of Vescore (–1.1 percentage points), the sale of the equity participation in Helvetia (+1.8 percentage points) and a positive net impact on pension fund liabilities in accordance with IAS 19 (+0.7 percentage point) due to the rise in long-term interest rates.

Shareholders' equity
in CHF bn



Consolidated shareholders' equity was CHF 1.51 billion at the end of 2016, an increase of 6% compared to the end of 2015. Vontobel's very solid capital position is also reflected by its equity ratio of 7.8% and a leverage ratio under Basel III of 5.2%. Furthermore, Vontobel's balance sheet can be described as highly liquid, since its Liquidity Coverage Ratio averages 217.8% in the second half of the year and thus significantly exceeds the minimum requirement of 70% defined by FINMA for 2016.

Total assets grew by 10% to CHF 19.4 billion in the year under review. On the liabilities side of the balance sheet, client deposits rose again slightly from CHF 8.8 billion to CHF 9.1 billion. There was also an increase in liabilities arising from the structured products business, which rose from CHF 5.5 billion to CHF 6.4 billion.

On the assets side of the balance sheet, the main change was an increase in cash of CHF 1.0 billion to CHF 6.4 billion. In contrast, other financial liabilities at fair value declined further by CHF 0.3 billion to CHF 2.3 billion as a result of reallocations. Customer loans rose by around CHF 240 million to CHF 2.6 billion.

Of the total regulatory capital of CHF 703.9 million required under BIS rules (31-12-15: CHF 618.3 million), 38% was allocated to Asset Management, 27% to Investment Banking and 20% to Private Banking.

Allocation of regulatory capital required (BIS) as of 31 December 2016

CHF mn	Credit risks	Market risks	Operational risks	Goodwill etc.	**Total**
Private Banking	29.8	0.0	34.9	77.8	**142.5**
Asset Management	8.2	0.0	61.1	201.2	**270.5**
Investment Banking	28.2	130.3	36.7	(3.9)	**191.3**
of which External Asset Managers business	10.9	0.0	3.7	0.0	**14.6**
Corporate Center	32.3	62.1	5.2	0.0	**99.6**
Total	**98.5**	**192.4**	**137.9**	**275.1**	**703.9**

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

At the end of 2016, more than half 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. As a result of the acquisition of Vescore, we were not only able to significantly grow our asset base in Switzerland in 2016 but also in our focus market of Germany, where the asset base rose from just under CHF 9 billion to over CHF 18 billion.

Client assets by client domicile as of 31 December 2016

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]	58.5	0.6	5.1	**64.2**	39.7	**103.9**
Focus markets						
Germany	13.1	3.7	1.3	**18.1**	0.0	**18.1**
Italy	7.3	0.0	0.0	**7.3**	0.0	**7.3**
UK	12.8	0.0	0.0	**12.8**	0.0	**12.8**
US	18.0	0.0	0.0	**18.0**	0.0	**18.0**
Emerging Markets[2]	21.1	6.0	0.0	**27.1**	0.0	**27.1**
Other markets	7.7	0.1	0.0	**7.8**	0.4	**8.2**
Total client assets	**138.5**	**10.4**	**6.4**	**155.3**	**40.1**	**195.4**

[1] Including Liechtenstein
[2] Asia Pacific region, CEE, LATAM, Middle East, Africa

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) and
– Technology leadership

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

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. We want to generate a return on equity of over 10%. In terms of the cost/income ratio, which reflects our company's operating efficiency, our target ratio of less than 75% remains unchanged. We intend to regularly pay out more than 50% of profits in future provided the business performs as planned, underscoring the shareholder-friendly nature of our targets.

Mid-term targets 2017 exceeded

In 2016, we were already able to exceed all the clearly ambitious targets we had set. Our results justify our high level of confidence that we will be able to follow our own path during this period of structural change in the finance industry and emerge as a winner. The Board of Directors and Executive Board will formulate new mid-term targets 2020 in summer 2017 in the course of our annual strategy discussion.

Targets 2017	
Earnings power	
Return on equity (ROE)	>10%
Efficiency	
Cost/income ratio	<75%
Capital strength	
Tier 1 capital ratio (CET1)	>12%
Total capital ratio	>16%
Dividend	
Payout ratio	>50%

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 provide them with opportunities for global wealth diversification in particular, 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 2016, Vontobel Private Banking was named "Best Private Bank in Switzerland" by the Swiss business magazine Bilanz for the third year in succession, demonstrating our client focus and attractive offering. In Germany, Private Banking was assigned the rating "excellent" by the publication Investor Magazin for the third consecutive time.

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. 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 2016, we continued to deliver above-market growth – thus maintaining the trend in recent years – thanks to our excellent positioning. At 5.8%, the increase in new money was above our own target range of 3–5% and was thus significantly above the market growth rate. Assets under management increased by as much as 14%, meaning that Vontobel once again succeeded in gaining market share. The highest growth rate was achieved in our fiercely competitive home market of Switzerland. In 2015, we expanded our presence in our focus market of Italy and in Lugano through the successful acquisition of Finter Bank. In the year under review, the net increase in the number of relationship managers in Vontobel Private Banking was 17. Further hires are planned in the future. In addition, we are carefully evaluating possible acquisitions to complement our organic growth.

Despite a further reduction in interest rates, especially in euro, and continued low levels of client activity, operating income rose to CHF 244.3 million. The result continues to be negatively impacted by the strong Swiss franc and investments in future growth. Private Banking generated a 2% increase in pre-tax profit to CHF 47.2 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				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Net interest income	**25.3**	17.2	8.1	47
Other operating income	**219.0**	216.0	3.0	1
Operating income	**244.3**	233.2	11.1	5
Personnel expense	**104.1**	95.0	9.1	10
General expense	**13.6**	12.1	1.5	12
Services from/to other segment(s)	**75.4**	75.8	(0.4)	(1)
Depreciation of property, equipment and intangible assets	**3.1**	2.7	0.4	15
Valuation adjustments, provisions and losses	**0.9**	1.5	(0.6)	(40)
Operating expense	**197.1**	187.1	10.0	5
Segment profit before taxes	**47.2**	46.1	1.1	2

Key figures		
in %	**31-12-16**	31-12-15
Cost[1]/income ratio	**80.3**	79.6
Change of assets under management	**14.0**	7.2
of which net new money	**5.8**	4.1
of which change in market value	**8.2**	(1.3)
of which other effects	**0.0**	4.4[2]
Operating income/average assets under management[3] (bp)	**69**	72
Profit before taxes/average assets under management[3] (bp)	**13**	14

Client assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF bn	CHF bn	CHF bn	in %
Assets under management	**39.0**	34.2	4.8	14
Other advised client assets	**1.0**	0.9	0.1	11
Total advised client assets	**40.0**	35.1	4.9	14
Average assets under management[3]	**35.5**	32.4	3.1	10

Net new money		
CHF bn	**31-12-16**	31-12-15
Net new money	**2.0**	1.3

Personnel				
			Change to 31-12-15	
	31-12-16	31-12-15		in %
Employees (full-time equivalents)	**387.0**	364.9	22.1	6
of which relationship managers	**199.0**	182.0	17.0	9

[1] Operating expense excl. valuation adjustments, provisions and losses
[2] Acquisition of Finter Bank Zurich AG as per 1 October 2015
[3] Calculation based on average values for individual months

Asset Management

In recent years, Asset Management was able to deliver an extremely strong increase in profit, with double-digit growth rates throughout the last five years. During that period, it developed into the strongest earnings driver at Vontobel. Income has more than doubled from CHF 202.1 million in 2011 to CHF 414.7 million in 2016. Over the same period, Asset Management achieved a more than four-fold increase in pre-tax profit from CHF 36.7 million to CHF 163.5 million. This disproportionately large rise in profit was generated as a result of its global growth strategy and a simultaneous increase in operating efficiency; the cost/income ratio improved from 81.4% to 60.5%.

The success of the diversification strategy in Asset Management was particularly evident in the year under review. The outflows in the Quality Growth boutique relating to the CIO change were partly offset by strong growth in certain other boutiques. In 2016 – adjusted for the Quality Growth boutique – clients entrusted us with CHF 2.5 billion of new money, corresponding to an impressive growth rate of 5.3%. This was mainly driven by inflows into our fixed income products in Zurich and into TwentyFour Asset Management, our rapidly growing and successful boutique in our UK focus market. The Multi Asset Class and Thematic Equities boutiques also made significant contributions to this good result.

The portfolio management change in the Quality Growth boutique was successfully completed in March 2016. Vontobel implemented its succession plan with the appointment of Matthew Benkendorf as the new Chief Investment Officer. The stability of the experienced team supporting the co-architect of the quality growth investment style, as well as the continuation of the existing robust investment process that has been in place for more than two decades, were of decisive importance in maintaining the trust of clients. In the second half of the year – and especially after the US election – there was a shift from "Quality" to "Value" and from Emerging Markets to Developed Markets. Consequently, the Quality Growth investment style remained below benchmark in the second half of the year. However, our clients have benefited from our proven investment style over the long term, with the investment performance of all strategies over 3 and 5 years ending 2016 above benchmark, measured in terms of the gross performance of composites.

As part of its growth strategy in the investment business, Raiffeisen is focusing on providing advisory services and will continue to draw on our expertise in the future. In the year under review, our successful partnership resulted in a net inflow of new money of more than CHF 400 million. As part of the redefinition of the collaboration between Vontobel and Raiffeisen in 2016, Vontobel acquired the Raiffeisen subsidiary Vescore, and its strategic Quantitative Investments and Sustainable Investments boutiques were subsequently integrated into our successful international boutique model. Other operations were sold following the transaction. This acquisition resulted in an increase in adjusted assets under management of CHF 7.9 billion.

The impressive investment performance and quality of our products was once again recognized with numerous awards from renowned rating agencies. For example, the Quality Growth and Thematic Equities boutiques were named "Equity Manager of the Year" in the UK Pension Awards. TwentyFour Asset Management received awards in the "Specialist Fixed Income Group of the Year" and "Multi-Asset Fixed Income Strategy" categories. Morningstar and Lipper named Vontobel the top provider in the "Best EUR Corporate Bond Fund" category for the second year in succession.

Operating income proved resilient to the challenges in the Quality Growth boutique and once again exceeded CHF 400 million thanks to organic growth in other boutiques. The reduction in operating expense reflected an increase in operating efficiency. The pre-tax result reached a record CHF 163.5 million.

As an active asset manager, the business unit 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, Global Thematic Equities and Alternatives. Each boutique is run as an independent centre of expertise. Asset Management has three core competencies: targeted asset allocation, stock selection and multi-manager approaches. The Asset Management business unit has a presence in Zurich, Basel, Berne, Geneva, New York, London, Frankfurt, Luxembourg, Madrid, Milan, Munich, Hong Kong and Sydney.

Segment results				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Net interest income	**0.3**	0.2	0.1	50
Other operating income	**414.4**	453.7	(39.3)	(9)
Operating income	**414.7**	453.9	(39.2)	(9)
Personnel expense	**158.2**	225.1	(66.9)	(30)
General expense	**41.9**	34.9	7.0	20
Services from/to other segment(s)	**46.5**	46.3	0.2	0
Depreciation of property, equipment and intangible assets	**4.2**	8.5	(4.3)	(51)
Valuation adjustments, provisions and losses	**0.4**	0.6	(0.2)	(33)
Operating expense	**251.2**	315.4	(64.2)	(20)
Segment profit before taxes	**163.5**	138.5	25.0	18

Key figures		
in %	**31-12-16**	31-12-15
Cost[1]/income ratio	**60.5**	69.4
Change of assets under management[2]	**(3.7)**	14.7
of which net new money[2]	**2.8**[3]	9.4
of which net new money Quality Growth boutique[2]	**(17.1)**	
of which change in market value[2]	**2.0**	(2.8)
of which other effects[2]	**8.6**[4]	8.1[5]
Operating income/average assets under management[6] (bp)	**46**	51
Profit before taxes/average assets under management[6] (bp)	**18**	15

Client assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF bn	CHF bn	CHF bn	in %
Assets under management	**92.3**	95.7	(3.4)	(4)
of which Vontobel funds	**20.6**	23.0	(2.4)	(10)
of which private label funds	**16.7**	12.6	4.1	33
of which managed on behalf of other segments	**3.7**	3.7	0.0	0
Other advised client assets	**9.4**	5.1	4.3	84
Total advised client assets	**101.7**	100.8	0.9	1
Average assets under management[6]	**90.7**	89.6	1.1	1

Net new money		
CHF bn	**31-12-16**	31-12-15
Net new money	**2.5**[3]	7.9
Net new money Quality Growth boutique	**(15.7)**	

Personnel				
			Change to 31-12-15	
	31-12-16	31-12-15		in %
Employees (full-time equivalents)	**397.5**	308.4	89.1	29

[1] Operating expense excl. valuation adjustments, provisions and losses
[2] Adjusted for assets that are managed on behalf of other segments
[3] Excluding Quality Growth boutique
[4] Acquisition of Vescore AG as per 20 September 2016
[5] Acquisition of TwentyFour Asset Management LLP as per 1 May 2015
[6] 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 8% in Europe and 26% 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 180,000 product solutions spanning all geographical regions and risk classes. An excellent client focus, strong innovation and the very good tradability of our products – including on the secondary market – have already earned Vontobel multiple awards.

Following our successful entry into the Nordic market in 2015, Vontobel also began distributing leverage products in Italy in May 2016. After only a few weeks, Vontobel was already offering clients the broadest range of products in the Italian market for factor certificates. In the year under review, the preparations for our market debut in the Netherlands and France advanced swiftly and this will enable us to distribute our products in these countries from January 2017. Following that, we plan to offer our leading range of leverage products on the Hong Kong stock exchange in 2017.

Thanks to our innovative strength and state-of-the-art digital technology, 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. A total of CHF 3.4 billion of products was purchased on our platform in 2016 – a substantial increase of 55% compared to 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". For the first time, we are thus enabling investment advisors at banks and savings institutions, asset managers and interested private investors to create structured products online without a minimum purchase requirement and to then purchase them on the stock exchange just minutes later. As a result of digitalization, the process is fully automated – resulting in a significant reduction in unit costs, which have fallen by 95% since 2009.

Vontobel's External Asset Managers (EAM) business provides support and advice to external asset managers. In 2016, we increased our number of relationship managers and opened an EAM desk in Lugano. In addition, we further expanded our range of services for clients. On the one hand, we introduced an investment advisory offering, giving our external asset managers access to our global investment expertise and our first-class competence in active asset management. On the other hand, our new digital platform "Vontobel EAMNet" provides external asset managers with access to a pioneering solution compared to peer offerings that also features an even more client-friendly design. This was rewarded by our clients with a 2.7% increase in new money.

In the year under review, Investment Banking delivered a significant increase in operating income of 7% to CHF 277.3 million as a result of further gains in market share and our entry into new markets. At the same time, operating expense rose only slightly (+5%) despite the growth of our offering and our international expansion, reflecting a high level of cost discipline. This resulted in a 10% increase in pre-tax profit to CHF 84.6 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, Geneva, Basel, Lugano, Cologne, Frankfurt, Dubai, London, New York and Singapore.

Segment results				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Net interest income	**5.1**	2.0	3.1	155
Other operating income	**272.2**	258.0	14.2	6
Operating income	**277.3**	260.0	17.3	7
Personnel expense	**99.8**	95.7	4.1	4
General expense	**45.3**	39.0	6.3	16
Services from/to other segment(s)	**42.9**	42.9	0.0	0
Depreciation of property, equipment and intangible assets	**4.6**	5.1	(0.5)	(10)
Valuation adjustments, provisions and losses	**0.1**	0.3	(0.2)	(67)
Operating expense	**192.7**	183.0	9.7	5
Segment profit before taxes	**84.6**	77.0	7.6	10

Key figures		
in %	**31-12-16**	31-12-15
Cost[1]/income ratio	**69.5**	70.3
Change of assets under management	**7.9**	(13.7)
of which net new money	**5.9**	(6.8)
of which change in market value	**2.0**	(6.9)

Client assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF bn	CHF bn	CHF bn	in %
Assets under management	**10.9**	10.1	0.8	8
Structured products outstanding	**6.4**	5.5	0.9	16
Total advised client assets	**17.3**	15.6	1.7	11
Custody assets	**40.1**	39.4	0.7	2
Total client assets	**57.4**	55.0	2.4	4

Net new money		
CHF bn	**31-12-16**	31-12-15
Net new money	**0.6**	(0.8)

Personnel				
			Change to 31-12-15	
	31-12-16	31-12-15		in %
Employees (full-time equivalents)	**372.8**	355.4	17.4	5

Of which External Asset Managers				
			Change to 31-12-15	
	31-12-16	31-12-15		in %
Operating income (CHF mn)	**43.4**	40.9	2.5	6
Profit before taxes (CHF mn)	**15.3**	14.8	0.5	3
Cost[1]/income ratio (%)	**64.5**	63.6		
Assets under management (CHF bn)	**7.8**	7.4		
Net new money (CHF bn)	**0.2**	0.4		
Operating income/average assets under management[2] (bp)	**59**	57		

[1] Operating expense excl. valuation adjustments, provisions and losses
[2] Calculation based on average values for individual months

Corporate Center

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. To drive forward this digital transformation in a coordinated and targeted manner, a dedicated programme was launched at Group level that encompasses more than 20 digitalization projects. Two pioneering projects were already successfully implemented in the previous year with the new "Vontobel Mobile Private Banking" and "Vontobel EAMNet" platforms. A substantial proportion of IT investment is now being channelled into the digitalization of our business; with these future-oriented investments, we are securing a strong and competitive position for Vontobel in the market. To preserve our leading position in the digital transformation on a long-term basis, Vontobel and other renowned Swiss financial institutions established the "Swiss Fintech Innovations" association in March 2016.

On 2 November 2016, Vontobel sold its equity participation in Helvetia Holding AG to Patria Genossenschaft. The good long-standing business relationships between Helvetia and Vontobel are not affected by this move. The sale of the participation had a one-off positive impact of CHF 91 million on Vontobel's profit after taxes.

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.

At the end of 2016, Vontobel was able to conclude discussions with the US Department of Justice without paying a financial penalty. In this context, Bank Vontobel AG did not seek a non-prosecution agreement or apply for a non-target letter, and received neither.

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 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 competent German authorities to obtain transparency and legal certainty for the bank, its clients and its employees. In the first half of 2016, we agreed a settlement with the Munich authorities and subsequently booked a charge of about CHF 4 million after taxes. In addition, Vontobel recorded a provision in the second half of the year relating to remaining litigation risks in Germany that resulted in a charge of CHF 13.4 million.

The integration of Finter Bank was fully completed, resulting in a charge of about CHF 4 million after taxes in the year under review. The integration of Vescore was largely completed in the second half of the year. Integration costs of CHF 12.4 million were incurred in 2016. Further integration costs are expected for 2017.

The strong increase in operating income is primarily due to the sale of the equity participation in Helvetia Holding AG. A significant rise in operating expense was recorded due to the above-mentioned one-off costs. The overall pre-tax result increased significantly to CHF 26.0 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 Group Internal Audit.

Segment results				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Net interest income	**37.0**	47.7	(10.7)	(22)
Other operating income	**107.8**	(6.2)	114.0	
Operating income	**144.8**	41.5	103.3	249
Personnel expense	**122.7**	112.6	10.1	9
General expense	**88.9**	81.1	7.8	10
Services from/to other segment(s)	**(164.8)**	(165.0)	0.2	
Depreciation of property, equipment and intangible assets	**50.4**	49.8	0.6	1
Valuation adjustments, provisions and losses	**21.6**	0.7	20.9	
Operating expense	**118.8**	79.2	39.6	50
Segment profit before taxes	**26.0**	(37.7)	63.7	

Personnel				
			Change to 31-12-15	
	31-12-16	31-12-15		in %
Employees (full-time equivalents)	**517.1**	465.2	51.9	11

Corporate Governance

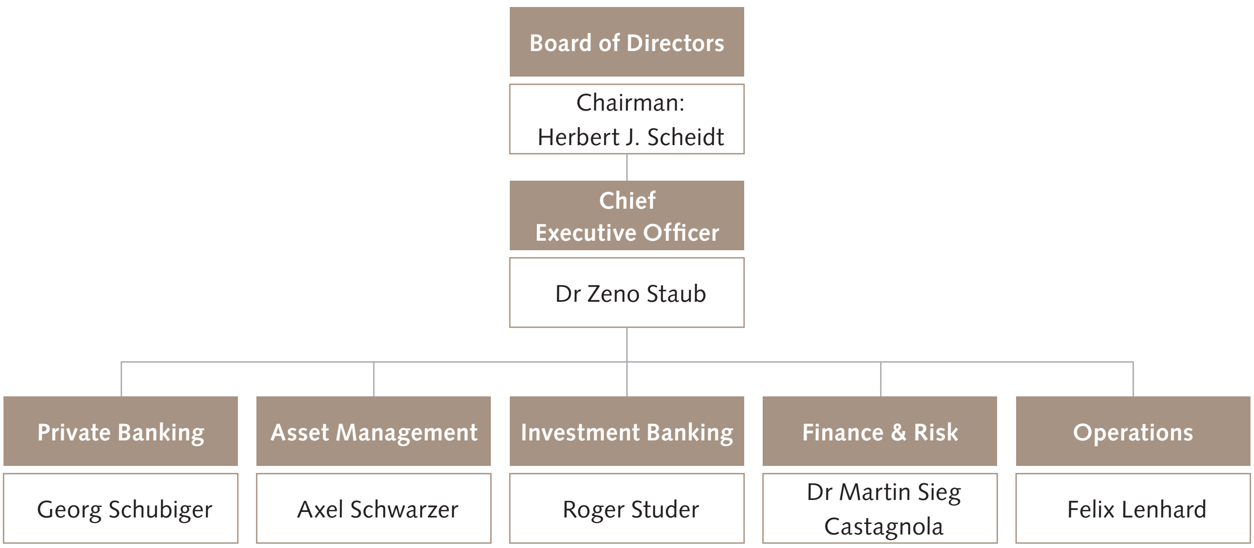
Corporate Governance

Vontobel is committed to managing its business according to a responsible, values-based approach that includes appropriate controls. It considers good corporate governance to be a vital success factor and an essential prerequisite for the achievement of strategic corporate goals and the creation of lasting value for shareholders and other stakeholders. Key elements of our corporate governance are: a clearly defined, well-balanced distribution of powers between the Board of Directors and the Executive Board, the protection and promotion of shareholders' interests, and a transparent information policy. The Articles of Association of Vontobel Holding AG, the Organizational Regulations and the Minutes of the General Meeting of Shareholders are available on the Internet (www.vontobel.com/agm).

The SIX Swiss Exchange AG issued a "Directive on Information relating to Corporate Governance", which entered into effect on 1 July 2002. The following information meets the requirements of this directive (in the current version of 1 September 2016) and takes account of the SIX commentary last updated on 20 September 2007. If information required by this directive is published in the Notes to the financial statements, a reference indicating the corresponding section of the notes is given.

Group structure and shareholders

Structure of Vontobel as of 31 December 2016



The most important Group companies that are to be consolidated (scope of consolidation) are listed in the Notes to the consolidated financial statements on page 214 together with details of the company name, registered office, share capital, stock exchange listing and the interest held by the Group.

Major shareholders and groups of shareholders with pooled voting rights (audited information)				
		31-12-16		31-12-15
	Nominal CHF mn	**Share in %**	Nominal CHF mn	Share in %
With voting rights on share capital of CHF 56.875 mn of Vontobel Holding AG				
Community of heirs of Dr Hans J. Vontobel	**11.8**	**20.7**	11.8	20.7
Community of heirs of Ruth de la Cour-Vontobel	**–**	**–**	3.6	6.3
Vontrust AG (Holding of the Vontobel family shareholders)	**8.1**	**14.3**	8.1	14.3
Other shares of family shareholders	**4.1**	**7.2**	0.3	0.4
Vontobel Foundation	**7.1**	**12.5**	7.1	12.5
Pellegrinus Holding AG (public utility foundation Corvus)[1]	**2.7**	**4.7**	2.7	4.7
Vontobel Holding AG including subsidiaries (own shares without voting rights)[2]	**2.1**	**3.7**	2.1	3.7
Executive members	**0.1**	**0.1**	0.1	0.2
Total voting rights on share capital	**36.0**	**63.2**	35.7	62.8
of which members of the pool (with and without voting rights)	**36.0**	**63.2**	35.7	62.8
of which members of the pool (with voting rights)	**33.8**	**59.5**	33.6	59.1
of which pooled shares	**26.0**	**45.8**	26.0	45.8

[1] Usufruct including voting right by Pellegrinus Holding AG, ownership by Vontobel Foundation
[2] Excluding option rights amounting to 0.1% (previous year 0.0%) of shares outstanding

Information on the disclosure notifications concerning significant shareholders of the Company in accordance with the Swiss Stock Exchange Act can be found on the SIX Swiss Exchange AG website at: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Shareholders pooling agreement

The major shareholders (community of heirs of Dr Hans J. Vontobel (Hans Dieter Vontobel, Regula Brunner-Vontobel, Kathrin Kobel-Vontobel), Vontrust AG, other family shareholders, Vontobel Foundation, Pellegrinus Holding AG, Vontobel Holding AG and executive members) are parties to a pooling agreement. This agreement encompasses specific Vontobel Holding AG shares held by these shareholders. As of 31 December 2016, 45.8% of all shares issued are bound by the pooling agreement. The members of the pool can freely dispose of any shares not specifically mentioned in the pooling agreement. Any sale of pooled Vontobel Holding AG shares requires prior approval by the remaining pool members. If they approve the intended sale, the pool member wanting to sell shares must first offer his or her shares to the other pool members for purchase. The other pool members have pre-emptive rights of purchase in proportion to each member's pooled interest. If a pool member declines to exercise or transfer all or part of his or her rights of purchase, the unexercised rights will be allocated among the remaining pool members willing to exercise said rights, in proportion to each member's respective interests. The rules governing the sale of pooled shares held by executive members differ in that Vontobel Holding AG has pre-emptive rights to purchase their shares. The parties to the shareholder pooling agreement exercise their rights at the General Meeting of Shareholders uniformly in accordance with the prior resolutions passed by the pool.

In the course of the succession to the estate of Dr Hans J. Vontobel, who died on 3 January 2016, the shareholder pool under the previous shareholder pooling agreement will be transferred to a successor pool – consisting of a core pool and an extended pool – that will combine a total of 50.7% of votes. In future, 43.9% of votes will be held through the core pool, comprising the existing pool members Vontobel Foundation and Pellegrinus Holding (total of 19.6% of votes) and the family holding company Vontrust AG (14.3% of votes) as well as the new family holding company Advontes AG (10%), and the remaining 6.8% of votes will be tied through the extended pool with one family member (Kathrin Kobel-Vontobel). The earliest possible date for termination of the core pool is the end of 2026. The extended pool was concluded for an indefinite period of time and can be terminated at the end of any year, subject to an 18-month notice period. The members of the core pool have a right of purchase or a pre-emptive right to acquire the pool shares tied in the extended pool. Pool shares acquired in this way become part of the core pool.

The agreements for the transfer to the successor pool were signed on 21 November 2016. This transfer will be completed once all regulatory approvals have been obtained; it had not taken place by 31 December 2016.

Registered shareholders as of 31 December 2016				
	Number of shareholders	in %	Number of shares	in %
Natural persons	5,230	94.5	22,428,500	39.4
Legal persons	303	5.5	23,434,228	41.2
Unregistered shares[1]	–	–	11,012,272	19.4
Total	**5,533**	**100.0**	**56,875,000**	**100.0**

[1] Of which 2.1 million shares (3.7%) owned by Vontobel Holding AG and its subsidiaries

Cross shareholdings
No cross shareholdings exist between Vontobel Holding AG or its subsidiaries and other corporations that exceed 5% of capital or voting rights.

Capital structure

Capital
The share capital of Vontobel Holding AG amounted to CHF 56,875,000 as of 31 December 2016. The registered shares of Vontobel Holding AG (security no. 1 233 554) are listed on the SIX Swiss Exchange and are included in the Swiss Performance Index SPI®. Further information on the composition of capital can be found in the Notes to the consolidated financial statements, note 28.

Details of contingent and authorized capital
Details of contingent and authorized capital can be found in the Notes to the consolidated financial statements, note 28.

Changes in capital
Information on the composition of capital, changes in capital during the past two years and authorized capital is given in the Statement of equity and in the Notes to the consolidated financial statements, note 28. For information on earlier periods, please refer to the relevant Annual Reports (2014: note 27 and 2015: note 28).

The reduction of share capital from CHF 65,000,000 to CHF 56,875,000 through the cancellation of 8,125,000 registered shares held as treasury shares, each with a nominal value of CHF 1.00, which was approved by shareholders of Vontobel Holding AG at the Ordinary General Meeting of Shareholders of 28 April 2015, was completed following the end of the statutory period for the submission of creditors' claims. The corresponding changes to the Commercial Register of the Canton of Zurich were published in the Swiss Official Gazette of Commerce (SOGC of Friday, 4 September 2015, no. 171, 133rd year).

Shares and participation certificates
The share capital of Vontobel Holding AG is divided into 56,875,000 fully paid in registered shares with a par value of CHF 1.00 each. Vontobel Holding AG does not have any participation certificates outstanding.

Profit-sharing certificates
Vontobel Holding AG does not have any profit-sharing certificates outstanding.

Restrictions on transferability and nominee registrations in the share register
This information is provided in section "Shareholders' participatory rights".

Convertible bonds and options
There were no bonds or convertible bonds outstanding as of 31 December 2016. The volume of the entire share capital recorded for outstanding structured products and options amounts to 31,107 shares, net (previous year: 68,016 shares). This means that option rights issued by Vontobel amounting to 0.1% (previous year: 0.1%) of share capital were outstanding on 31 December 2016. No conditional capital is used to hedge these option rights; they are hedged through market transactions.

Board of Directors

Members of the Board of Directors as of 31 December 2016					
Name	Function	Nationality	Committee membership[1]	Initial election	Term expires
Herbert J. Scheidt	Chairman	CH/D		2011	2017
Dr Frank Schnewlin	Vice-Chairman	CH	RAC[2]	2009	2017
Bruno Basler	Member	CH	NCC[2]	2005	2017
Dr Maja Baumann	Member	CH	RAC	2016	2017
Dr Elisabeth Bourqui	Member	CH/F/CA	RAC	2015	2017
David Cole	Member	US/NL	NCC	2016	2017
Nicolas Oltramare	Member	CH	RAC	2013	2017
Clara C. Streit	Member	D/US	NCC	2011	2017
Björn Wettergren	Member	CH/S	NCC	2016	2017

[1] Further information on the Committees is provided below under "Internal organization"
NCC: Nomination and Compensation Committee
RAC: Risk and Audit Committee
[2] Chair

Dr Hans J. Vontobel (deceased on 3 January 2016) was Honorary Chairman of Vontobel Holding AG and Bank Vontobel AG from 1991. No member of the Board of Directors of Vontobel Holding AG exercised any operational management functions for the Company or one of its subsidiaries in the year under review. Any previous executive functions are detailed below. Herbert J. Scheidt performed the function of CEO of Vontobel until 3 May 2011, when he was elected Chairman of the Board of Directors of Vontobel Holding AG. He has a seat on the Board of Directors of Helvetia Holding AG as part of Vontobel's cooperation with Helvetia. Bruno Basler was Vice-Chairman of the Board of Trustees of the Vontobel Foundation until 31 December 2015 and thus represented the interests of the majority shareholders until that date.

As of 31 December 2016, the majority of members of the Board of Directors of Vontobel Holding AG met the independence criteria prescribed in the FINMA Circular 08/24 "Supervision and Internal Control at Banks" mn. 20–24. They are: Herbert J. Scheidt, Dr Frank Schnewlin, Bruno Basler, Dr Elisabeth Bourqui, David Cole, Nicolas Oltramare and Clara C. Streit. Dr Maja Baumann and Björn Wettergren are members of the Vontobel and de la Cour families and serve on some governing bodies of entities, that represent the interests of majority shareholders. They also hold participations in Vontrust AG.

Herbert J. Scheidt
Chairman of the Board of Directors

born 1951,
Swiss and German citizen

Education:

Business Manager
M.A. in Economics, University of Sussex, UK
MBA, University of New York, USA

Professional background:

Since 2002 Bank Vontobel AG, Zurich Switzerland
Since 2011 Chairman of the Board of Directors
2002–2011 Chief Executive Officer
1982-2002 Deutsche Bank AG
2001–2002 Chief Executive Officer, Geneva, Switzerland
1996–2002 Head of Private Banking International, Geneva, Switzerland
1982–2002 Various functions in Germany, USA, Italy and Switzerland

Mandates:

- Chairman of the Board of Directors of the Swiss Bankers Association, Basel
- Vice-Chairman of the Board of Directors of Hero AG, Lenzburg, Switzerland
- Member of the Board of Directors of Helvetia Holding AG, St. Gallen, Switzerland
- Member of the Board of Directors of SIX Group AG, Zurich, Switzerland
- Member of the Board of Economiesuissesuisse, Zurich, Switzerland
- Member of the Board of European Banking Federation, Brussels, Belgium
- Member of the Board of the Association of Swiss Asset and Wealth Management Banks (VAV), Zurich, Switzerland

Dr Frank Schnewlin
Vice-Chairman of the Board of Directors and Chairman of the Risk and Audit Committee

born 1951,
Swiss citizen

Education:

Dr. ès. sc. écon., University of Lausanne, Switzerland
MBA, Harvard Business School, USA
MSc, London School of Economics, UK
lic. oec., University of St. Gallen, Switzerland

Professional background:

2002–2007 Bâloise Holding Ltd., Basle Switzerland
Group CEO , Head of the Group Corporate Executive Committee and CEO of the International business division
1983–2001 Zurich Insurance Group Ltd., Zurich, Switzerland
2000–2001 Head of Corporate Center, Member of the Group Executive Committee, Chairman of the Group Finance Council
1993–2000 Head of the Southern Europe, Asia/Pacific, Middle East and Africa, Latin America business division, Member of the Group Management Board, Senior Executive Vice President
1989–1993 Head of the Corporate Development department, Senior Vice President
1987–1989 CFO & Senior Vice President at Universal Underwriters Group, Kansas, USA
1986–1987 Senior Territorial Manager at Zurich American Insurance Group, Cleveland, USA
1984–1986 Zurich American Insurance Group, Schaumburg, USA
1983 Zurich Insurance Company, Zurich, Switzerland

Mandates:

- Vice-Chairman of the Board of Directors of Swiss Life AG and Swiss Life Holding AG, Zurich, Switzerland; Member of the Chairman's & Corporate Governance Committee, Chairman of the Nomination & Compensation Committee, Member of the Investment and Risk Committee
- Chairman of the Board of Directors of Twelve Capital AG and Twelve Capital Holding AG, Zurich, Switzerland
- Vice-Chairman of the Board of Trustees of the Drosos Foundation and Chairman of the Finance Committee, Zurich, Switzerland

Bruno Basler
Member of the Board of Directors and Chairman of the Nomination and Compensation Committee

born 1963,
Swiss citizen

Education:

Degree in civil engineering from the Swiss Federal Institute of Technology (ETH), Switzerland
MBA INSEAD

Professional background:

Since 1994	EBP Schweiz AG and EBP Global AG, Zollikon, Switzerland Since 2001 Chairman of the Board of Directors 1994–2001 Delegate of the Board of Directors
1992–1994	McKinsey & Company, Erlenbach, Switzerland
1989–1991	Holinger AG, Baden Switzerland

Mandates:

- Chairman of the Board of Directors of EBP Schweiz AG and EBP Global AG, Zollikon, Switzerland
- Member of the Board of Directors of Robert Aebi AG, Regensdorf, Switzerland
- Member of the Board of Directors of Baumann Federn AG, Rüti, Switzerland
- Chairman of the Monique Dornonville de la Cour Foundation, Zurich, Switzerland

Dr Maja Baumann
Member of the Board of Directors and Member of the Risk and Audit Committee

born 1977,
Swiss Citizen

Education:

Dr. iur., lawyer, LL.M. in Corporate Law, Certified Specialist SBA in Real Estate and Construction Law

Professional background:

Since 2014	REBER, Zurich, Switzerland Partner (Corporate, Contract and Real Estate Law)
2009	Bank Vontobel AG, Zurich Switzerland Compliance, Internal Audit, Corporate Finance
2007–2014	Lenz & Staehelin, Zurich and Geneva, Switzerland Senior Associate (Corporate, Banking, Contract and Real Estate Law)
2006–2007	Covington & Burling LLP, New York, USA Foreign Associate (Corporate and M&A)

Mandates:

- Member of the Foundation Board of Vontobel-Stiftung, Zurich, Switzerland
- Member of the Board of Directors of Vontrust AG, Zurich, Switzerland
- Chairperson of the Board of Directors of BlicoFinRe AG, Zurich, Switzerland
- Chairperson of the Board of Directors of Advontes AG, Zurich, Switzerland
- Managing Director of Yingke REBER GmbH, Zurich, Switzerland

Dr Elisabeth Bourqui
Member of the Board of Directors and Member of the Risk and Audit Committee

born 1975,
Swiss, French, Canadian citizen

Education:

Dr. sci. math. ETH Zürich
Dipl. Math. ETH Zürich

Professional background:

Since 2012	ABB Group, Zurich, Switzerland Since 2014 Head of Group Pension Management 2012–2014 Head Pension Asset Management
2009–2012	Mercer, Montréal, Canada Principal Head National Funds Group Canada
2004–2009	Société Générale, New York, USA/Montréal, Canada Responsibilities included: Director Risk Management, Structuring, New Products Director Asset and Liabilities Management Head Institutional Derivatives Sales Canada
1998–2004	Credit Suisse Group, Zurich, Switzerland Various Risk Management functions

Mandates:

- Member of the Board of Directors and Member of the Compensation Committee of Swiss Prime Site, Olten, Switzerland

David Cole
Member of the Board of Directors and Member of the Nomination and Compensation Committee

born 1961,
US and Dutch citizen

Education:

Bachelor of Business Administration, University of Georgia, US
International Business Program, Nyenrode Universiteit, Netherlands

Professional background:

Since 2010	Swiss Reinsurance Ltd., Zurich, Switzerland Since 2014 Group Chief Financial Officer 2011–2014 Group Chief Risk Officer
1984–2010	ABN AMRO Holding, Netherlands, USA and Brazil 2008–2010 Chief Financial Officer, Netherlands 2008 Chief Risk Officer, Netherlands 2006–2008 Head Group Risk Management, Netherlands 1984–2006 Various functions

Mandates:

- Member of the Supervisory Board of IMC, B.V., Amsterdam, Netherlands

Nicolas Oltramare
Member of the Board of Directors and Member of the Risk and Audit Committee

born 1956,
Swiss citizen

Education:

lic. rer. pol. University of Geneva, Switzerland
MBA National University of Singapore

Professional background:

Since 2002	Hamberg AG, Zurich, Switzerland Managing Director
1999–2002	PBS Private Bank Switzerland Ltd., Zurich, Switzerland CEO
1996–1999	Independent Asset Manager/Asset Management Company in Switzerland
1986–1996	Deutsche Bank AG in Germany, France, the UK and Switzerland Various management functions, Corporate Finance and Trading
1984–1986	MBA, National University of Singapore
1982–1983	UBS AG, Singapore

Mandates:

- Member of the Board of Trustees of Pestalozzi-Stiftung für die Förderung der Ausbildung Jugendlicher aus schweizerischen Berggebieten, Zurich, Switzerland
- Member of the Board of Trustees of Schloss Regensberg, Regensberg, Switzerland
- Member of the Board of Directors of Stramongate S.A., Luxembourg

Clara C. Streit
Member of the Board of Directors and Member of the Nomination and Compensation Committee

born 1968,
German and US citizen

Education:

lic. oec. University of St. Gallen, Switzerland

Professional background:

Since 2013	The Lisbon MBA, Nova and Católica Universities, Lisbon, Portugal Adjunct Professor of Management
1992–2012	McKinsey & Company 2003 Elected as Senior Partner Responsibilities at McKinsey included: Chair Global Principal Candidate Evaluation Committee Partner responsible for EMEA recruiting Head of Financial Institutions Practice Germany/Austria 1998 Elected as Partner

Mandates:

- Member of the Supervisory Board of Delta Lloyd NV, Amsterdam, Netherlands
- Member of the Supervisory Board of Vonovia SE, Bochum, Germany
- Member of the Board of Directors of Jerónimo Martins SGPA, SA, Lisbon, Portugal
- Member of the Board of Directors of Unicredit S.p.A., Milan, Italy
- Member of the Board of Trustees of the Bundesstiftung Kinderhospiz, Germany

Björn Wettergren
Member of the Board of Directors and Member of the Nomination and Compensation Committee

born 1981,
Swiss and Swedish citizen

Education:

MBA, University of St. Gallen, Switzerland
M.Eng. Mechanical Engineering, Lunds University, Sweden

Professional background:

Since 2012	etventure Zurich/Berlin, Switzerland/Germany Associate & Partner	
2007–2012	Bank Vontobel AG, Zurich, Switzerland	
	2012	Project Manager, Human Resources
	2010–2011	Project Leader, Group Services
	2009–2010	Portfolio Management, AM&PB
	2007–2009	Structured Products, Investment Banking

Mandates:

- Member of the Board of Directors of Cagson AG, Altendorf, Switzerland
- Member of the Board of Directors of Vontrust AG, Zurich, Switzerland

Other activities and functions
See curricula vitae of the Members of the Board of Directors.

Rules in the Articles of Association governing the number of permitted activities in accordance with Art. 12, para. 1, item 1 of the Ordinance against Excessive Compensation in Listed Stock Corporations (VegüV)
Article 25 of the Articles of Association of Vontobel Holding AG states that no member of the Board of Directors may perform more than nine additional mandates outside Vontobel, of which no more than four additional mandates may be performed in listed companies. Additionally, a member of the Board of Directors may perform up to ten mandates in not-for-profit or charitable legal entities outside Vontobel.

The following mandates are not subject to these restrictions:
(a) Mandates in companies controlled by the Company or that control the Company;
(b) Mandates that a member of the Board of Directors performs upon the instruction of the Company or companies controlled by it.

For the purposes of this provision, the term "mandate" refers to activities in the most senior management or supervisory bodies of legal entities that are obliged to register with the Swiss Commercial Register or a corresponding foreign register. Mandates in various legal entities that are subject to joint control, or where one such entity controls the other, are deemed to be one mandate. The same applies in the case of mandates performed by a member of the Board of Directors when exercising their function as a member of the most senior management or supervisory body or the Executive Board of a legal entity outside Vontobel or on behalf of such legal entity or legal entities controlled by it.

The provisions set out in the applicable Organizational Regulations also apply.

Election and term of office
In accordance with statutory provisions, the Chairman of the Board of Directors and all other members of the Board are elected individually by the General Meeting of Shareholders.

The Chairman of the Board of Directors and the other members of the Board are elected for one year, with their term of office ending at the conclusion of the next Ordinary General Meeting. The members of the Board of Directors may be reelected.

Ballots for members seeking re-election or for the election of new members are held at Ordinary General Meetings; however, if the number of members of the Board of Directors falls below three as a result of death, resignation or dismissal, an Extraordinary General Meeting must be convened within a reasonable period so that replacements can be elected. If the post of Chairman of the Board of Directors is vacant, the Board of Directors appoints a new Chairman for the remainder of the term of office.

The members of the Compensation Committee (the Compensation Committee, which is governed by the Articles of Association, forms part of the Nomination and Compensation Committee according to internal Organizational Regulations) are elected by the General Meeting of Shareholders from among the members of the Board of Directors, each for a term of one year ending at the conclusion of the next Ordinary General Meeting. The General Meeting elects the members of the Compensation Committee individually. They may be re-elected. If one or more members of the Compensation Committee step(s) down or if the Compensation Committee is not complete, the Board of Directors may make appointments to the Compensation Committee from among its own members for the period until the conclusion of the next General Meeting.

Except for the election of the Chairman of the Board of Directors and the election of the members of the Compensation Committee, the Board of Directors is self-constituting. The Board of Directors also appoints the Chairman of the Compensation Committee.

Internal Organizational Regulations stipulate that members of the Board of Directors are required to step down from their function at the General Meeting of Shareholders in the calendar year in which they reach the age of 70. Further information regarding the year in which the individual members of the Board of Directors were first elected can be found in table "Members of the Board of Directors as of 31 December 2016".

The General Meeting of Shareholders elects the independent proxy for a term that ends at the conclusion of the next Ordinary General Meeting. The independent proxy may be re-elected. If the Company does not have an independent proxy, the Board of Directors shall appoint one until the conclusion of the next General Meeting.

Internal organization

Board of Directors

The Board of Directors appoints a Vice-Chairman from among its own members. The Chairman of the Board of Directors appoints a Secretary, who need not be a shareholder or a member of the Board of Directors. The Board of Directors meets at the invitation of its Chairman or of the Secretary, acting on behalf of the Chairman, as often as required for business purposes – generally once or twice a quarter but at least four times a year. The meetings usually last around eight hours. A total of eight meetings were held during the year under review (in February, March, April, June, July, October, November and December); this included a two-day strategy meeting. The Board of Directors is quorate if an absolute majority of its serving members is present. A quorum is not required in order for the Board of Directors to pass a resolution on a capital increase report or for resolutions that have to be officially authenticated. Board resolutions and appointments are decided by the absolute majority of the members present. In the event of a tied vote, the chairman of the meeting casts the deciding vote. Resolutions may also be passed by circular letter, provided no member calls for a verbal consultation on the matter.

The Board of Directors may delegate some of its duties to committees. The standing committees are: the Nomination and Compensation Committee and the Risk and Audit Committee. Their duties and powers of authorization are defined in the Articles of Association and in internal regulations. Information on the composition of the individual committees can be found in table "Members of the Board of Directors as of 31 December 2016". The Chairman of each committee informs the Board of Directors about the committee's activities at the next meeting of the Board of Directors. When necessary, ad-hoc committees are formed to deal with specific topics, such as mer-gers and acquisitions projects. No ad-hoc committees were formed during the year under review.

Nomination and Compensation Committee (NCC)

Internal Organizational Regulations state that the Compensation Committee, which is governed by the Articles of Association, forms part of the Nomination and Compensation Committee, which comprises at least three non-executive members.

In principle, the Compensation Committee has the following duties and powers in respect of compensation matters relating to the Board of Directors and the Executive Board:

(a) Developing and regularly reviewing the compensation system for the members of the Board of Directors and the Executive Board and submitting it to the Board of Directors in order for a resolution to be passed on this matter;
(b) Monitoring compliance with the compensation principles of the Company and the Group and informing the Board of Directors about the compensation policy and compensation matters;
(c) Submitting proposals to the Board of Directors for resolutions and for the proposal of motions to the General Meeting of Shareholders by the Board of Directors regarding the maximum aggregate compensation (fixed and performance-related compensation) of the Board of Directors and the Executive Board;
(d) Submitting proposals to the Board of Directors for the motions that will be proposed to the General Meeting of Shareholders by the Board of Directors regarding amendments to compensation-related provisions in the Articles of Association;
(e) Preparing the Compensation Report and presenting it to the Board of Directors in order for a resolution to be passed on this matter;
(f) Within the framework of the requirements of the Articles of Association, setting out detailed regulations governing participation-based compensation (share participation plan), defining the applicable objectives and evaluating the achievement of those objectives.

The Nomination and Compensation Committee prepares all important personnel and related organizational matters for the Board of Directors. In particular, this includes the human resources policy, share participation plans, compensation policy and recommendations for the election of the CEO and other members of the Executive Board. In addition, the Nomination and Compensation Committee determines the compensation paid to the CEO and to other members of the Executive Board (within the scope of – or subject to – the approval of aggregate compensation by the General Meeting of Shareholders as set out in the Articles of Association).

The Nomination and Compensation Committee takes note of the compensation, including any special payments and expenses, of members of the Board of Directors of Group companies. It also considers all management-related matters and regulations that affect aggregate compensation in the broader sense (insurance benefits, holiday entitlement, participation in special payout schemes, expenses, etc.).

The Executive Board may submit proposals to the Nomination and Compensation Committee on all matters that fall within the Committee's remit with the exception of the compensation paid to members of the Board of Directors. The Chairman of the Board of Directors is not a member of the Nomination and Compensation Committee but regularly attends its meetings as a guest. Meetings of the Nomination and Compensation Committee are also attended by the CEO and occasionally also by the Head of Human Resources. The Nomination and Compensation Committee meets at least three times a year. The meetings usually last around four hours. A total of four meetings were held during the year under review (in February, June, October and December).

Risk and Audit Committee (RAC)

The Risk and Audit Committee monitors and assesses risk policy, the integrity of financial statements, internal controls in the area of financial reporting, the effectiveness of the audit firm and its interaction with Group Internal Audit. It also evaluates the internal control system that goes beyond the area of financial reporting, as well as Group Internal Audit.

This entails the following specific duties:

1. Critical analysis of financial statements (individual and consolidated financial statements, as well as annual and interim financial statements); discussion of financial statements with the Head of the Finance & Risk support unit, the lead auditor who represents the external auditors, and the Head of Group Internal Audit; submission of a report to the Board of Directors and issuing of recommendations regarding motions to be proposed to the General Meeting of Shareholders.
2. Planning, monitoring and evaluating the existence, appropriateness and effectiveness of the internal control system in the area of financial reporting; the Risk and Audit Committee ensures that the internal control system in the area of financial reporting is adapted in the event of any significant changes to the Group's risk profile.
3. Annual assessment of the resulting audit strategy and the corresponding risk-oriented audit plan of the external audit firm; analysis of audit reports produced by the external audit firm and discussion of them with the lead auditor; verification that any deficiencies have been addressed and that recommendations made by the audit firm have been complied with; evaluation of the performance and fees of the external audit firm and verification of its independence; assessment of interaction between the external audit firm and Group Internal Audit.
4. Assessment of the effectiveness of internal controls that go beyond the area of financial reporting, such as the Compliance function and risk controls; regular contact with the Head of Group Internal Audit and discussion of the findings of Group Internal Audit.
5. Preparation of the activities of the Board of Directors in respect of regulations governing risk policy, investment banking, asset and liability management (ALM), lending, operational risks, management transactions, adhoc publicity, Group compliance and consolidated supervision, as well as any other regulations issued by the Board of Directors in connection with the risk policy.
6. Periodic review of the Group's risk policy to determine its appropriateness and effectiveness, including the approval of the combined Group-wide stress tests with the scenarios used and the relevant methods, as well as the approval of the detailed results of these stress tests.
7. Receiving reports regarding the evaluation of compliance risk and the activities of the Compliance function.
8. Receiving and reviewing the periodic consolidated risk reports for submission to the Board of Directors.
9. Submitting proposals to the Board of Directors to obtain approval of decisions reached by the Executive Board regarding new products, business activities or markets if they have a significant impact on the Group's risk profile.
10. Receiving periodic reports by the Executive Board about the existence, appropriateness and effectiveness of the front-office internal control system.

Regular contact is maintained with representatives of the Group's management, Group Internal Audit, external auditors and relevant specialist units within the Group in this context. The Risk and Audit Committee may conduct special reviews or studies on important issues and request additional internal and/or external resources in consultation with the Chairman of the Board of Directors of the holding company. In addition, individual members of the Risk and Audit Committee may receive special mandates from the Chairman of the Risk and Audit Committee.

The Risk and Audit Committee meets at least three times per year. The meetings usually last four to six hours. A total of six meetings were held during the year under review (in February, April, June, July, November and December).

As of 31 December 2016, the majority of members of the Risk and Audit Committee met the independence criteria prescribed by supervisory law. Meetings of the Risk and Audit Committee are attended by the Chairman of the Board of Directors as a guest, as well as by the CEO, the Head of the Finance & Risk support unit (CFO) and representatives of Group Internal Audit and the external auditors. Furthermore, specialists from within Vontobel – particularly the Head of the Risk Control division, the Head of the Legal, Compliance and Tax division and the Head of the Finance & Controlling division – are regularly invited to attend meetings when specific topics are discussed.

Attendance of meetings of the Board of Directors and the Committees 2016

	Board of Directors	Risk and Audit Committee (RAC)	Nomination and Compensation Committee (NCC)
Number of meetings	**8**	**6**	**4**
Herbert J. Scheidt	8	Guest	Guest
Dr Frank Schnewlin	8	6	
Bruno Basler	8		4
Dr Maja Baumann[1]	6	4	
Dr Elisabeth Bourqui	8	6	
Dominic Brenninkmeyer[2]	2		1
David Cole[1]	6		3
Nicolas Oltramare	8	6	
Clara C. Streit	8		4
Björn Wettergren[1]	6		2

[1] Member of the Board of Directors since 19 April 2016
[2] Member of the Board of Directors until 19 April 2016
In addition, training was provided in the course of the ordinary meetings of the Board of Directors in 2016.

Group Internal Audit

Group Internal Audit helps the Board of Directors to exercise its statutory supervisory and control duties within Vontobel and performs the audit functions assigned to it. The duties and rights of Group Internal Audit are detailed in separate regulations. It has an unlimited right of inspection within all Group companies; all business documents are available for it to inspect at any time. Group Internal Audit reports to the Board of Directors and regularly attends the meetings of the Risk and Audit Committee. Its audit activities are based on the guidelines issued by the Swiss Institute of Group Internal Auditing (SVIR). Group Internal Audit coordinates its activities with the external auditor in accordance with professional guidelines.

Powers of authorization

Board of Directors

The Board of Directors of the holding company is responsible for the overall direction of the Company and exercises supervision and control over its executive body unless prescribed otherwise by legislation, the Articles of Association or internal Organizational Regulations. The delegation of powers between the Board of Directors and the Executive Board is set out in the Organizational Regulations of Vontobel Holding AG (www.vontobel.com/agm).

In particular, it discharges the following duties and has the following powers:

1. Overall direction of the holding company and the Group and issuing of the necessary directives – particularly through the approval and periodic revision of

the Mission Statement and the strategy of the holding company and the Group;
2. Defining the organizational structure of the holding company and the Group, and issuing and amending the Organizational Regulations and the assignment of powers;
3. Determining the principles for accounting, financial control and financial planning for the holding company and the Group to the extent that this is required for the management of the Company. This includes the approval of the annual budget, annual targets, capital planning and medium-term planning as the multi-year income and capital expenditure planning for various scenarios regarding the operating environment. This also encompasses the approval of the combined Group-wide stress test results and measures to ensure that risk exposures and risk capacity are adequately aligned as part of capital planning;
4. Appointing or removing the CEO and other members of the Executive Board as well as the Head of Group Internal Audit; the Board of Directors bases its decision on the recommendations of the Nomination and Compensation Committee when discharging this duty;
5. Appointing or removing individuals entrusted with representing the holding company (and particularly with its management) and determining their signatory powers. The principle of joint signatory powers (dual authorization) applies;
6. Overall supervision and control of individuals with management responsibilities – particularly to ensure compliance with legislation and regulatory requirements, as well as with the Articles of Association, regulations and directives of the holding company and the Group;
7. Reporting to shareholders and, in particular, producing the Annual Report and the Compensation Report;
8. Preparing the General Meeting of Shareholders and implementing the motions approved by shareholders;
9. Defining the Group's risk policy and periodically analyzing its appropriateness;
10. Receiving reports on the existence, appropriateness and effectiveness of the internal control system;
11. Issuing, regularly reviewing and monitoring compliance with regulations governing risk policy, investment banking, asset and liability management (ALM), lending, operational risks, management transactions, ad-hoc publicity, Group compliance, Group Internal Audit and consolidated supervision. The Board of Directors is assisted by the Risk and Audit Committee when discharging this duty. The Board of Directors may issue further regulations;
12. Issuing a human resources policy for the Group at the request of the CEO; the Board of Directors takes account of the recommendations of the Nomination and Compensation Committee when discharging this duty;
13. Monitoring and evaluating the Group Internal Audit process and periodically ensuring that Group Internal Audit has the appropriate resources and capabilities as well as the necessary independence and objectivity to conduct its audit function within the institution. Further details are defined in the Group Internal Audit regulations;
14. Deciding on strategic initiatives in the area of information technology (IT);
15. Notifying the judicial authorities in the event of over-indebtedness;
16. Drawing up a capital increase report and implementing the corresponding amendments to the Articles of Association (Art. 652g of the Swiss Code of Obligations);
17. Appointing an interim Chairman of the Board of Directors, interim members of the Compensation Committee and the independent proxy ad interim for the period ending at the conclusion of the next Ordinary General Meeting of Shareholders if the post of Chairman of the Board of Directors, of members of the Compensation Committee or of the independent proxy become vacant in the course of the year;
18. Purchase or sale of real estate by the holding company and Group companies in the amount of CHF 2 million or more if not included in the budget or in the amount of CHF 5 million or more if included in the budget;
19. Capital expenditure by Group companies in the amount of CHF 2 million or more per item if not included in the budget or in the amount of CHF 5 million or more per item if included in the budget;
20. Approving the following transactions:
(a) Acquisition or disposal of participations by the holding company and Group companies;
(b) Establishment or dissolution of Group companies as well as any subsidiaries, branch offices and representative offices of Group companies;
(c) Raising of loans by the holding company and Group companies;
(d) Issuing or authorization of secured and unsecured loans, bonds or guarantees by Group companies,

where this duty falls within the remit of the Board of Directors of the holding company according to the lending regulations;
(e) Approving decisions by the Executive Board relating to new products, business activities or markets, if they have a significant impact on the Group's business policy or risk profile;
(f) Initiation of legal proceedings or filing of appeals, conclusion of composition agreements, settlement or re- cognition of lawsuits where the value in dispute exceeds CHF 2 million;
(g) Election of members of the Board of Directors of Bank Vontobel AG, Zurich; the Chairman and the other members of the Board of Directors of Vontobel Holding AG are permitted to occupy a seat on the Board of Directors of Bank Vontobel AG, Zurich;
(h) Conclusion or termination of strategically important cooperation agreements;
(i) Approval of external mandates held by members of the Executive Board;
(j) Approval of the promotion of members of senior management of a Group company, members of the Executive Board of a Group company or the Head of Group Internal Audit;
(k) Approval of gestures of goodwill (accommodating measures without any legal obligation) and receiving reports on cases involving losses (out-of-court proceedings) exceeding CHF 500,000.

21. Annual evaluation of the achievement of the Board of Directors' objectives and of its working practices;
22. Other matters which, by law, fall exclusively within the remit of the Board of Directors.

Executive Board

The Executive Board is the Group's executive body that reports to the Board of Directors. It is composed of the CEO and the heads of the business units and support units.

The Executive Board meets as often as business dictates. Where sensible and necessary, it is extended to include members of the Executive Boards of Group companies and representatives of senior management with Group-wide responsibilities, acting in advisory capacity.

The Executive Board generally reports to the Board of Directors of the holding company through the CEO. In the case of delegated duties or powers, the Executive Board reports to the relevant committee of the Board of Directors. The CEO informs the Board of Directors about the current performance of the business and important business transactions in Group companies. The CEO coordinates the flow of information within operational areas and to the Board of Directors.

If necessary, the Executive Board may establish committees with specific duties. The Executive Board is responsible for all Group matters that do not expressly fall within the remit of the Board of Directors of the holding company or of a Group company according to legislation, the Articles of Association or the Organizational Regulations. The Executive Board operates under the leadership of the CEO. If the members of the Executive Board are unable to agree on a matter, the CEO reaches the final decision. Each member of the Executive Board has the right to inform the Chairman of the Board of Directors if opinions are divided over important matters.

The Executive Board is responsible for the following duties in particular:

(a) Developing a Group-wide business strategy for presentation to the Board of Directors;
(b) Implementing decisions reached by the Board of Directors of the holding company in the Group;
(c) Monitoring the execution of these decisions;
(d) Managing and supervising the Group's daily operations, which must be conducted in accordance with its financial planning, annual budget, annual targets, capital planning and medium-term planning as the multi-year income and capital expenditure planning for various scenarios regarding the operating environment, as well as the risk policy, and must also comply with the other guidelines and instructions issued by the Board of Directors;
(e) Managing income and the balance sheet structure;
(f) Formulating the risk policy; the Executive Board submits this policy to the Risk and Audit Committee for approval by the Board of Directors and regularly reviews the risk policy and submits its findings to the Board of Directors;
(g) Implementing the risk policy, particularly through the regulation of basic aspects of risk responsibility, risk management and risk controls; in particular, this includes the organization of the internal control system, while ensuring the necessary separation of powers and

functions; the implementation of the risk policy also involves the regular execution and analysis of stress tests as well as the analysis of risk capacity;
(h) Reporting to the Board of Directors and the Risk and Audit Committee about the existence, appropriateness and effectiveness of internal controls;
(i) Assigning specialist responsibility for the submission of reports to the Board of Directors and the Risk and Audit Committee about the existence, appropriateness and effectiveness of the internal control system to a member of the Executive Board;
(j) Assigning specialist responsibility for the Compliance function and risk controls, including all related notification and reporting requirements, to a member of the Executive Board;
(k) Issuing directives to representatives of the holding company regarding the exercising of voting rights at the General Meeting of Shareholders of Group companies;
(l) Appointing members of the Boards of Directors and other governing bodies of Group companies (with the exception of Bank Vontobel AG, Zurich);
(m) Ensuring compliance with legal and regulatory requirements as well as applicable industry standards.

The Executive Board generally submits proposals regarding all matters that require a decision to be reached by the Board of Directors. The CEO presents the proposals on behalf of the Executive Board at meetings of the Board of Directors. Subject to the approval of the Chairman of the Board of Directors, the CEO may also appoint another member of the Executive Board or a member of senior management of a Group company to discharge this duty.

The Executive Board has the authority to decide on the following matters (unless they are subject to the approval of the Board of Directors, in which case this is expressly stated in the Organizational Regulations):
(a) Formulating and proposing the Group's annual budget and annual targets – broken down by business unit and support unit – for approval by the Board of Directors;
(b) Decisions on new products, business activities or markets; if this matter will have a significant impact on the Group's business policy, the Executive Board refers the matter to the Board of Directors directly; if the matter will have a significant impact on the Group's risk profile, the Executive Board obtains the approval of the Board of Directors through the Risk and Audit Committee;
(c) Ensuring that a professional investment policy is permanently in place and is implemented promptly throughout the Group;
(d) Issuing directives that apply to the entire Group and that fall exclusively within the remit of the Executive Board according to legal provisions, the Articles of Association or the Organizational Regulations; issuing directives relating to the Compliance function, credit and counterparty risk, and asset and liability management (ALM), which apply to individual business units or support units;
(e) Granting loans in accordance with the powers defined in the lending regulations;
(f) Assumption of trading positions on own account within the defined limits; the Executive Board delegates the permissible limits to the responsible business areas and units within the Group;
(g) Initiation of legal proceedings or filing of appeals, conclusion of composition agreements, settlement or recognition of lawsuits where the value in dispute amounts to CHF 1 million to CHF 2 million;
(h) Issuing an employee handbook (in the form of a Group-wide directive).

Information and control instruments relating to the Executive Board

The Board of Directors meets at least four times a year as specified in the Organizational Regulations; in practice, there are six to eight meetings a year. The ordinary meetings usually last an entire day. Unless the Chairman of the Board of Directors decides otherwise, the CEO and the Head of the Finance & Risk division (CFO) attend the meetings of the Board of Directors in an advisory capacity. The Chairman determines which other participants may attend a meeting of the Board of Directors (other members of the Executive Board or specialists). The CEO is entitled to make recommendations regarding other participants. The Board of Directors receives monthly reports about the performance of the business and is informed about the development of risk as well as the Group's compliance with legal, regulatory and internal rules and requirements at least every six months. Its control instruments include semi-annual reporting requirements, the annual budgeting process and internal and external audits. The periodic reporting requirements include a monthly financial report, which provides information on the current performance of the business and the corresponding realization of targets at both Group level and business unit level (MIS), as well as information about the meetings of the Executive Board. As part of its risk reporting, Vontobel discloses information about the development of market, liquidity, credit, operational and reputational risks. Detailed information on the management and monitoring of these risks can be found in the Notes to the consolidated financial statements (pages 131 to 145). Group Internal Audit reports to the Chairman of the Board of Directors and the Risk and Audit Committee about its audit activities on an ongoing basis and provides the Board of Directors with consolidated reports twice annually. The audit company produces its annual statutory report (report about the statutory audit) as well as further reports on audits addressing specific topics for submission to the Board of Directors. The statutory report is addressed to the Board of Directors and a copy of the report is submitted to the Swiss Financial Market Supervisory Authority (FINMA) as well as the Executive Board and the Head of Group Internal Audit.

During the meetings of the Board of Directors, any member of the Board may request information on any matters relating to the holding company and the Group from the other members of the Board of Directors or the CEO. Any member of the Board of Directors may submit a request for information about the Group's performance to the CEO outside a meeting of the Board of Directors. Subject to approval by the Chairman of the Board of Directors, the member of the Board of Directors may obtain information about specific business transactions and/or inspect business records.

Executive Board

Members of the Executive Board as of 31 December 2016		
	Function	Nationality
Dr Zeno Staub	CEO	CH
Dr Martin Sieg Castagnola	CFO	CH
Felix Lenhard	Member	CH
Georg Schubiger	Member	CH
Axel Schwarzer	Member	D
Roger Studer	Member	CH

Other activities and functions
See curricula vitae of the Members of the Executive Board.

Rules in the Articles of Association governing the number of permitted activities in accordance with Art. 12, para. 1, item 1 of the Ordinance against Excessive Compensation in Listed Stock Corporations (VegüV)
Article 25 of the Articles of Association of Vontobel Holding AG states that no member of the Executive Board may perform more than five additional mandates outside Vontobel, of which no more than two additional mandates may be performed in listed companies. Additionally, a member of the Executive Board may perform up to seven mandates in not-for-profit or charitable legal entities outside Vontobel.

The following mandates are not subject to these restrictions:
(a) Mandates in companies controlled by the Company or that control the Company;
(b) Mandates that a member of the Executive Board performs upon the instruction of the Company or companies controlled by it.

For the purposes of this provision, the term "mandate" refers to activities in the most senior management or supervisory bodies of legal entities that are obliged to register with the Swiss Commercial Register or a corresponding foreign register. Mandates in various legal entities that are subject to joint control, or where one such entity controls the other, are deemed to be one mandate. The same applies in the case of mandates performed by a member of the Executive Board when exercising their function as a member of the most senior management or supervisory body or the Executive Board of a legal entity outside Vontobel or on behalf of such legal entity or legal entities controlled by it. The provisions set out in the applicable Organizational Regulations also apply.

Management contracts
There are no management contracts.

Compensations, shareholding and loans
Information about compensation, shareholdings and loans can be found in the Vontobel compensation report commencing on page 57.

Dr Zeno Staub
Chief Executive Officer

born 1969,
Swiss citizen

Education:

Dr. oec., University of St. Gallen, Switzerland

Professional background:

Since 2001	Vontobel, Zurich, Switzerland	
	Since 2011	Chief Executive Officer Vontobel
	2008–2011	Head of Asset Management and Member of the Group Executive Management
	2006–2007	Head of Investment Banking and Member of the Group Executive Management
	2003–2006	CFO and Member of the Group Executive Management
	2001–2002	Head of the CFO management support unit (Conttrolling and IT project portfolio)
2000	BZ Informatik AG, Freienbach, Switzerland Member of the Executive Management	
1994–2000	Almafin AG, St. Gallen, Switzerland Founding shareholder and Managing Partner	

Mandates:

- Member of the Board of Trustees of the Max Schmidheiny Foundation, St. Gallen, Switzerland
- Member of the Swiss Soc. for Financial Market Research, St. Gallen, Switzerland
- Member of the Advisory Board of the Society of Investment Professionals in Germany (DVFA), Frankfurt, Germany

Dr Martin Sieg Castagnola
Chief Financial Officer

born 1965,
Swiss citizen

Education:

Dr. oec., University of Zurich, Switzerland

Professional background:

Since 2008	Vontobel, Zurich, Switzerland Chief Financial Officer Vontobel	
1994–2008	Zürcher Kantonalbank (ZKB), Zurich, Switzerland	
	2007–2008	Member of the Executive Board and Head of Investment & Private Banking
	2007	Head of Asset Management
	2005–2006	Head of Treasury
	2003–2005	Head of Portfolio Management of ZKB Axxess Vision
	1999–2003	Head of Equities & Equity Derivatives Trading
	1994–1999	Head of the Economy department and Risk Controlling
1994–1999	University of Zurich, Switzerland Lecturing assignments at the in the area of empirical economic re search/econometrics; assistant at the Institute for Empirical Research in Economics	

Mandates:

- Vice-Chairman of the Regulatory Board of the SIX Swiss Exchange AG and Chairman of the Participants & Surveillance Committee of the SIX Swiss Exchange AG, Zurich, Switzerland

Felix Lenhard
Chief Operating Officer

born 1965,
Swiss citizen

Education:

lic. oec., University of St. Gallen, Switzerland

Professional background:

Since 2001 Vontobel, Zurich, Switzerland
Since 2010 Chief Operating Officer Vontobel
2009 Head of IT within the Operations support unit
2003–2009 Head of Business Applications division within the Operations support unit
2001–2003 Project Manager (implementation of functional organization; central project controlling)
2000 BZ Informatik AG, Freienbach, Switzerland
Member of the Executive Management of
1996–2000 Almafin AG, St. Gallen, Switzerland
Partner with responsibility for the area of consulting
1991–1996 PwC, Zurich, Switzerland and London, UK
Senior Consultant Financial Services division

Georg Schubiger
Head of Private Banking

born 1968,
Swiss citizen

Education:

lic. oec. HSG Business Administration/Management, University of St. Gallen, Switzerland
Master of Arts, European Studies Arts, College of Europe Bruges, Belgium

Professional background:

Since 2012 Vontobel, Zurich, Switzerland
Head of Private Banking Vontobel
2008–2012 Danske Bank Group, Denmark
2010–2012 Chief Operating Officer, Member of the Group Executive Board
2008–2010 Head of Business Development, Member of the Group Executive Committee
2002–2008 Sampo Group, Finland
2004–2008 Head of Eastern European Banking, Member of the Executive Board
2002–2004 Head of Business Development, Member of the Group's Management Committee
1996–2002 McKinsey & Company, Zurich, Switzerland and Helsinki, Finland
Associate Principal Financial Services Group

Axel Schwarzer
Head of Asset Management

born 1958,
German citizen

Education:

1st and 2nd Law examinations, Johann Gutenberg University in Mainz and Frankfurt, Germany

Professional background:

Since 2011	Vontobel, Zurich, Switzerland Head of Asset Management Vontobel	
1989–2010	Deutsche Bank	
	2009–2010	Vice Chairman of Deutsche Asset Management (DeAM) and Global Head of Relationship Management at DWS Investments, Frankfurt, Germany
	2005–2009	CEO of DWS Investments (formerly Scudder) and Head of Deutsche Asset Management Americas, New York, US
	1999–2005	Head of Sales, Products, Marketing and Services for DWS Investments and European Head of Distribution for the in stitutional and fund business of Deutsche Bank Asset Management, Frankfurt; Germany
	1997–1999	Head of Sales Support and later Head of Securities Product Management for the German Private and Retail Banking of Deutsche Bank, Frankfurt, Germany
	1989–1997	Various operational and strategic functions in the Private Banking division of Deutsche Bank, Frankfurt, Germany

Mandates:

- Vice-Chairman of the Supervisory Board of Fink und Fuchs Public Relations AG, Wiesbaden, Germany

Roger Studer
Head of Investment Banking

born 1967,
Swiss citizen

Education:

MBA Rochester-Bern
Swiss Certified Financial Analyst and Portfolio Manager (CIIA)
Swiss Certified Expert in Finance and Investments (CIWM)

Professional background:

Since 2001	Vontobel, Zurich, Switzerland	
	Since 2008	Head of Investment Banking Vontobel
	2003–2007	Head of Financial Products
	2001–2002	Head of Risk Management and Development of Derivative Products
1999–2000	ABN AMRO (Switzerland) Bank AG , Switzerland Head of Portfolio Management and Research	
1999	Rentenanstalt/Swiss Life Head of Quantitative Asset Allocation	
1997–1998	DG Bank AG, Switzerland Head of Private Clients Austria	
1984–1996	Vontobel Zurich, Switzerland	
	1995–1996	Head of Market Making Derivative Products
	1992–1995	Head of Warrants and Options Trading
	1984–1992	various positions

Mandates:

- Vice President of the European Structured Investment Products Association (Eusipa), Brussels, Belgium

Shareholders' participatory rights

Voting rights: restrictions and representation

The transfer of registered shares requires the approval of the Board of Directors or a committee designated by the Board of Directors. If listed registered shares are acquired through the stock market, title to the shares is transferred at the time of their transfer to the acquirer. If listed registered shares are acquired other than through the stock market, title passes to the acquirer when the latter applies to the Company for recognition as a shareholder. However, in any event, the acquirer may not exercise voting rights associated with the shares or any other rights associated with the voting rights until the Company has recognized the acquirer as a shareholder. The acquirer is not subject to any restrictions on the exercise of any other shareholder rights.

The Board of Directors may refuse to recognize an acquirer of registered shares as a full shareholder:

(a) if the number of registered shares held by the acquirer exceeds 10% of the total number of registered shares recorded in the Commercial Register. Legal entities and partnerships with a legal capacity who are united in terms of capital or votes in a single management or in some other similar manner together with natural or legal entities or partnerships, who act in a coordinated way to circumvent registration restrictions, are deemed for the purposes of this provision to be one acquirer; the vested rights of shareholders or shareholder groupings (including the right, whilst retaining beneficial ownership, to contribute shares in companies over which they have full control or to remove the same together with the right to transfer shares within a shareholder grouping without restriction under this percentage clause and relating to the participation of individual shareholders, in all cases with full retention of voting power), who together already held more than 10% of the share capital at the time restricted transferability was introduced by means of a public notice on 25 January 2001, are not affected;

(b) if the acquirer, at the request of the Company, fails to confirm expressly that the shares were acquired in his/her own name and on his/her own account.

After the share transfer has been approved, it is entered in the share register. The Company recognizes as shareholders or beneficiaries of registered shares only those entities entered in the share register. If the Company has not yet approved the acquirer on the date legal title is transferred, the acquirer is entered in the share register as a shareholder without voting rights and in this case, the relevant shares are deemed unrepresented at any General Meeting of Shareholders.

See section "Statutory quorums" for information on the conditions that apply to the lifting of restrictions on voting rights set out in the Articles of Association.

No exceptions were actually granted in the year under review.

No nominee registrations are made in the share register.

Each share gives entitlement to one vote. A shareholder may grant a written power of attorney in order to be represented at the General Meeting of Shareholders by a third party, who need not be a shareholder, or by the independent proxy. The Articles of Association do not contain any other rules on the issuing of instructions to the independent proxy or on electronic participation in the General Meeting of Shareholders.

Statutory quorums

To be valid, resolutions and elections by the General Meeting of Shareholders require an absolute majority of the votes cast, excluding blank and invalid votes, unless binding legal provisions stipulate otherwise. Resolutions by the General Meeting of Shareholders require a minimum of two-thirds of votes represented and an absolute majority of the nominal share values represented in order to:

(a) Amend the object of the Company
(b) Introduce voting shares
(c) Amend or abolish restrictions on the ability to transfer registered shares (restricted transferability)
(d) Provide an approved or conditional increase in capital
(e) Provide an increase in capital from equity in return for non-cash considerations or for the purpose of contributions in kind and the granting of special benefits
(f) Restrict or abolish pre-emptive rights
(g) Relocate the registered office of the Company

(h) Remove more than one member of the Board of Directors in the course of one financial year
(i) Dissolve the Company (with or without liquidation)
(j) Distribute a dividend in kind
(k) Increase the share capital (in all cases).

Convening of the General Meeting of Shareholders
Legal regulations apply to the convening of the General Meeting of Shareholders.

Invitations to attend General Meetings of Shareholders are issued by the Board of Directors or, in the instances specified by law or in the Articles of Associations, by the statutory auditors or liquidators. A General Meeting of Shareholders is to be convened at least 20 days before the date of the meeting in the form specified by the Company for public notices and must indicate the place, time, agenda items and motions proposed by the Board of Directors and shareholders who have asked for a General Meeting to be held or for an item to be placed on the agenda for discussion; in addition, shareholders with registered shares are to be notified of any General Meeting in writing. The notice convening the meeting must indicate the nature of any admission requirements. The notice convening the Ordinary General Meeting must draw attention to the fact that shareholders may inspect the Annual Report, the Compensation Report and the auditors' report at the registered office of the Company and that they may also ask for a copy of these documents to be sent to them without undue delay.

Inclusion of an item on the agenda
Shareholders representing at least 0.5% of the share capital may apply in writing for an item to be included on the agenda for discussion together with any associated motions. Any such application must reach the Company at least two months before the date of the General Meeting.

No resolutions may be passed on motions that are not part of duly notified agenda items. Exempt from this provision are motions to convene an Extraordinary General Meeting, to conduct a special audit and to elect statutory auditors following a request from a shareholder. Similarly, no prior notification is required for motions that are part of items for discussion or where no associated resolution is required.

Entry in the share register
No entries are made in the share register from the date on which the invitations to the General Meeting of Shareholders are sent out until one day after the General Meeting of Shareholders.

Change of control and defense measures

Mandatory public takeover offer
The Articles of Association do not include an "opting out" or "opting up" clause with regard to mandatory public takeover offers, as defined in Art. 22 of the Swiss Stock Exchange Act. The instruments available to the Company to defend itself against hostile takeover bids essentially comprise the following measures already referred to above:
– At present, 45.8% of voting rights are bound by a shareholder pooling agreement on a long-term basis (see section "Major shareholders and groups of shareholders with pooled voting rights").
– The registration restrictions allow the Board of Directors to refuse to enter shareholders or a group of shareholders in the share register once their shareholdings exceed the 10% threshold (see section "Voting rights: restrictions and representation").
– A change in the registration restrictions or the removal of more than one member of the Board of Directors in the course of one financial year must be approved by a qualified majority (see section "Statutory quorums").

Clauses on changes of control
The contracts of members of the Board of Directors (including the Chairman of the Board of Directors) and the Executive Board do not – with the exception of entitlements arising from the share participation plan referred to hereafter – make provision for any agreements in the case of a change of corporate control (change of control clauses). In the event of a change of control, any entitlements arising from the share participation plan will, however, be met immediately if the plan cannot be continued.

Statutory auditor/Group auditor

Duration of mandate and term of office of auditor in charge

The consolidated financial statements and the financial statements of Vontobel Holding AG and the subsidiaries are audited by Ernst & Young. The external auditor of Vontobel Holding AG is elected for a period of one year at the Ordinary General Meeting of Shareholders. Ernst & Young was elected as auditor for the first time when Vontobel Holding AG was established in 1983. The auditor in charge is Patrick Schwaller, who has held this function since the financial year 2012. The holder of this office changes every seven years, in accordance with banking legislation. The role of statutory auditor was performed by Marco Amato from 2014 to 2015 and has been performed by Stefan Lutz since 2016.

Audit fees

Fees paid to the auditor		
1,000 CHF	**31-12-16**	31-12-15
Auditing fees billed by Ernst & Young	**2,790.5**	3,073.8
Additional fees billed by Ernst & Young for audit-related services	**475.9**	444.8
of which tax advice	**410.6**	361.7
of which legal advice	**0.0**	9.4
of which advice on international accounting	**0.0**	4.1
of which other consulting services	**65.3**	69.6

Additional fees

The additional fees primarily concern services provided in connection with projects and audit-related services regarding international accounting as well as tax or regulatory issues. The audit firm is permitted to provide these services as well as performing the auditing duties of the external auditor as they do not give rise to any conflicts of interests. The subject of any new audits, as well as special audits that have to be conducted at the request of the supervisory authorities, are subject to the approval of the Risk and Audit Committee. There is no prescribed catalogue of criteria that has to be consulted when approving these types of additional mandates; the Risk and Audit Committee decides on an individual basis whether the issuing of the additional mandates would impact the auditor's independence.

Supervision and control instruments relating to audits

The Board of Directors is responsible for the supervision and control of the audit firm. This includes examining the risk analysis and reviewing the reports produced by Group Internal Audit and the audit firm; it is assisted by the Risk and Audit Committee when discharging this duty. The Risk and Audit Committee obtains regular reports from representatives of the audit firm and it discusses these reports and evaluates their quality and comprehensiveness. The audit firm and the Head of Group Internal Audit attended all meetings of the Risk and Audit Committee in the year under review.

Vontobel, as a banking group, is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). Legal requirements and regulations must therefore be observed in the selection of the audit firm. Other material selection criteria applied by the Board of Directors are the audit firm's proven expertise with regard to complex finance and valuation issues in accordance with the accounting standards prescribed by FINMA and the International Financial Reporting Standards (IFRS), as well as its expertise regarding special topics relating specifically to the institution. Considerable importance is also assigned to continuity. Using a defined process and a structured set of criteria, the Risk and Audit Committee conducts an annual evaluation of the audit firm's independence, performance and fees. In addition, a detailed review is conducted every five years. A review of this nature was conducted in 2013. The results are discussed with the audit firm. Vontobel has decided to propose the audit company EY for re election at the forthcoming General Meeting of Shareholders. The main reasons for this decision are: On the one hand, EY fulfills the defined requirements and now has an in-depth knowledge of Vontobel, and on the other hand, regular rotation of employees responsible for the mandate ensures the necessary level of independence and objectivity.

Information policy

As a company listed on the stock exchange, Vontobel Holding AG pursues a consistent and transparent information policy vis-à-vis its shareholders, clients and employees, as well as the financial community and the general public. Its regular reporting activities include the publication of the annual and half-year reports, as well as the organization of events such as the annual and half-year conference with the media, investors and analysts and the General Meeting of Shareholders. When important events occur, the above-mentioned stakeholders are informed simultaneously via press releases.

Details of the financial calendar and contact addresses are listed on page 235 of the Annual Report.

Compensation report

Shareholders' letter

Dear shareholders

Vontobel's mission is to protect and build the wealth our clients have entrusted to us over the long term. As a listed family-owned company, we combine transparency and responsible corporate governance with an entrepreneurial mindset and we create sustained value for our clients, shareholders and employees. Vontobel's compensation system is designed to promote the proactive, long-term development of our company with a focus on security.

Dialogue with investors
We have always considered it important to engage in a regular dialogue with our investors. In this context, we placed a particular emphasis on corporate governance topics – and especially on compensation policy – during 2016. The fact that the same compensation system applies to management and all employees and is straightforward and easy to comprehend is a positive aspect highlighted by our investors. They also welcome the fact that this system has continuously proved effective since 2004. More than 50% of our employees take part in the share participation plan, demonstrating their long-term commitment to Vontobel and their willingness to align their interests with those of our shareholders. The structure of the share participation plan and its long-term focus encourage Vontobel employees to think and act in an entrepreneurial and sustainable manner. Members of the Executive Board are required to take 50% of their bonus in the form of bonus shares that are blocked for a period of three years. Over time, members of the Executive Board build up a significant shareholding as a result of this requirement: At the end of 2016, they held an average of 9.4 times their base salary in Vontobel shares, leading to the desired alignment of management and shareholder interests.

Investors also gave their feedback on aspects of the current compensation policy. We carefully reviewed all of their suggestions and have adopted and implemented them where this makes sense for our company. We have, for example, responded to their calls for greater transparency and are now providing the most detailed information possible about the evaluation of the Executive Board's performance. In addition, Vontobel will, for the first time, hold a consultative vote on the Compensation Report at the next General Meeting of Shareholders.

Pay-for-performance
Vontobel can look back with satisfaction at the financial year 2016. Group net profit totalled CHF 264.4 million, an increase of 47% compared to the previous year. On an adjusted basis, i.e. excluding significant one-off impacts, the increase was 12%. Earnings per share reached a new record level of CHF 4.72. This will allow Vontobel to propose an attractive dividend to shareholders, returning to the level of payouts seen prior to the financial crisis. Our successful financial year underscores our ability to deliver growth even in a challenging environment. In our home market of Switzerland, we gained market share and further strengthened our position. The international expansion of our three divisions is increasingly contributing to our financial result and to the diversification of our business. In addition, the systematic development of our technology helped to distinguish Vontobel from other market participants.

The fixed fee paid to members of the Board of Directors, including its Chairman – half of which is paid in the form of shares that are blocked for a period of three years – remains unchanged. Subject to the approval of the General Meeting of Shareholders, the proposed aggregate compensation of the Executive Board will increase by 7% compared to the previous year, reflecting the successful performance of the company. On an adjusted basis, this increase is also less than the growth in profit, thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders. The proposed dividend of CHF 2.00 consists of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10. Retained earnings are used to strengthen the company's capital position and to finance investments in future organic growth, as well as giving Vontobel additional financial flexibility to carry out potential acquisitions.

The increase in profitability in recent years resulted in a substantial rise in the return on equity in the performance period from 2014 to 2016. The average return on equity in these three years was 13.0%, significantly exceeding the target return of 10%. The average BIS tier 1 capital ratio was a solid 20.1%. Consequently, the multiplier for performance shares from the 2013 bonus, which will vest in spring 2017, is 130%.

Say-on-pay

Our shareholders approved all of the compensation proposed at the General Meeting of Shareholders 2016. The fixed compensation of the Board of Directors was approved by almost 90% of shareholders. The proposed fixed compensation of the Executive Board was approved by 99% and the proposed bonus by 90% of shareholders. At the General Meeting of Shareholders 2017, you, our shareholders, will once again be given a prospective vote on fixed compensation and a retrospective vote on variable compensation. At Vontobel, you vote on the actual compensation amounts, meaning that you retain full control over the compensation that is paid out. This year, you will also be given a vote on an additional amount for the 2013 share participation plan because the increase in the value of the Vontobel share and profit significantly exceeded expectations at the time. Furthermore, we are, for the first time, planning to hold a consultative vote on the Compensation Report. The proposed compensation reflects the successful performance of the business, which is why we are asking you to approve it at the General Meeting of Shareholders of 4 April 2017.

Outlook

To continue creating the best possible basis for our company to develop and perform successfully, the Board of Directors and Executive Board will periodically review Vontobel's strategy – as they have done in the past – and will adapt it where necessary and, in particular, focus on its implementation. In this context, Vontobel aims to gain market share in all target markets based on its high investment and service quality while continuing to pursue a conservative risk policy. We intend to achieve these ambitious goals by focusing on our clients, through constant product innovation and technology, and through continuous talent development.

Our compensation policy is compliant with all Swiss and international regulations and we are working to ensure that it once again ranks as one of the leading policies in the industry. In addition to our own critical review of our compensation system, we monitor the development of international compensation systems and implement new approaches and elements if we are convinced that they will also create value for Vontobel. In addition, we engage in an active dialogue with our investors, the SIX Swiss Exchange and regulators about this topic.

On behalf of Vontobel and the members of the Nomination and Compensation Committee, I wish to thank you for your trust and support, as well as for your positive and critical feedback, which are greatly valued.

Bruno Basler

Chairman of the Nomination
and Compensation Committee

Objectives, principles and values

Objectives
Vontobel's compensation policy is aligned with our mission statement and our positioning and promotes the successful implementation of our growth strategy. In this context, our compensation system pursues the following objectives:

Objectives of the compensation system	
Performance orientation	Foster a performance- and team-oriented culture
Ownership	Promote an entrepreneurial mindset and actions
Competitiveness	Position Vontobel as a competitive employer in order to attract and retain talented professionals over the long term
Sustainable development	Promote a risk-conscious culture and the sustainable, long-term development of Vontobel
Alignment with stakeholder interests	Take account of the long-term interests of clients, employees, shareholders and the company

Principles and values
When implementing the compensation policy, Vontobel focuses on achieving the following principles and values:
- A straightforward, comprehensible compensation system with a long-term perspective that is, in principle, the same for the Executive Board and employees
- Continuity in respect of the compensation model that was first introduced for the year 2004 and has since remained essentially unchanged
- A share participation plan that aligns the interests of employees and shareholders and ensures long-term employee retention
- A share participation plan that purchases the requisite shares in the market to prevent any dilution of shareholders
- Awarding of an increasing proportion of compensation to employees in the form of shares blocked for a period of three years as their level of responsibility and total compensation grows
- Annual definition of company and employee objectives, and conducing of half-year evaluations to assess the achievement of objectives
- Consideration of the level and structure of compensation among finance industry peers
- Compliance with all legal and regulatory requirements

Vontobel addresses all compensation topics and questions responsibly and in the best long-term interests of the company. We continuously monitor the development of compensation strategies that are regarded as best practice and we conduct an active dialogue with our investors, shareholders and proxy advisors. We ensure that the information provided in the Compensation Report is clear and transparent.

Governance

Overview of responsibilities for compensation and decision-making processes			
Recipient of compensation	Proposed by	Decision on proposal to General Meeting	Approval at General Meeting
Board of Directors	NCC	Board of Directors	Shareholders
Chairman of Board of Directors	NCC	Board of Directors	Shareholders
Members of Executive Board	CEO	NCC	Shareholders
CEO	Chairman of Board of Directors	NCC	Shareholders

The Board of Directors has overall responsibility for Vontobel's human resources policy and consequently also for its compensation policy. The Nomination and Compensation Committee (NCC) supports the Board of Directors in determining Vontobel's compensation principles and defining its compensation strategy. The NCC oversees the compensation of the Board of Directors, the Chairman of the Board of Directors, the members of the Executive Board and the CEO, as well as basic elements of the compensation of all Vontobel employees.

Say-on-pay motions proposed to the General Meeting of Shareholders 2017

In accordance with the Articles of Association of Vontobel Holding AG (see Article 31 www.vontobel.com/articlesofassociation) and the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations (VegüV), Vontobel discloses the compensation awarded to members of the Board of Directors and members of the Executive Board and puts it to the vote at the General Meeting of Shareholders.

The Board of Directors will hold the following votes on compensation at the General Meeting of Shareholders of 4 April 2017:

Voting on compensation	2014	2015	2016	2017	2018	2019
Consultative vote on Compensation Report 2016			Compensation system and governance			
Maximum aggregate fixed compensation of members of Board of Directors for forthcoming term of office				Compensation period		
Additional amount for performance shares of the Chairman of the Board of Directors, which relate to bonus shares for 2013 (approved at the General Meeting of Shareholders 2014) and will vest in 2017.	Performance period					
Maximum aggregate fixed compensation of members of Executive Board for period from 1 July 2017 to 30 June 2018				Compensation period		
Maximum aggregate performance-related compensation of Executive Board for prior financial year that has ended			Performance period			
Additional amount for performance shares of the Executive Board, which relate to bonus shares for 2013 (approved at the General Meeting of Shareholders 2014) and will vest in 2017.	Performance period					
Maximum aggregate amount for performance shares 2017-2019 of Executive Board				Performance period		

- - - - = General Meeting

In the event of one or more motions being rejected at the General Meeting of Shareholders 2017, the Board of Directors is required to call a new General Meeting within six months and to propose new motions for the approval of compensation to shareholders.

Nomination and Compensation Committee (NCC)

The NCC consists of at least three members of the Board of Directors, who are elected each year by the General Meeting of Shareholders. In 2016, the NCC comprised the independent Board members Bruno Basler (Chairman of the NCC), David Cole and Clara C. Streit, as well as the non-independent Board member Björn Wettergren. Björn Wettergren represents the fourth generation of the Vontobel and de la Cour families. Bruno Basler was Vice-Chairman of the Vontobel Foundation until the end of 2015 and has been classed as an independent member of Vontobel's Board of Directors since 2016. He performs his primary function at the family-owned company EBP. As a secondary role, he serves on the Boards of Directors of three further family-owned companies, including Vontobel.

The NCC maintains an intensive dialogue with management throughout the year and generally holds at least three meetings during that period. Each year, the extent to which Group-wide performance objectives have been achieved in quantitative and qualitative terms, as well as the CEO's proposal concerning the size of the variable bonus pool for the entire Group, are discussed in detail. The CEO and occasionally also the Head of Group Human Resources provide the NCC with explanations and advice on this matter. The CEO is not present during the part of the meeting when his compensation is determined. The CEO decides how the total bonus pool is to be shared between the individual divisions, taking account of various quantitative and qualitative criteria.

Benchmarks

We consider it important to offer competitive compensation in order to attract and retain talented professionals over the long term. The NCC therefore reviews the compensation of all employees once each year. During this process, compensation levels and structures are compared with those of similar positions in Vontobel's peer group in the finance industry. The NCC uses comparative data from publicly accessible sources, information provided by renowned market data providers and talent recruitment information for this purpose. The results of this compensation comparison are used, among other things, as the basis for determining individual compensation.

The current peer group used to assess the appropriateness of our compensation is shown below:

Peer group	
Switzerland	Credit Suisse, EFG International, GAM, Julius Baer, Lombard Odier, Pictet and UBS
UK	Aberdeen, Ashmore, Henderson and Schroders
USA	Artisan Partners, Lazard and Legg Mason

Bonus pool

The bonus pool is used to finance the bonus of the Executive Board and employees. It is determined using the following three-stage process:

Financial performance	Other performance indicators	Overall evaluation
The bonus pool is accrued each month based on financial performance. Profit before taxes and before variable compensation of the Group and individual divisions have the largest influence on the bonus pool. Growth- and future-oriented key figures such as net new money and investment performance also have a direct influence on the bonus pool.	Progress in implementing the strategy Conduct, leadership and development of the organization Relative performance compared to peer group	The NCC carries out a comprehensive evaluation and reviews Vontobel's market positioning as well as the long-term creation of value in order to formulate the final proposal regarding the bonus pool that is submitted to the Board of Directors for approval.

Vontobel Asset Management in the US and TwentyFour Asset Management in the UK have their own compensation systems and receive variable compensation that is not part of the bonus pool.

External consultants

Vontobel obtains anonymized comparative data from external compensation consulting firms such as Willis Towers Watson (formerly Towers Watson) and McLagan (a division of Aon Hewitt), as well as Kienbaum. This information serves as an important basis when determining compensation – especially in an environment characterized by significant market and regulatory changes.

In the case of our entities outside Switzerland, we obtain advice from Mercer LLC on pension and social benefits.

The NCC has commissioned PricewaterhouseCoopers AG (PwC) to provide independent advice and support with regard to the review and further development of our compensation model as well as in respect of general compensation-related questions such as changes in international guidelines and rules.

Some of the consultants referred to above hold further mandates within Vontobel. However, these other mandates are performed outside the Compensation and Benefits unit.

Periodic review of the system

The Compensation Regulations (regulations governing Vontobel's share participation plan, including the related brochure) were approved by the Board of Directors of Vontobel Holding AG on 16 December 2004 and continue to apply in their current form. Each year, the compensation system is discussed by the NCC from various perspectives.

In 2016, the NCC approved the introduction of a Variable Compensation Arrangement (VCA) for individual employees that also reflects regulatory requirements in the European locations in which Vontobel operates. The Executive Board is not affected by this arrangement.

Change of control clauses

The contracts of members of the Board of Directors (including the Chairman) and the Executive Board (including the CEO) do not make provision for any agreements in the case of a change of corporate control (referred to as change of control clauses). In the event of a change of control, any entitlements arising from the share participation plan will, however, be met immediately if the plan cannot be continued.

Notice periods and severance agreements

Vontobel Holding AG or companies controlled by it may conclude mandate agreements or employment contracts of limited or unlimited duration with members of the Board of Directors. The duration and termination of such agreements are based on the term of office and applicable law.

Vontobel Holding AG or companies controlled by it may conclude employment contracts with members of the Executive Board. Employment contracts of limited duration are subject to a maximum duration of one year but may be renewed. The maximum notice period for employment contracts of unlimited duration is 12 months. If the employment relationship is terminated, the company or companies controlled by it may release a member of the Executive Board from his duties with immediate effect and/or conclude a termination agreement.

In principle, the employment contracts of Vontobel employees (including members of the Executive Board) are subject to a notice period of a maximum of six months. In the case of the Chairman of the Board of Directors, notice must be given in the fourth quarter of the relevant year. The contracts concluded with the members of the Board of Directors (including the Chairman) and the members of the Executive Board (including the CEO) do not contain any clauses relating to severance payments.

Loans to governing bodies

The company may grant a member of the Board of Directors or a member of the Executive Board credits and loans at standard market rates or generally applicable employee terms and conditions up to an amount of CHF 50 million.

To the extent permitted by law, the company may grant an advance to members of the Board of Directors or members of the Executive Board to cover court costs and lawyers' fees in connection with legal proceedings, lawsuits or investigations – whether under civil, criminal or administrative law or of another nature – that are connected with their duties or with the fact that they are or were members of the Board of Directors or the Executive Board.

Compensation of the Board of Directors

Compensation system

Compensation principles

The range of duties performed by a bank's Board of Directors is prescribed by law and by the financial market supervisory authority. The overall supervision and direction of the company are the non-transferable and irrevocable duties of the Board of Directors in its capacity as the supervisory and defining body. A Swiss Board of Directors has an extended range of responsibilities, duties and powers compared to Boards of Directors in other countries. The Board of Directors of Vontobel should be able to perform the overall direction and supervision of the company without restriction. It is also intended to serve as a credible counterbalance to the Executive Board and should be able to act independently. Based on this, Vontobel has defined the following compensation principles for its Board of Directors:

– Competitive compensation that reflects the capabilities and experience of members of the Board of Directors and the value they contribute
– It consists exclusively of fixed compensation
– Participation in the long-term performance of the company through shares

The final compensation proposed to the General Meeting of Shareholders is decided by the Board of Directors.

Duties and roles

Board of Directors

The Board of Directors defines the business strategy and formulates guiding principles for the bank's corporate culture. It signs off the company-wide risk management framework and is responsible for issuing regulations, establishing and monitoring an effective risk management function, and managing overall risks. Furthermore, the Board of Directors establishes a suitable organizational structure and has ultimate responsibility for the company's financial position and development. The Board of Directors is responsible for ensuring that the company has an appropriate number of employees and other resources (e.g. infrastructure, IT) and for its human resources and compensation policies. It oversees the work of the Executive Board and is, among other things, responsible for ensuring that there is both a suitable risk and control environment within the company. In this way, it has a decisive influence on the strategy, structure and culture of Vontobel. In order for the Board of Directors to perform these duties credibly and to act independently from the Executive Board, it must be composed of qualified and experienced members, while ensuring an appropriate level of diversity.

Compensation components

The compensation of the members of the Board of Directors consists of the following components:

Compensation components		
Fixed fee	50% paid in cash	The fixed fee for the mandate as a member of the Board of Directors of Vontobel Holding AG is paid half in cash and half in shares.
	50% paid in shares	The allocation of shares that are blocked for a period of three years serves as a long-term incentive, resulting in an alignment with shareholder interests. Members of the Board of Directors thus participate in the long-term success of the company and the long-term performance of the Vontobel share. Shares are allocated at an accepted value of 80% of the average price in the month of December of the year prior to the year in which the bonus is paid out. These shares may not be sold, pledged or transferred during the blocking period.
Further fees	100% paid in cash	The fee for the mandate as a member of the Board of Directors of Bank Vontobel AG, which is controlled by Vontobel Holding AG, and the daily fees/meeting attendance allowance as well as expenses are paid 100% in cash.
Pension payments (only for the Chairman of the Board of Directors)		The Chairman of the Board of Directors has an ordinary employment relationship in Switzerland. He therefore receives statutory pension fund benefits like all other employees. The other members of the Board of Directors do not receive pension fund benefits.

Chairman of the Board of Directors

The Chairman presides over the Board of Directors as a whole and represents it internally and externally. The Chairman has a key role in shaping Vontobel's strategy, communications and culture. Vontobel has a strong and experienced Chairman, who performs a central function within the Board of Directors. In 2015, his compensation was set at CHF 2.5 million, which – based on a multi-year average – corresponds to the level of compensation of a member of the Executive Board. As Chairman of the Swiss Bankers Association, he also holds a position of responsibility within the Swiss financial centre.

The fixed aggregate compensation of members of the Board of Directors, including the Chairman of the Board of Directors, which is proposed to the General Meeting of Shareholders for the forthcoming term in office includes a reserve for the following other compensation components: Employer contributions to the pension fund and supplementary fund, daily fees and meeting attendance allowances. The amount that serves as the basis for the vote on compensation does not include social security contributions (AHV, ALV, IV) or additional advisory fees that are unrelated to the function as a member of the Board of Directors and are disclosed separately in the Annual Report.

Actual compensation (audited information)

Compensation for the financial year

For the financial year 2016, compensation totalling CHF 4.1 million (previous year: CHF 3.7 million) was paid to the members of the Board of Directors. Of this sum, CHF 2.4 million was paid in cash and CHF 1.6 million in the form of share-based compensation.

Compensation of the members of the Board of Directors for the financial year (pursuant to Art. 663b^{bis} of the Swiss Code of Obligations)

Name	Function	Fixed compensation CHF 1,000	Variable compensation paid in cash CHF 1,000	Compensation paid in shares[1] CHF 1,000	Other compensation CHF 1,000	**31-12-16 Total CHF 1,000**	31-12-15 Total CHF 1,000
Herbert J. Scheidt[2]	Chairman	1,250.0	0.0	1,250.0	132.3[3]	**2,632.3**	2,600.3
Dr Frank Schnewlin	Vice-Chairman	170.0	0.0	50.0	24.7	**244.7**	241.2
Bruno Basler	Member	130.0	0.0	50.0	18.6	**198.6**	202.2
Dr Maja Baumann	Member[4]	82.5	0.0	37.5	18.2	**138.2**	n/a
Dr Elisabeth Bourqui	Member	110.0	0.0	50.0	50.2	**210.2**	120.4
Dominic Brenninkmeyer	Member[5]	27.5	0.0	12.5	3.1	**43.1**	169.4
David Cole	Member[4]	82.5	0.0	37.5	12.1	**132.1**	n/a
Nicolas Oltramare	Member	110.0	0.0	50.0	24.7	**184.7**	189.0
Peter Quadri	Member[6]	0.0	0.0	0.0	0.0	**0.0**	55.3
Clara C. Streit	Member	110.0	0.0	50.0	15.6	**175.6**	171.7
Björn Wettergren	Member[4]	82.5	0.0	37.5	10.6	**130.6**	n/a
Total		2,155.0	0.0	1,625.0	310.1	**4,090.1**	3,749.5

[1] Allocation of shares of Vontobel Holding AG that are subject to a holding period of three years, during which they cannot be sold.
[2] In the year under review, Herbert J. Scheidt received CHF 315,921 of fees for Board memberships outside the company that he holds in connection within his role at the company.
[3] Contribution to pension funds
[4] Since 19 April 2016
[5] Until 19 April 2016
[6] Until 28 April 2015

Vesting of performance shares from previous years

The Chairman of the Board of Directors' entitlement to receive performance shares results from his compensation program that applied until the General Meeting of Shareholders of 19 April 2015 and is not related to the current compensation awarded to him directly. The final potential allocation of performance shares will be made in 2019 based on the bonus shares for the performance year 2015.

The performance shares of the Chairman of the Board of Directors that vested in 2016 relate to bonus shares from 2012 and to the performance period from 2013 to 2015:

Allocation of shares from the long-term employee share-based benefit program				
	31-12-16	31-12-15	Change to 31-12-15	
	number	number	number	in %
Number of performance shares allotted to Herbert J. Scheidt[1]	**30,144**	31,508	(1,364)	(4)

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.

[1] In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 0.8 mn (previous year CHF 0.6 mn) and was included on a pro rata basis over the vesting period. The market value of the performance shares on the allocation date was CHF 1.3 mn (previous year CHF 1.4 mn).

Additional fees, related parties and similar information
None.

Former members of the Board of Directors
Compensation paid to members of the Board of Directors who stepped down during or prior to the previous year: None.

Holdings of shares and options (audited information)

Holdings of shares and options							
			31-12-16			31-12-15	
			Options			Options	
			Number of shares at the time of exercise			Number of shares at the time of exercise	
		Shares	**call**	**put**	Shares	call	put
Name	Function	**Number**	**options**	**options**	Number	options	options
Herbert J. Scheidt	Chairman	**476,403**	**0**	**0**	547,182	0	0
Dr Frank Schnewlin	Vice-Chairman	**7,696**	**0**	**0**	6,320	0	0
Bruno Basler	Member	**13,327**	**0**	**0**	11,951	0	0
Dr Maja Baumann	Member	**450**[1]	**0**	**0**	n/a	n/a	n/a
Dr Elisabeth Bourqui	Member	**917**	**0**	**0**	0	0	0
David Cole	Member	**0**	**0**	**0**	n/a	n/a	n/a
Nicolas Oltramare	Member	**4,450**	**0**	**0**	3,074	0	0
Clara C. Streit	Member	**5,785**	**0**	**0**	4,409	0	0
Björn Wettergren	Member	**204**[1]	**0**	**0**	n/a	n/a	n/a
Members resigned							
Dominic Brenninkmeyer	Member	**n/a**	**n/a**	**n/a**	3,074	0	0

The above figures do not include rights to receive performance shares.
The calculation of the number of shares at the time of exercise reflects the exchange ratio of the respective options.
The above figures also include the share and option holdings of parties related to the members of Vontobel's governing bodies.

[1] The figures stated do not include the indirect participations of members of the Board of Directors Dr Maja Baumann and Björn Wettergren held through a group of shareholders ("shareholder pool") bound by a shareholder pooling agreement. Further information on the shareholder pool is provided in the Corporate Governance Report on page 33ff.

Loans to governing bodies (audited information)

As of 31 December 2016 and 31 December 2015, no loans to members of the Board of Directors or related parties were outstanding. No loans to former members of the Board of Directors were outstanding that were not granted according to standard terms and conditions.

Compensation of the Executive Board

Compensation system

Compensation principles

The principle of "pay for performance" applies at Vontobel. The compensation system was structured in such a way as to ensure that the level of compensation paid to the members of the Executive Board tends to be lower than the market rate in the first few years after they join the company but can increase if a good performance is achieved over more than three years thanks to the share participation plan. As a result, the members of the Executive Board tend to have a relatively low base salary but receive higher variable compensation – provided Vontobel and the division they oversee perform well.

In the allocation of variable compensation, quantitative and qualitative objectives are assigned equal weighting when measuring and evaluating performance. In this context, the NCC takes account of criteria including:

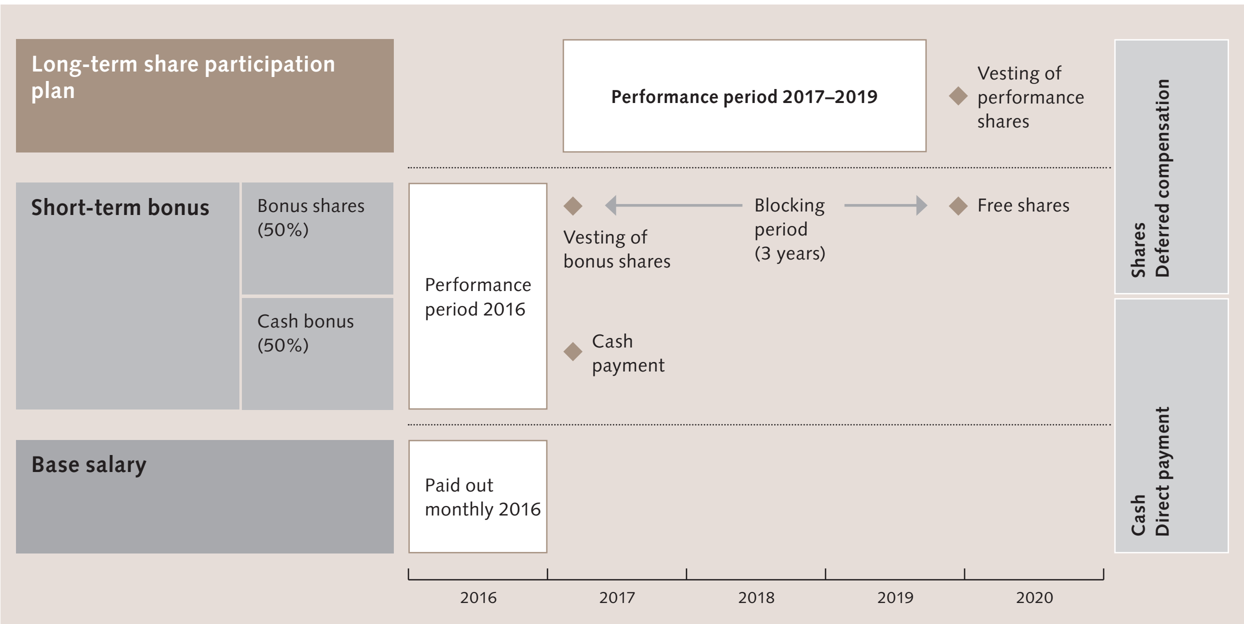
- Performance of each member of the Executive Board
- Financial performance of Vontobel and the relevant division
- Performance measured in relation to the finance industry peer group
- Current market rates of compensation and efforts to achieve a compensation policy with a long-term focus, and
- Balanced distribution between groups of stakeholders

Formula-based compensation is not used for members of the Executive Board at Vontobel. The Board of Directors reaches the final decision about the compensation proposals for the General Meeting of Shareholders at its own discretion.

Compensation components

The compensation of the Executive Board consists of a fixed compensation component (annual base salary) and a variable compensation component (bonus and long-term share participation plan). The fixed compensation component is determined on the basis of the individual function. The variable compensation component is determined on the basis of collective and also individual performance. This approach is designed to ensure that the compensation of the Executive Board is largely dependent on the achievement of ambitious performance objectives.

To illustrate this, the components of Executive Board compensation are summarized in the following chart:

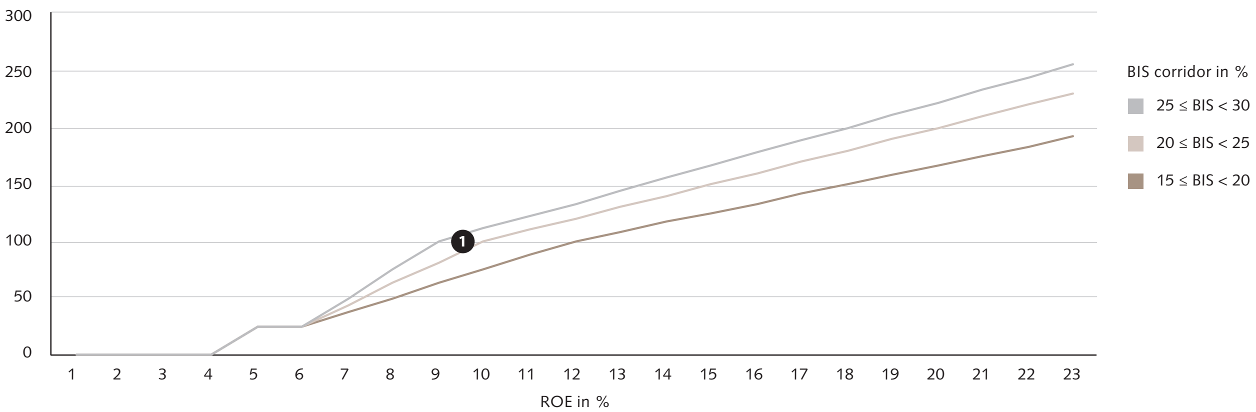


The compensation of the members of the Executive Board consists of the following components:

Compensation components		
Base salary	100% paid in cash	The base salary of each member of the Executive Board is determined individually. The level of base salary is in line with our international peer group and is generally lower than the base salaries paid by our Swiss peers.
Bonus	50% paid in cash (cash bonus)	The bonus is based on the individual achievement of quantitative and qualitative objectives. The bonus is paid half in cash and half in bonus shares.
	50% paid in shares (bonus shares)	Bonus shares are allocated at an accepted value of 80% of the average price in the month of December of the year prior to the year in which the bonus is paid out. These shares are blocked for three years from the date of vesting and may not be sold, pledged or transferred during that period. If the company achieves a sustained good performance and its share price rises during the blocking period, the value of the bonus shares increases accordingly. However, if the share price falls, the bonus subsequently decreases – resulting in a financial loss for the member of the Executive Board, since taxes have already been paid on the basis of the higher share price. This model ensures that members of the Executive Board can participate in the successful performance of the company while also sharing the risks in the event of poor financial results. If the employment relationship is terminated, bonus shares that have already been allocated remain in the ownership of the individual members of the Executive Board and continue to be subject to the blocking period even after the period of employment has ended. Further details of the share participation plan can be found in the brochure "Vontobel Share Participation Plan" at: www.vontobel.com/compensation-report
Long-term share participation plan	100% paid in shares (performance shares)	Vontobel also pays part of its compensation in the form of long-term incentive components. They are paid in the form of registered shares of Vontobel Holding AG (performance shares) and are designed to promote loyalty to the company. Three years after receiving bonus shares, members of the Executive Board are entitled to receive additional shares, known as performance shares (long-term incentive) if vesting conditions are met. This right depends on the performance of the business over the last three years, hence the name "performance shares", as well as on the number of bonus shares received. When determining the performance of the business, Vontobel's average return on equity (ROE) and average risk profile (BIS Total Capital Ratio) are taken into account. The multiplier resulting from these two parameters is defined using the average over the relevant performance period (the last three years or the last six half-year values). This ensures that the achievement of a high return on equity in combination with a low risk profile is rewarded more generously than the achievement of a high return on equity in combination with a high risk profile. One condition for the vesting of performance shares is that an average Group-wide return on equity of at least 4% is generated over the relevant three-year period. In addition, the BIS Total Capital Ratio must exceed 12%. If one of these requirement is not met, all rights to performance shares lapse (see chart on the next page for further details). Performance shares are only awarded to members of the Executive Board who remain in an employment relationship on which notice has not been served three years after they received the bonus shares. In this way, performance shares also play an important part in ensuring that the Executive Board is focused on the stable and successful development of Vontobel over the long term and in promoting loyalty to the company.
Employee benefits		The members of the Executive Board receive the same pension fund benefits as all other employees in Switzerland.
Other compensation		In general, the members of the Executive Board do not receive any special additional benefits. They have the same additional benefits as all other employees in the location and the unit in which they work.

This chart shows the payout ratio for performance shares for selected BIS ranges:

Payout ratios for performance shares
Performance shares as a % of bonus shares (multiplier)



If an average ROE of 10% is generated and the average BIS Total Capital Ratio is 20–25%, the employee would, for example, receive 100% of the performance shares at the end of the three-year performance period based on the current perspective. This means that the employee would receive the same number of shares as performance shares that he already received as bonus shares at the beginning of the performance period (see point 1 in chart).

Additional amount
If new members are appointed to the Executive Board and take up their position at Vontobel after the General Meeting of Shareholders has approved the maximum aggregate amount of fixed compensation for members of the Executive Board for the financial year concerned, an additional amount may be used for the compensation to be paid to these new members. The additional amount for each compensation period and for each new member corresponds to 40% of the last approved maximum aggregate amount of fixed compensation of the Executive Board. This additional aggregate compensation includes any compensation for disadvantages incurred in the course of a change of employment (sign-on bonuses). If the additional amount is not sufficient to compensate for these disadvantages, the amount of the sign-on bonus exceeding the additional amount must be submitted to the next Ordinary General Meeting for approval.

Objectives and their achievement
The Executive Board has a sustained influence on the implementation of Vontobel's strategy and consequently on its business activities. In addition to this overall responsibility, the CEO and the other members of the Executive Board are assigned quantitative and qualitative objectives, which are listed in the scorecard. Since each member of the Executive Board performs a different function within the company, the objectives are individually aligned to the areas of responsibility of each member of the Executive Board. In this context, the CEO's objectives serve as the basis for the individual objectives of the other members of the Executive Board.

The following objectives were defined for the Executive Board for 2016 and were evaluated by the Board of Directors:

Quantitative objectives (50%)		
		Evaluation[1]
Finance	– Achieve or exceed budget – Generate net inflows of new money – Enhance operating efficiency – Increase return on equity – Maintain capital position that significantly exceeds regulatory requirements	**Highly effective performance**
Strategy	– Further strengthen core competencies – Drive organic growth in target markets – Capture opportunities created by technology – Supplement growth through M&A	**Outstanding performance contribution**

Qualitative objectives (50%)		
		Evaluation[1]
Behaviour	– **Client focus** – always seek the best solution to deliver sustained success for our clients and Vontobel – **Results-driven approach** – achieve impact by focusing on objectives and results; think long term in order to realize sustainable and competitive growth – **Compliant conduct** – act with integrity and remain independent at all times; always provide advice in accordance with internal rules and takes risks appropriately into account	**Highly effective performance**
Leadership and development	– **Inspirational leadership** – recruit, retain, support and develop the best talent; define ambitious objectives and motivate employees to raise the benchmark for client service and quality of work; inspire others to deliver a top performance – **Transformative leadership** – demonstrate flexibility and be capable of leading in new operating conditions and adapting to them constructively; reach clear decisions and share them with the team – **Communication** – share own knowledge and experience with others; promote constructive collaboration as a team across functions and borders	**Highly effective performance**

[1] Vontobel Evaluation Grid: 1. Unsatisfactory performance / 2. Inconsistent performance / 3. Effective performance / 4. Highly effective performance / 5. Outstanding performance contribution

The financial objectives were significantly exceeded in the financial year 2016. Group net profit totalled CHF 264.4 million, an increase of 47% compared to the previous year. On an adjusted basis, i.e. excluding significant one-off impacts, the increase was 12%. Earnings per share reached a new record level of CHF 4.72. The growth in net new money – excluding the performance of the Quality Growth boutique – was especially pleasing at 5.8%. The Executive Board was thus able to maintain the positive trend seen in the first half of the year, meaning that for the full year 2016, Vontobel grew much more strongly than the market. Advised client assets reached a new record level of CHF 155.3 billion. Operating income totalled CHF 1,081.1 million and was thus 9% higher than in the previous year. At the same time, operating expense declined by 1%. The cost/income ratio improved to 68.2%. In the year under review, Vontobel generated a return on equity of 18.0% and thus exceeded the target 10% mark by 8.0 percentage points. Vontobel continues to have a very comfortable capital position. The BIS tier 1 capital ratio, consisting exclusively of Common Equity Tier 1 capital, remains very solid at 19.0% at year-end. It is thus higher than in the previous year and significantly exceeds the regulatory minimum capital requirement of 12%.

The strategic objectives were also exceeded by the Executive Board this year. The continued development of our core competencies allows Vontobel to deliver growth even in a challenging environment. In our home market of Switzerland, Vontobel gained market share and further strengthened our position. Among other measures, the partnership with Raiffeisen was extended until well into the next decade and, while taking this step, Vontobel acquired Vescore from Raiffeisen – resulting in a further diversification within Asset Management. The international expansion of the three divisions is contributing increasingly to our result. In this context, further relationship managers were recruited in Private Banking and sales staff were hired in Asset Management. Financial Products successfully entered the Italian market, thus pursuing its international expansion. The systematic development of our technology, which helped to distinguish Vontobel from other market participants, should also be mentioned. In 2016, for example, our Mobile Private Banking offering, with its comprehensive range of functions, was made available globally for all end-user devices. This offering is now used both by our private clients and by the clients of our external asset managers. In Switzerland, Financial Products continued to develop the Multi Issuer Platform for structured products. Vontobel was able to grow the volume of products issued by 55% to CHF 3.4 billion in a very challenging market environment. In addition, in Germany Financial Products launched "mein-zertifikat.de", the unique multi-issuer offering for end-clients that enables users to create and order certificates directly.

In addition, the qualitative objectives were exceeded by the Executive Board. For example, Vontobel's litigation risks are low by industry standards, reflecting the integrity with which we act. The dialogue with the U.S. Department of Justice (DOJ) was concluded without Vontobel having to pay a financial penalty. In terms of leadership and development, reference should be made to the CIO change in the Quality Growth boutique in New York, where the foresight of the management team allowed us to achieve a smooth transition and to retain all of the talented professionals within the boutique. The successful integration of Finter Bank in the first half of 2016 and the integration of Vescore, which progressed rapidly in the second half of the year, should also be highlighted.

Actual compensation (audited information)

Compensation for the financial year

The aggregate compensation of the Executive Board increased by 7% compared to the previous year, reflecting the extremely successful performance of the business. This increase is less than the growth in profit, including on an adjusted basis, thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders. The variable bonus awarded to members of the Executive Board based on an evaluation of their achievement of individual objectives was, on average, 2.92 times their base salary (previous year: 2.65).

Compensation of the members of the Executive Board for the financial year

Financial year	Base salary CHF mn	Bonus paid in cash CHF mn	Bonus paid in shares[3] CHF mn	Pension CHF mn	Other compensation[1] CHF mn	Total[4,5] CHF mn	Number of recipients
31-12-2016	**3.7**	**5.4**[2]	**5.4**[2]	**0.6**	**0.0**	**15.1**	**6**
31-12-2015	3.7	4.9	4.9	0.6	0.0	14.1	6
Change vs 31-12-2015 in %	0	10	10	0	0	7	0

1 Other short-term employee benefits comprise family allowance payments and preferential interest rates for mortgages.
2 Subject to the approval of the General Meeting of Shareholders 2017
3 A total of 127,831 (previous year 134,079) Vontobel Holding AG shares were allocated to members of the Executive Board. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
4 Excluding flat rate compensation for expenses and employer contribution to AHV/IV/ALV
5 The expense relating to performance shares is not included in "Total compensation for the financial year". The allocation of performance shares is shown separately in the following table "Allocation of shares from the long-term employee share-based benefit program".

Allocation of shares from the long-term employee share-based benefit program				
	31-12-16 CHF mn or number	31-12-15 CHF mn or number	Change to 31-12-15 CHF mn or number	in %
Market value of performance shares at the date on which they were allotted in CHF mn[1]	**6.1**	5.6	0.5	9
Number of performance shares allotted	**146,700**	129,410	17,290	13
Number of persons receiving compensation	**6**	5	1	20

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.

1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 3.9 mn (previous year CHF 2.3 mn) and was included on a pro rata basis over the vesting period.

Highest compensation for the financial year
(audited information)

Highest total compensation for the financial year								
Financial year	Name	Function	Base salary CHF 1,000	Bonus paid in cash CHF 1,000	Bonus paid in shares[1] CHF 1,000	Pension plan CHF 1,000	Other comp-en-sation CHF 1,000	**Total CHF 1,000**
2016	Dr Zeno Staub	CEO	700.0	1,350.0	1,350.0	110.6	3.8	**3,514.4**
2015	Dr Zeno Staub	CEO	700.0	1,212.5	1,212.5	107.4	3.0	**3,235.4**

To determine the member of the Executive Board with the highest total compensation, the conditional rights to receive performance shares associated with bonus shares are included in the calculation with a weighting of one performance share per bonus share.

1 The member of the Executive Board was awarded 31,810 shares (previous year 33,348) of Vontobel Holding AG as part of his compensation for the year under review. These shares are subject to a holding period of three years, during which they cannot be sold. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.

Allocation of shares from the long-term employee share-based benefit program to the member with the highest total compensation		
	31-12-16	31-12-15
Number of performance shares allotted	**37,177**	36,009

The number of performance shares allocated is calculated on the basis of the number of bonus shares received for the financial year 2012 (previous year 2011) as well as the performance of the business in the years 2013 to 2015 (2012 to 2014).

Vesting of performance shares (audited information)
The increase in profitability in recent years resulted in a pleasing increase in the return on equity in the performance period from 2014 to 2016. The average return on equity was 13.0%, thus significantly exceeding the target return of 10%. The average BIS Total Capital Ratio was a solid 20.1%. Consequently, the multiplier for performance shares from the 2013 bonus, which will vest in spring 2017, is 130%.

Multiplier of performance shares that have vested since 2004 (audited information)
The following table shows the key data and the multiplier since the introduction of the long-term share participation plan in 2004:

Key data for allocated performance shares						
			Determining factors Multiplier			
Service period (Business year)	Performance period	Allocation year	average return on equity (ROE)	average BIS tier 1 capital ratio	Multiplier	Market price at allocation date in CHF
2004	2005–2007	2008	18.9%	23.7%	189%	36.85
2005	2006–2008	2009	16.2%	22.1%	162%	24.00
2006	2007–2009	2010	12.2%	21.6%	122%	32.25
2007	2008–2010	2011	9.2%	21.5%	85%	36.40
2008	2009–2011	2012	9.0%	23.1%	81%	22.00
2009	2010–2012	2013	8.6%	24.6%	74%	30.95
2010	2011–2013	2014	7.9%	25.8%	73%	32.15
2011	2012–2014	2015	8.3%	25.1%	83%	43.35
2012	2013–2015	2016	9.6%	22.3%	93%	41.75
2013	2014–2016	2017	13.0%	20.1%	130%	n/a

Additional fees, related parties and similar information
(audited information)
None.

Former members of the Executive Board
(audited information)
Compensation paid to members of the Executive Board who resigned during the previous financial year or at an earlier date: None.

Holdings of shares and options (audited information)

Holdings of shares and options							
		31-12-16			31-12-15		
			Options Number of shares at the time of exercise			Options Number of shares at the time of exercise	
Name	Function	**Shares Number**	**call options**	**put options**	Shares Number	call options	put options
Dr Zeno Staub	CEO	**153,008**	**0**	**0**	146,483	0	0
Dr Martin Sieg Castagnola	CFO	**60,623**	**0**	**0**	66,482	0	0
Felix Lenhard	Member	**72,213**	**0**	**0**	71,408	0	0
Georg Schubiger	Member	**83,186**	**0**	**0**	59,982	0	0
Axel Schwarzer	Member	**212,450**	**0**	**0**	144,278	0	0
Roger Studer	Member	**70,155**	**0**	**0**	79,533	0	0

The above figures do not include rights to receive performance shares.
The calculation of the number of shares at the time of exercise reflects the exchange ratio of the respective options.
The above figures also include the share and option holdings of parties related to the members of Vontobel's governing bodies.

Loans to governing bodies (audited information)

As of 31 December 2016, fully secured loans and credits to members of the Executive Board of CHF 1.9 million were outstanding. As of 31 December 2015, margin calls fully secured against collateral totalled CHF 0.1 million. No loans to former members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Compensation of other employees

Compensation system

Compensation principles

Employee compensation is essentially based on the same model as for the Executive Board and consists of the same components. Differences may arise in the case of individual employees due to market-specific compensation models for individual job profiles or due to local regulatory requirements.

Long-term participation plan

In principle, the same participation plan is available to Vontobel employees as to the Executive Board. However, the mandatory portion of the bonus that has to be taken in the form of shares differs between employees and members of the Executive Board. Employees can opt to receive 25% of their bonus in the form of bonus shares of Vontobel Holding AG. For bonus amounts exceeding CHF 100,000, it is mandatory for employees to take 25% of the bonus in the form of shares. Individual employees who exercise roles that are defined by the Board of Directors as special positions are required to take 33% of their bonus in the form of shares.

Variable Compensation Agreements

Additional agreements known as variable compensation agreements are used in the case of individual portfolio managers in the Asset Management division. As a result of these agreements, the employees concerned receive part of their bonus in the form of units in their own funds that are blocked for a period of three years. The cash portion of the bonus is reduced accordingly. Their participation in the share participation plan is not affected by this.

These agreements align the interests of portfolio managers with those of clients. Furthermore, it increases the loyalty of the employees concerned to Vontobel and also fulfils regulatory requirements in certain countries.

Vontobel Asset Management USA

Vontobel Asset Management USA has a compensation system in place that is aligned with local compensation practices. In addition, certain employees receive variable compensation that is not part of the Group-wide bonus pool. To align the interests of portfolio managers and clients, portfolio managers receive a fixed portion of their bonus that exceeds a specific threshold in the form of Vontobel funds that are blocked for a period of three years. Other employees take part in the Group-wide participation program.

TwentyFour Asset Management

The management of TwentyFour Asset Management still holds a 40% stake in the company. This specific situation requires a separate compensation model that differs in part from the model that applies to other Vontobel employees.

Questions and answers

Questions have repeatedly arisen in discussions with our investors and shareholders as well as when performing comparisons of Vontobel's compensation system with other compensation models. We carefully address these questions and assess their relevance for Vontobel. We have, among other things, responded to calls for complete transparency. In the following section, we look at the most important questions:

Objectives

Why doesn't the Compensation Report contain more detailed disclosures on objectives and the extent to which they are achieved?

Quantitative and qualitative objectives are agreed and measured for each member of the Executive Board. Due to competition considerations, we disclose objectives and the extent to which they are achieved on an aggregate basis because we don't wish to provide an insight into individual strategic objectives or the individual achievement of objectives.

Caps (relative or absolute limit on compensation)

Why has Vontobel not imposed any caps on bonuses?

Individual caps on variable compensation result in upward pressure on fixed compensation. This development would lead to a less flexible cost structure and would not be in line with our corporate and performance culture, which have a long-term focus. Consequently, Vontobel has not imposed any relative or absolute caps on variable bonuses.

Vontobel has a balanced compensation system that ensures only sustained performance is rewarded. In the past, compensation was therefore always consistent with performance and the achievements of objectives. Furthermore, all compensation is put to the vote at the General Meeting of Shareholders (on a prospective basis for fixed compensation and on a retrospective basis for variable compensation). This gives shareholders full control over the compensation that is paid out.

Why has Vontobel not defined any caps for the share participation plan?

Our Long-term Incentive Program is risk-adjusted and has a natural cap, since the return on equity and Total Capital Ratio parameters run counter to each other on the one hand and have a de facto maximum limit on the other.

For example, since Vontobel was listed on the stock market in 1986, the return on equity has never exceeded 21.6% – the value achieved in 2006 prior to the financial crisis.

The increase in the capital ratio is also limited. On the one hand, Vontobel distributes a major proportion (>50%) of its annual net profit to shareholders in the form of a dividend. On the other hand, the remaining profit is retained to finance organic growth and potential acquisitions. Consequently, an increase in the capital ratio can only be achieved slowly.

Target bonus

Why has Vontobel not introduced a target bonus?

The introduction of an additional rule in the form of a target bonus would not create any added value in the current process to determine compensation, since a retrospective vote on the actual proposed bonus amounts is held at the General Meeting of Shareholders.

Shares for employees

Does Vontobel increase its share capital in order to allocate bonus and performance shares?

Vontobel purchases all of the shares required for the compensation of the Board of Directors, Executive Board and employees in the market. This ensure that our compensation system does not result in any dilution of shareholders.

Discount on shares

Why is a 20% discount applied to the shares allocated to employees?

The discount is to be viewed as a component of overall compensation and, as such, also forms part of the contractual negotiations with potential employees. In addition, the discount is a further incentive for employees to opt to receive shares despite the three-year blocking period.

Employees – excluding the Board of Directors and Executive Board – have the option of receiving shares if their bonus is less than CHF 100,000. The discount serves here as an additional incentive to participate in the company over the long term. Shareholder interests are thus broadly anchored across the company. Vontobel shares received as part of the bonus are valued at the average share price on the SIX Swiss Exchange in the month of December and a 20% discount is applied to reflect the three-year blocking period.

Peer comparison in participation plan

Why isn't the performance of the peer group or a benchmark index incorporated into the long-term participation plan based on a formula, e.g. through the relative Total Shareholder Return (TSR)?

Peer performance is naturally taken into account by Vontobel when determining variable compensation. Rather than using a formula-based component, it is taken into account via an individual quantitative and qualitative comparison, which is incorporated into the bonus allocation. Furthermore, if a relative TSR were to be taken into account, this would entail the risk of management adopting a procyclical approach. Management would, for example, have an incentive to participate in short-term market trends to avoid the share price coming under pressure – even if this would not make any sense for Vontobel in terms of business policy or from a long-term perspective.

In addition, it is only possible to compare different companies to a limited extent, since the TSR and share price always incorporate company-specific and market-specific factors that would then need to be individually "corrected" or "normalized".

Capital costs in compensation model

Why are capital costs not taken into account in Vontobel's compensation model?

Vontobel has set itself the target of generating a return on equity of at least 10%. This minimum requirement means that the cost of capital is taken into account when defining management objectives. In addition, all rights arising from the long-term share participation plan lapse if the average return on equity falls below 4%.

Why do performance shares vest if the return on equity is 4% and is therefore below the cost of capital?

The participation plan is designed to promote employee loyalty to the company over the long term. For this reason, the compensation model provides for an allocation of performance shares even if the return on equity is 4%, i.e. below the cost of capital. However, a correspondingly low allocation applies (25%). We expect the costs of the participation plan to be reduced significantly if a low return on equity is generated.

Mandatory share ownership requirements

Why is there no mandatory requirement for members of the Board of Directors and the Executive Board to hold shares in Vontobel?

Our compensation model results in the Board of Directors and Executive Board building up a significant shareholding over time. In the case of the Executive Board, for example, the mandatory requirement to take 50% of the bonus in shares automatically results in a minimum holding of Vontobel registered shares with a value equivalent to 50% of the variable compensation paid over the last three years. For this reason – and because management has not sold all of the shares that became free – the Executive Board had an aggregate holding of Vontobel shares corresponding to 9.4 times its base salary at the end of 2016.

Clawbacks

Why are there no clawbacks at Vontobel?

Vontobel has so far intentionally refrained from introducing clawbacks since they can give rise to the temptation to not disclose challenges and problems in order to avoid any clawbacks. Instead, Vontobel encourages and cultivates a corporate culture in which problems are disclosed, discussed and actively addressed.

Furthermore, clawbacks are very difficult to enforce in practice and can only be implemented under certain circumstances.

Total compensation

Why doesn't Vontobel disclose the total amount of current compensation plus the value of vested shares from earlier participation plans?

Vontobel provides a high level of transparency about compensation. Vontobel is one of a small number of companies that report allocated performance shares at vesting, meaning that the actual – rather than model-based or calculatory – compensation is shown.

If the compensation from the participation plan 2013 were to be added to the compensation for 2016, this would provide a misleading picture since the compensation stems from different periods.

Report of the statutory auditor

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To the General Meeting of
Vontobel Holding AG, Zurich

Report of the statutory auditor on the remuneration report

Zurich, 2 February 2017

We have audited the remuneration report of Vontobel Holding AG for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited information" of the remuneration report (pages 57 to 78).

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2016 of Vontobel Holding AG complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Patrick Schwaller	Stefan Lutz
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Corporate Responsibility & Sustainability

Vontobel and Sustainability

Our commitment to corporate responsibility and sustainability in 2016

We strive to fulfil our corporate responsibility by focusing on environmental and social sustainability and by offering a comprehensive range of sustainable investment solutions.

Against this backdrop, Vontobel signed up to the United Nations (UN) Principles for Responsible Investment (PRI) in 2010. Our status as a signatory requires us to submit a comprehensive report each year. In 2016, we reached a further milestone when we achieved the benchmark for half of the modules that were evaluated and were clearly above average for the other half. This confirms our expertise in the area of sustainable investing, which we have been building and expanding continuously since the 1990s. We are currently working on implementing a more strategic focus in the area of voting and engagement and on maintaining our PRI rating at above average.

All three of our divisions offer sustainable investment solutions and advice and they work together closely in this area. They are thus responding to the continued growth in demand for this investment theme, which is reflected by the increasing volume of sustainable investments. We were able to expand Vontobel's existing competencies through the acquisition of Vescore. We want to play a leading role in the field of sustainable investing and intend to grow this business internationally. Measured as a proportion of total assets under management, assets managed according to sustainability criteria increased from 4.7% to 7.7% in the year under review.

At Vontobel, we assign a high level of importance to climate protection. We therefore structure our products and processes in a way that ensures they have a minimal impact on the climate and promote measures to protect the climate, as well as adaptation measures. In this context, we perform a dual role in the CDP (formerly the Carbon Disclosure Project). First, Vontobel is one of the signatory investors that use the CDP database as a source of research information for sustainable investments. Second, Vontobel is a CDP reporting company. We are very pleased that with an "A-" score in the CO_2 ratings, Vontobel achieved the status of "Sector Leader Financials" in the DACH region (Germany, Austria and Switzerland) and the status of "Index/Country Leader in Switzerland" in 2016.

We assume responsibility for the welfare and stability of the communities in which we operate. For example, we have been supporting the Munich Security Conference (MSC) since 2014. Over the past five decades, the MSC has become a leading global forum for the discussion of security policy issues. We are also an active member of the Corporate Support Group of the International Committee of the Red Cross (ICRC). For further details, please visit our homepage www.vontobel.com/sustainability, which has been fully updated and now features additional information.

We believe that business success, stability and sustainability go hand in hand. In 2016, Vontobel was named the "Best Private Bank in Switzerland" for the third consecutive year. This award – together with our sustained success during the year under review – confirm that Vontobel is on the right track in the area of sustainability.

Dr Zeno Staub, CEO Vontobel

rates Vontobel as an "Industry Leader"

Vontobel ranks in the top-10

Memberships and awards

Vontobel is a member of various organizations and networks that promote the sustainable development of the economy and encourage finance industry participants to place a greater emphasis on sustainability:

- **Swiss Sustainable Finance (SSF)** strengthens Switzerland's position in the international marketplace for sustainable finance by informing, educating and catalyzing growth. Vontobel is a founding member of SSF and played a significant role in establishing the organization. The members and network partners of the association, which was founded in 2014, include financial service providers, investors, universities and business schools, as well as public sector entities and other interested organizations.

- **PRI (Principles for Responsible Investment),** a UN initiative. When it became a signatory to the PRI in 2010, Vontobel pledged to gradually implement six principles relating to the broad-based integration of sustainability criteria into the investment processes. Our status as a signatory requires us to submit a comprehensive report each year. The implementation of the Principles for a total of eight modules was once again assessed and rated in 2016. Vontobel achieved the benchmark for half of the modules that were evaluated and was above average for the other half.

- **CDP** (formerly the Carbon Disclosure Project) provides companies with a scoring system that they can use to measure and disclose their environmental impacts. Based on the data provided in questionnaires completed by the companies, the CDP produces an annual "CDP Climate Score". With its "A-" score in the CO_2 ratings, Vontobel achieved the status of "Sector Leader Financials" in the DACH region (Germany, Austria and Switzerland) and the status of "Index/Country Leader in Switzerland" in 2016.

- **Climate Foundation Switzerland** provides financial support for projects to improve the energy efficiency of small and medium-sized enterprises (SMEs). Vontobel is one of its founding members and is represented on the Board of Trustees and Advisory Board.

- **Öbu** is an association of Swiss firms that addresses sustainability and management topics. It provides practical tools and knowhow to promote a sustainable approach to business.

- **Energy Agency for the Economy (EnAW)** was founded by business associations with the aim of enhancing energy efficiency among its members and encouraging them to reduce their CO_2 emissions.

- **Forum per la Finanza Sostenibile,** the Italian forum for sustainable investing.

The awards we have received for our sustainable investment solutions in the recent past underscore our leading position in the field of sustainable and thematic investing:

- Vontobel Fund – Clean Technology: Vontobel Fund – Clean Technology: Winner of the "Best Environmental Fund" category in the "2015 Sustainable Investment Awards".

- Vontobel Fund – Clean Technology: Named the best fund in the "Natural Resources Equity" category of the "2015 Investment Week Specialist Investment Awards".

Our understanding of corporate responsibility and sustainability

To fulfil our corporate responsibility, our first priority is to consider the needs of our clients and to pursue a risk-conscious approach while operating successfully on a long-term basis. By doing so while complying with ethical business standards, we can make a contribution to the economy.

As an employer, taxpayer and active participant in economic life – e.g. in our role as a purchaser and investor – we contribute to the creation of value at a regional level in the locations in which we operate. This includes the corporate taxes that we pay annually, as well as the payment of salaries and the provision of innovative and sustainable financial services for private and institutional clients. We also make a contribution by saving energy and resources, by serving communities and by engaging in an active dialogue with the general public about the role of financial services providers.

We strive to take greater account of sustainability aspects across every area of our business and we view this as a permanent commitment based on our belief that business success, stability and sustainability go hand in hand. Sustainability and a successful business strategy are closely interconnected. Consequently, Vontobel aims to deliver continued improvements in all fields of sustainable business manage¬ment over the long term.

A systematic client focus, a long-term growth strategy, and a solid capital and risk policy are core elements of economic sustainability at Vontobel. Information and explanations on this topic can be found in the relevant chapters of Vontobel's Annual Report.

Our competencies and our offering in the area of sustainable investing are a strategic area of focus of our growth strategy. In terms of environmental sustainability, we take targeted measures when conducting our operations to achieve a significant reduction in CO_2 emissions and other factors that are harmful to the environment. Based on our strong commitment to supporting communities, we invest in topics and projects to promote social sustainability. A dedicated team addresses these topics.

Sustainability commitment and management

As a financial services provider, Vontobel is closely connected with the economy and society in all the locations in which we operate. Consequently, the nature and design of our products and services and the way we conduct our banking operations have an impact on sustainable development in this integrated world. We believe that promoting sustainable development in our markets in a variety of ways is both an economic necessity and an ethical duty.

Our mission statement forms the basis of Vontobel's sustainability commitments. The core values and action principles defined by the Board of Directors in our mission statement are expressed in concrete terms in two documents:

- The Code of Conduct defines basic principles that employees must observe to ensure that we perform our business activities in a fair and forward-looking manner.
- The Sustainability Guidelines define the areas in which we take action to implement our sustainability strategy.

Our sustainability commitments centre on our main groups of stakeholders: clients, shareholders, employees, society and the environment (G4–24, G4–25). Vontobel strives to continuously improve its own sustainability performance and has two committees that work towards this goal: The Vontobel Sustainability Committee consists of representatives from all divisions and reports to the CEO. Based on Vontobel's Sustainability Principles, the Committee defines the Sustainability Strategy and specific targets. Corporate Sustainability Management coordinates the implementation of the measures that have been decided in conjunction with the relevant specialist units. The ESG Investment Committee (ESG: Environmental, social, governance) determines the Sustainable Fund Universe and core sustainability themes that are to be covered in various sustainability solutions. It defines the architecture of all ESG investment products and determines the applicable investment thresholds and exclusion criteria. The Committee consists of representatives from the boutiques in Asset Management, as well as Private Banking and Corporate Sustainability Management. The ESG Investment Committee reports to Vontobel's Executive Board.

The gathering of key sustainability data is an important means of measuring our progress and of prioritizing our next steps. We have defined material topics and indicators for this purpose (see chapter: Notes on the report) and we report in accordance with GRI guidelines.

Compliance is key
Compliance forms the basis of our long-term success and is therefore one of the most important aspects of our business. Vontobel takes comprehensive measures to ensure compliance with laws and regulatory requirements. This is also essential in order to avoid reputational risks. All of our divisions are therefore monitored constantly as part of our Group-wide risk analysis using appropriate compliance processes to ensure they are legally compliant.

Our business philosophy centres on achieving client satisfaction, on gaining and maintaining client trust, and on protecting and building the wealth that clients have entrusted to us. These tasks have become more complex in view of the increasing demands being placed on the financial sector as well as stricter regulatory requirements (both in Switzerland and globally). At the same time, clients have become more discerning, and the demand for individually tailored solutions has increased. Sustainability aspects are playing a more significant role in this context, even purely in terms of economic risk considerations.

Offering each of our clients the right product or best possible service is therefore the primary focus of our three divisions – Private Banking, Asset Management and Investment Banking. Compliance with the product naming requirements defined by regulators is mandatory for all our divisions. In the year under review, there were no cases of misconduct or financial penalties for non-compliance with regulations governing the provision of products and services.

To ensure the continued development of our business, each of our three divisions – Private Banking, Asset Management, Investment Banking – performs functions relating to product development, client communications and marketing. The PRI guide us in this area. We also comply with the requirements of the European SRI Transparency Code.

Our risk analysis covers areas including the risks arising from money laundering (including the financing of terrorism). The aim is to ensure that our business relationships are not used for either purpose. Politically exposed persons (PEPs) are also subject to a special monitoring process in this context.

Vontobel assigns the highest importance to protecting client data and to complying with all applicable legal requirements in this context. The Legal, Compliance & Tax department is responsible for regulating and monitoring both of these aspects throughout Vontobel. There were no cases involving breaches of client privacy in 2016.

Training and raising awareness
In 2016, all existing employees had to complete an e-learning basic module on compliance topics and pass an online test. This will be a mandatory requirement for all new employees going forward. In addition to this basic module, classroom learning is carried out each year on specific topics within the divisions. At departmental level, further training courses are offered on certain subjects to address specific risks. These measures prevent infringements of internal and external rules and regulations. In addition, new employees are issued with the Employee Handbook. This document contains specific regulations and instructions, as well as the Code of Conduct. The most recent version of the Employee Handbook is available on the Intranet.

In 2016, further training courses were held on the topic of money laundering in order to raise awareness among our employees of the risks related to money laundering and relationships with PEPs in particular. During the year under review, Vontobel published further policies on these topics to better address risks resulting from our business model. In the case of suspected breaches of legal or regulatory requirements, internal guidelines or ethical standards, a whistleblowing system is in place to allow employees to report these incidents anonymously. No such reports were made in 2016.

In connection with the introduction of the Automatic Exchange of Information (AEOI), Group-wide training was provided to inform employees in detail about the new regulations. The AEOI is aimed at ensuring that bank accounts held in other countries by natural persons and legal entities who are liable for taxation outside Switzerland are duly taxed. The AEOI basically requires the tax authorities in the accountholder's country of domicile to report information on the person's identity, assets and income.

During the year under review, Private Banking restructured its existing training courses for relationship managers and launched a comprehensive programme in which compliance topics also feature prominently. Further information can be found in the chapter "Sustainable investing – Private Banking".

Sustainable Investing

For a wealth and asset manager, the consideration of environmental, social and governance (ESG) aspects in the investment business is a key element of its sustainability strategy. This reflects the fact that the integration of sustainability criteria into the product and services portfolio is a very effective lever when it comes to fostering sustainable development.

Vontobel has been active in the growing market for sustainable investments since the 1990s. The volume of assets managed according to sustainability criteria has increased continuously and reached a new record level following the acquisition of Vescore in 2016. All three divisions offer sustainable investment solutions and advice in one form or another and cooperate closely in this area – enabling our clients to generate a financial return while also contributing to sustainable development. Here, our clients can select investment themes that reflect their own values and investment objectives.

Vontobel considers it important to promote a sustainable approach to finance and to actively participate in a dialogue on this topic. Reflecting this commitment, representatives of Vontobel Asset Management gave presentations or took part in panel discussions at the following events in 2016: Impact Forum, Berlin; "Nachhaltige Geldanlagen 2016" conference, Frankfurt; 8th Annual Southeast Asia Institutional Investment Forum, Singapore; Zürcher Debatte 2016 (The Foundation); Governance & Responsible Investment Conference, London; GreenBuzz, Zurich.

1. Principles for Responsible Investing (PRI)

Vontobel has been a signatory to the PRI, a UN initiative to promote sustainable investing, since 2010. The Principles were developed by an international group of institutional investors in 2006. They were launched by the then UN Secretary General and take account of the growing relevance of ESG themes in investment practice.

Our status as a signatory requires us to submit a comprehensive report each year. We achieved an excellent performance in this year's reporting. Vontobel's implementation of the Principles was reviewed and rated in a total of eight modules. We achieved the benchmark for half of the modules that were evaluated and were clearly above average for the other half. This confirms our expertise in the area of sustainable investing, which we have been building and expanding continuously since the 1990s. Vontobel is also a signatory to the European SRI Transparency Code.

2. No investments in controversial weapons

All our investments have to fulfil certain minimum requirements. Cluster munitions and land mines are banned by international conventions. In 2012, Vontobel therefore approved a Group-wide policy that prohibits investments in companies that manufacture these types of arms. Stringent processes ensure that no manufacturers of cluster munitions and land mines are included in our investment funds, discretionary mandates or investment recommendations.

3. Private Banking

In Private Banking, we offer a comprehensive range of services to address a wide variety of financial needs, from portfolio management to investment advice and inheritance planning. During the year under review, we launched a new sustainable investment project at Vontobel. Its aim is to expand and sharpen our sustainable advisory capabilities through targeted investments in systems and processes.

The individual service we provide is at the heart of our good relationship with clients. Our relationship managers take time to understand the wishes and needs of each client and make a structured assessment of their personal circumstances in order to offer them services that are tailored to their individual requirements. A specially developed risk profile is used to ensure that our clients only purchase products that are suitable and appropriate for them in terms of their personal financial market experience and risk capacity. This enables our relationship managers to issue investment recommendations that are in line with the risk profile of each client, taking account of both their personal experience and the expected development of the market. In this way, we make sure that our investment recommendations are tailored specifically to clients and their needs.

We conduct regular surveys of our private clients. In our 2013 client survey, 84% of the respondents reported a high level of client satisfaction. We carried out a further client survey at the end of 2016, the findings of which will be available in the first quarter of 2017. In addition to this survey, we conducted specific interviews with selected clients about the topic of sustainability at Vontobel in 2016. The results of these interviews will be incorporated into further project work.

3.1 Investment solutions

Vontobel offers private clients a portfolio management mandate that takes account of sustainability criteria and is broadly diversified across several asset classes, the "Vontobel Sustainable Mandate". Three different investment strategies are available. All of the investments additionally undergo a clearly defined sustainability review. This gives investors the opportunity to participate in the success of sustainable companies and to combine their personal values with their investment activities. Like all our other portfolio management mandates, the "Vontobel Sustainable Mandate" is retrocession-free.

In cooperation with our partners, Vontobel provides flexible investment solutions in the areas of vested benefits, management pensions and Pillar 3a pension provision. Depending on the needs of the client, Vontobel offers mandates or fund solutions. The Vontobel funds "Pension Invest Yield" and "Pension Invest Balanced" invest globally and combine the goals of capital preservation and capital growth with ethical, environmental and social aspects. For all sustainable investment products, Private Banking works closely with specialists in Vontobel Asset Management in line with the concept of the integrated business model.

3.2 Investment communications

In 2016, we held our "Investment Perspectives" event series in the autumn on the topic "Clean investing". In addition to providing a market outlook, we invited various experts to give presentations about sustainable investing. These events met with a very positive response from clients.

Through our "Market Updates", our clients obtain comprehensive and transparent information about how we view and rate current market events. For example, we provided detailed and up-to-date information during the market turmoil in early 2016, the government crisis in Brazil and the UK referendum about EU membership, as well as about central bank activities and the US presidential election.

In 2016, we again published our magazine for private clients. The issues of the magazine focused on the three topics "Embracing multiplicity", "The sky is the limit" and "The power of competence" – thus appealing to a broad and interested readership. The monthly "Investor's Outlook", which was published in January, May and September, was devoted to various aspects of the megatrend climate change.

3.3 Digitalization

Digitalization remains one of our focus themes in Private Banking and we are investing intensively in order to streamline processes and create value for our clients. In the course of the year, we continued to develop our online banking solution "Vontobel Mobile Private Banking" and added new functions to it. This solution can now be used not only on tablets and smartphones but also on desktop and laptop computers and is available in all countries. This allows our clients to access their portfolios and accounts, current market prices, detailed research information and investment ideas at any time on any device from any location worldwide.

Since spring 2016, the platform has also featured a simple trading function. In summer 2016, it replaced our former online banking solution (VEB), meaning that all clients with VEB access automatically obtained the new solution. "Vontobel Mobile Private Banking" has the same design across all devices and it synchronizes user-specific settings.

The new features also enable clients to electronically generate statements of assets, performance overviews and accounts statements, as well as accessing bank records. In future, this function will also make it possible to reduce the need for physical paper records. In addition, "Vontobel Mobile Private Banking" offers a performance overview and a list of all income, including market and foreign exchange income. The very highest security measures – which are fully in line with industry standards – are used for the security and encryption of "Vontobel Mobile Private Banking".

3.4 Training

In 2016, we invested intensively in training for our relationship managers. We have developed a course that is specially aligned to the requirements of Vontobel Private Banking. All Vontobel relationship managers will have to complete the course in the near future. It will enable them to further expand their financial expertise and to acquire additional knowledge about products and services. In this way, we can ensure a high level of advisory expertise and a further improvement in client satisfaction, while fulfilling all (future) regulatory requirements governing training. In addition, we are positioning Vontobel as a clear leader in terms of quality within the market.

The course for Vontobel relationship managers consists of three pillars: "Finance", "Regulation" and "Advice". The "Finance" pillar encompasses topics such as portfolio management, wealth and pension planning, and risk management. For the "Regulation" pillar, we provide our relationship managers with training about the Automatic Exchange of Information, FATCA, Cross-border & Taxes, and Governance, among other topics. The "Advisory" pillar looks in detail at the specific advisory process at Vontobel.

In terms of content, the training course for Vontobel relationship managers is based on the training and certification efforts (ISO 17024) of other banks. The content and scope of our training for relationship managers exceeds minimum requirements.

Most modules consist of both e-learning and classroom learning. In addition, testing is carried out on all aspects of the course. In the case of e-learning modules, participants are required to complete a test immediately after working through the module. In the case of classroom learning, our relationship manager complete a large final examination. This allows us to make any improvements or adjustments at the end of each training cycle.

In 2016, we continued our "Entry Training" induction programme, which lasts several days and allows new employees in Vontobel Private Banking to get to know the company and ensures they are optimally prepared for their challenging new role.

3.5 Vontobel charitable foundation

Since 2004, clients have been able to lend their support to a variety of projects focusing on social issues, culture, ecology, education or medicine through the Vontobel Charitable Foundation. In the year under review, for example, the Charitable Foundation provided support to the project "1,000 blood stem cell donors against Leukaemia" launched by the Swiss Red Cross Blood Donor Service. Ensuring a match of so-called HLA markers is of key importance for the success of blood stem cell transplants to treat leukaemia and other diseases of the blood. The more people who are registered as blood stem cell donors, the greater is the chance of finding a match. In concrete terms, the focus was on helping to raise the financial resources needed to finance cost-intensive laboratory tests for the 1,000 blood stem cell typifications. Thanks to this project, people with leukaemia will have better chances of recovery.

Support was also given to the SILVIVA Foundation for its project "The world of forestry – learning and taking action in woodland". The project is targeted at schoolchildren aged between 8 and 14. The classes participating in the project are allocated their "own" area of woodland close to their school, which they regularly visit together with a forester and care for – thus enabling a long-term and sustainable relationship to develop between schoolchildren, woodland and foresters. In total, the Charitable Foundation contributed more than CHF 660,000 (2015: 840,000) of donations and sponsorship funding in 2016.

4. Asset Management

Vontobel Asset Management focuses on active asset management and has a multi-boutique model with independent centres of competence. As a global asset manager with a long track record in sustainable investing dating back to the 1990s, our main goal is to generate higher returns and to allow our clients to incorporate their moral and ethical values into their investments. The multi-boutique set-up allows Vontobel Asset Management to cover the entire spectrum of potential client needs: Our organizational structure ensures that the various investment teams have a high degree of independence, thus also fostering innovation. Vontobel's "sustainable" portfolios can thus differ significantly from each other in terms of investment approach and processes.

Vontobel's sustainability-oriented funds incorporate aspects of global change and sustainable business practices. In addition, Vontobel manages numerous individual sustainable mandates. All sustainable strategies are determined by the ESG Investment Committee within Asset Management. The Committee defines the architecture of all ESG investment products (investment approach, universe, processes), determines the applicable investment threshold as well as exclusion criteria, and is responsible for the Vontobel Sustainable Universe. All of Asset Management's boutiques, as well as Private Banking and Corporate Sustainability Management, are represented on the Committee.

Vontobel is a signatory to the European SRI Transparency Code. All Vontobel funds where sustainability aspects are incorporated in the investment process bear the Eurosif transparency logo, which guarantees that investors are fully informed about the funds' investment processes and selection criteria.

4.1 Thematic Investing Boutique

In this boutique, the "mtx", "Global Trends" and "Swiss Equities" teams manage various sustainable investment strategies for clients who want ESG criteria to be incorporated into the investment process.

4.1.1 mtx Sustainable Global Leaders

In the "mtx Sustainable Global Leaders" fund line, the "mtx" component of the name is an abbreviation of "matrix" and is derived from the underlying investment process used by the portfolio management team. Our analysis is based on four pillars: profitability, industry position, intrinsic value and the examination of specific ESG criteria. Sustainability-related issues and challenges relating to each sector are defined in detail in "Minimum Standard Frameworks" (MSFs) and divided into nine different fields. Within each MSF, companies must meet the defined minimum criteria in order to be considered for investment.

The assessment of individual companies using MSFs is conducted by specialist internal financial analysts with many years of experience in evaluating sustainability criteria. Their combined expertise in the areas of financial and ESG analysis is an important success factor when identifying financially attractive and highly sustainable companies in each sector.

For their analysis, Vontobel analysts use information from the companies themselves (e.g. annual reports and sustainability reports) as well as information from external research agencies (Vigeo, GMI, Inrate, Bloomberg), reports by Hermes Equity Ownership Services (HEOS) and publicly accessible analyses by non-governmental organizations (NGOs). We believe that companies that adopt an active and long-term approach to challenges based on a sustainable perspective have better prospects of success in an increasingly globalized and dynamic world and gain a competitive advantage over their peers.

Our regular performance assessments based on ESG criteria are an indication that the consideration of ESG criteria can create clear value for our clients. In regular sustainability meetings, analysts and portfolio managers discuss company-specific ESG assessments and ensure that the findings are incorporated into the investment process.

4.1.2 Theme funds

With the Trend team, our clients can choose between the Vontobel Funds – New Power, Clean Technology, Future Resources and Notenstein Sustainable Water. These funds address current trends such as the restructuring of the energy system, resource efficiency, the supply of clean technologies and the sustainable management of water as an essential resource.

The funds invest in companies which, thanks to their products and processes, either have a positive impact on the environment or have a smaller impact on the environment than their peers. In this context, we take account of the entire life cycle of these products and processes, since the largest environmental impact very often occurs while the product is in use.

The positive impact on the environment can take very different forms. For example, we assess reductions in the energy consumption of innovative products due to optimized processes or weight reductions in the area of transportation. New materials or special coatings can also result in enhanced energy efficiency. Closed loop systems, modern cleaning technologies, improved infrastructure or targeted irrigation in agriculture reduce the consumption, pollution and wastage of water. In the case of traditional energy sources such as oil and gas, modern technologies can often also significantly reduce environmental impacts during the generation, transportation and consumption of energy. This is important because the transition to renewable, emissions-free energies takes time and can only be achieved in stages.

If a company is considered for potential investment, the responsible analysts not only take financial but also ESG criteria into account. While social and governance criteria are mainly considered in the risk evaluation, the positive impact on the environment is a compelling investment criterion and should also make a positive contribution to the company's financial success. When assessing social and governance criteria, we consult with external ESG research agencies. To ensure a holistic approach to environmental aspects, an additional comprehensive analysis by our own analysts is essential.

4.1.2.1 Vontobel Fund – Clean Technology

The fund focuses on the following area of investment: Resource-efficient industry; building technology; clean energy infrastructure; low-emission transportation; life-cycle management; clean water.

4.1.2.2 Vontobel Fund – New Power

The fund focuses on the following investment areas: Biofuels, geothermal energy and other demand-side energy savings; efficient power generation and transmission; natural gas markets; solar panel producers and operators; wind turbine manufacturers and suppliers of equipment for wind turbines.

4.1.2.3 Vontobel Fund – Future Resources

The fund focuses on the following investment areas: Advanced materials technology; agriculture and water technology; unconventional energies.

4.1.2.4 Notenstein – Sustainable Water

The fund focuses on the following investment areas: Water infrastructure; water technology; water quality; water efficiency; water supply.

4.1.2.5 Climate change: Measuring potential avoided emissions

There is broad consensus among politicians, scientists and the business community that global warming needs to be restricted to 2° Celsius. The Paris Agreement, which entered into effect on 4 November 2016, will accelerate the transition to a climate-friendly society. It is therefore necessary for the finance industry to take greater account of the risks of climate change and to report on them transparently. This is why Vontobel works with South Pole Group, which offers innovative sustainability solutions and has extensive expertise in the measurement of environmental factors.

The current carbon footprint of an investment portfolio is measured primarily for risk assessment purposes. This is the most common method used and shows which sectors and companies – in absolute terms – are responsible for the highest emissions in the portfolio. The focus here is primarily on the calculation of the emissions generated as a result of the company's operations, e.g. when manufacturing goods and products.

With the additional measurement of potential avoided emissions (PAE), we are going one step further: We record the expected avoided emissions of a company's products. This methodology provides a relative view of harmful emissions and thus follows a solution-oriented approach that shows the specific contribution that energy-efficient, climate-friendly products and services make to the reduction of CO_2 emissions.

This is all the more important since the emissions generated during the use of a product are often significantly higher than the emissions generated while it is being produced. For example, a refrigerator generates substantially more emissions while in use than during the manufacturing phase. The energy efficiency of appliances such as these is therefore the most important environmental and also economic aspect.

This approach is especially pronounced in the case of the Vontobel Fund – Clean Technology. The fund focuses on companies that have a positive effect on the environment with an emphasis on positive climate impacts, which we quantify in collaboration with the South Pole Group based on PAE. With this methodology, we show the level of emissions that can be avoided at company or portfolio level thanks to energy-efficient products or services.

At the same time, PAE help us to reach investment decisions: To achieve the ambitious targets set out in the Paris Agreement, countries will implement stricter regulatory measures to reduce emissions. This, in turn, will drive a shift in demand towards energy-efficient products. PAE serves as an important indicator in this context in order to identify those companies that stand to benefit most from this change in demand – thus enabling us to allocate capital on a solution- and return-oriented basis.

4.1.3 Swiss Equities

The Swiss Equities team provides an extensive offering for clients seeking sustainable investment solutions with a focus on Switzerland. The team has been addressing the topic of sustainable investing for more than 15 years and offers a broad range of sustainability strategies.

When determining exclusion criteria and "Best in Class" approaches, analysts and portfolio managers work primarily with external sustainability rating agencies such as Inrate or Ethos. In the integrated approach, ESG criteria form an integral part of the investment process. The responsible analyst assesses the company from both a financial and a sustainability perspective. MSFs are recorded for all of the companies analyzed – similar to the mtx Sustainable Global Leaders approach – with the ESG criteria being assigned different weightings depending on the sector.

The three sustainability funds managed by the Swiss Equities team (Raiffeisen Futura Swiss Stock, Vontobel Sustainable Swiss Equity and Vontobel Ethos Swiss Mid & Small) have achieved an extremely successful performance. In 2016 and over the last three and five years, the team outperformed its benchmark. Over a longer investment horizon, the Raiffeisen Futura Swiss Stock fund achieved an especially impressive performance. This fund has received a number of awards from Lipper since 2006: Between 2012 and 2016, it was the best fund in the category "Equity Switzerland" over a period of 10 years five times in succession. Taking all asset classes into account, Raiffeisen Futura Swiss Stock is one of the largest actively managed sustainability funds in Switzerland, with an investment volume exceeding CHF 750 million.

4.2 Sustainable Investing Boutique

The Sustainable Investing boutique manages various sustainable funds and mandates. It also pursues an active investment approach based on fundamental, in-house sustainability and financial research. The sustainability analysis forms the starting point and is used to filter avoidable sustainability risks with negative financial impacts out of the portfolio. Since this type of risk cannot be properly recorded using traditional financial analysis – and therefore cannot be fully evaluated – the use of the risk filter has the potential to generate an excess return. In addition, investors benefit from a substantial reputational gain thanks to this proven and credible sustainability concept, which excludes investments with a low level of social acceptance.

A specialized team of analysts with many years of experience and in-depth industry knowledge carries out the sustainability analysis. The investable universe is defined using a combination of negative screening (exclusion criteria) and positive screening (sustainability ratings), which are applied to companies, governments, public sector financial institutions and real estate investments. The sustainability analysts are also involved in the search for appropriate investment opportunities and thus support the portfolio management team in generating new investment ideas. As a result of the well-established collaboration between Research and Portfolio Management, sustainability – as an integral part of the investment process – can create value for clients.

The investment style is geared towards earning attractive risk premiums. Fundamental valuation approaches form the basis – both when structuring portfolio allocation and in stock selection. Our portfolio managers have a large degree of freedom, allowing them to reach their own investment decisions and maintain them, even in turbulent periods. This is dependent on a relationship of trust, which is founded on their successful track record. The Sustainable Investing boutique implements the sustainable investment approach both in mixed mandates and funds and in pure equities or fixed income mandates via various investment universes.

4.3 Vontobel Sustainable Universe

In addition to the above-mentioned sustainable investment solutions and its expertise in respect of individual mandates, Asset Management also offers what is known as the "Vontobel Sustainable Investment Universe". Portfolio managers and clients across all divisions can select stocks from this universe for their investments. Here, the goal of our sustainability analysis is to determine which companies are ahead of their peers in terms of an active sustainability approach. The most progressive issuers are selected for the Sustainable Investment Universe (equities and bonds).

Comprehensive evaluation criteria cover sector-specific ESG themes and serve as a basis to assess a firm's sustainability performance. Environmental themes include the reduction of environmental impacts caused by the company's products, such as cars with reduced fuel consumption, recyclable appliances, and products with reduced energy consumption and toxic-material content. Social criteria include progressive employee conditions, such as the promotion of employee diversity and the implementation of Occupational Health and Safety Management Systems (OHSMS), as well as the integration of social criteria into strategic and managerial processes. In addition to the division of powers and the enhancement of transparency, governance themes include progressive risk and information management systems (e.g. COSO, COBIT), the functional independence of accounting and advisory staff, or measures to combat corruption. The exclusion criteria include nuclear arms, gene technology, tobacco, and serious infringements of human rights or International Labour Organization (ILO) standards.

5. Investment Banking

Vontobel Investment Banking is one of the leading issuers of structured products in Switzerland and Europe. We rank second in Switzerland and our market share in Germany has risen to 7.5% over the last six years. In Sweden and Finland, we have a market share of over 20%. In 2016, we made our market debut in Italy, France and the Netherlands. During the year, we also launched our new issuing platform mein-zertifikat.de – based on deritrade® technology – in Germany. Securities and foreign exchange trading, securities services supplied by Transaction Banking, Brokerage, the External Asset Managers (EAM) business and Corporate Finance complete the range of services offered by Vontobel Investment Banking.

Our clients have the option of individually structuring products based on a sustainable underlying through the Vontobel Sustainable Investment Universe, which is used across the divisions.

Vontobel itself offers various sustainability-themed structured products, such as the "VONCERT Open End" certificate on the "Solactive Smart Grid Performance Index". A "smart grid" is an intelligent electricity network that optimizes the collaboration between electricity producers, storage facilities, consumers and energy transmission and distribution networks. The aim is to secure the energy supply based on efficient and reliable systems. Energy transition and the related expansion of renewable energies is automatically leading to a restructuring of the electricity network, with electricity no longer being generated solely in large power plants but now also on a decentralized basis.

The more women who are in decision-making roles, the better a company performs, according to the findings of various studies. The percentage of female executives is also an important indicator that is considered in the context of sustainability analyses. With the "Dynamic VONCERT Open End" on the "Top Executive Women Basket", investors can participate in a group of companies where women hold a key position in top management or have served as CEO or a member of the Board of Directors for at least two years.

The "Dynamic VONCERT" – a tracker certificate – on the "Vontobel Climate Protection Index" facilitates long-term and sustainable investments through a single transaction. The independent sustainability rating agency Inrate is responsible for the composition of the investment universe. It considers the shares of companies from five different areas that combat the causes of climate change and it places an emphasis on innovation and efficiency when selecting stocks. An index is compiled using the companies and it is calculated, updated and published daily by Bank Vontobel AG.

Further structured products focus on sustainability themes in the broader sense or are devoted to megatrends. Examples include a tracker certificate on the "Solactive Demographic Opportunity Performance Index". The elderly are increasingly becoming a key factor in the economy and are driving their own long-term demographic trend, which is benefiting various areas of business that could prove beneficial to investors.

"Smart home" or "connected home" are terms used to describe a new style of living that could revolutionize life as we know it. This includes a broad range of new concepts, products and services with a focus on energy efficiency, the consumption of resources and the security of occupants. The tracker certificate on the "Smart Home Basket" allows investors to participate in the development of this growth market.

The Markets in Financial Instruments Directive (MiFID) is leading to a fundamental change in market infrastructure, facilitating and fostering competition in the area of securities trading. Today, European equities are traded in various markets, new markets known as Multilateral Trading Facilities (MTFs) have been established, and trading volumes are becoming fragmented. At the same time, this growing complexity is making it more difficult for investors to benefit directly from greater competition and increased transparency. Investors are therefore dependent on the expertise of specialized financial services providers such as Vontobel to ensure the efficient execution of the orders in this fragmented stock market landscape.

Vontobel is clearly one of the leading companies in Switzerland in this context. It is connected to over 100 markets around the globe, either as a direct member or through its own network of brokers. An innovative IT infrastructure allows us to use market data and our access to different markets to ensure best execution for our clients – meaning we place their orders in accordance with their interests – and to protect them again adverse influences by means of client order protection (CLOP). In this context, our transaction cost analysis (TLA) reports meet the very highest standards across Europe in terms of content and transparency. With our extensive expertise, we are able to create significant value for our clients.

The "Vontobel Best Execution Policy" contains a summary of the measures taken by us to achieve the best possible results for clients when executing stock market orders. This policy safeguards client interests on a long-term basis. Clients who conduct their securities transactions via Vontobel can count on our professional, fair and transparent services.

6. Volume of sustainable investments

The "mtx Sustainable Global Leaders" fund line reported a total fund volume of CHF 1,100 million at the end of 2016. The various theme funds had a fund volume of CHF 647 million at the end of 2016. The funds within the Sustainable Investing boutique reported a fund volume of CHF 744 million.

Vontobel Asset Management also manages sustainability and theme funds with a volume of CHF 4,510 million for various cooperation partners. Vontobel also has a stake in responsAbility, one of the world's leading asset managers in the field of development investments. It offers professionally-managed investment solutions to both private and institutional investors.

Sustainable and theme funds managed by Vontobel		
(CHF mn)	**2016**	2015
Volume of sustainable funds	**6,380**	4,852
Volume of theme funds	**647**	516

Sustainable investments		
	2016	2015
Volume of sustainable investments (CHF mn)[1]	**10,704**	6,445
Proportion of sustainable investments (in % of AuM)[2]	**7.7**	4.7

[1] Including volume of structured products
[2] Excluding volume of structured products

The volume of sustainable investments managed by Vontobel rose by 66% in 2016 compared to the previous year. Measured as a proportion of total assets under management, sustainable investments increased from 4.7% to 7.7%. This increase was mainly attributable to the acquisition of Vescore, as well as various mandates that were reclassified according to sustainable investment criteria.

7. Voting and engagement

Vontobel regularly exercises its voting rights for all the companies in our sustainable investment funds. We have been working with HEOS in this context since 2011. This strengthens our position as a result of our cooperation with other investors. The HEOS service covers funds that take account of sustainability criteria, as well as our theme funds: mtx Sustainable Global Leaders, mtx Sustainable

Emerging Markets, mtx Sustainable Asian Leaders (ex Japan), Sustainable Swiss Equity, New Power, Clean Technology and Future Resources. All other funds come under the internal "Management Company Voting" policy. This policy is in line with the corporate governance recommendations of the European Fund and Asset Management Association. Further details are available in the Voting & Engagement Report at: www.vontobel.com/voting.

The guidelines followed by HEOS have been reviewed and approved by Vontobel. Whenever voting rights are exercised, the decision-making authority always lies with Vontobel, which reviews the proposals put forward by HEOS on voting and engagement. These proposals may be amended or rejected, depending on the situation. Each year, Vontobel publishes a Voting & Engagement Report. The report for 2016 will be published in mid-2017. In 2015, we voted on a total of 3,450 resolutions at 289 general meetings worldwide for the above mentioned funds. At 55% of meetings, we voted with management, while at 41% of meetings we voted against management (or voted against and abstained) on at least one agenda item. At 3% of meetings, we abstained and at 1% of meetings we voted with management by exception.

In 2015, HEOS engaged in a critical dialogue with 47 companies on a total of 114 different issues on our behalf, of which 11% related to environmental, 18% to social and 21% (previous year: 10%) to strategy and risk matters. Corporate governance was once again the main topic discussed in 2015, accounting for 46% of all issues. In addition to the formal engagement process, our analysts established direct contact with companies on a more frequent basis in 2015. Our industry analyst raised the issue of inadequate ESG reporting with Yutong Bus and successfully obtained additional information on important points. In addition, our automotive analyst conducted a dialogue with the company Maximus about social issues such as employment contracts.

Environmental Sustainability

The Vontobel Sustainability Committee ensures the targeted management of our environmental responsibilities. The Committee, which is chaired by the CEO, meets at least twice a year and includes representatives from Human Resources, Operations, Investor Relations, Finance & Risk and the divisions.

1. Climate protection

We have engaged in various activities to protect the environment for many years and are particularly committed to climate protection.

1.1 Climate neutrality

Vontobel has been carbon neutral since 1 January 2009 (Scope 1, 2 and 3). We offset the greenhouse gas emissions we produce each year by purchasing CO_2 emissions certificates to support projects that save the same volume of emissions. In 2015, the Sustainability Committee selected three new climate neutrality projects for the period from 2015 to 2017 with a focus on the areas of forestry, water and landfill gas, since they effectively complement the GoldPower certificates purchased separately by Vontobel. Projects were selected in Brazil, China and Kenya to ensure broad diversification across different regions. Information about the projects is available at: www.vontobel.com/sustainability.

1.2 Climate Foundation Switzerland

As a founding member of the Swiss Climate Foundation, we donate a significant portion of our refunded CO_2 levy to the Foundation, which then uses these funds to support projects to improve the energy efficiency of Swiss SMEs. In 2016, projects supported by the Climate Foundation included a scheme to produce vegetable carbon, a reusable system for takeaway food containers and a method to identify leaks in gas pipes more rapidly. These projects also have a positive impact on economic growth and help to enhance the efficiency of the Swiss economy.

The firms Carboforce and Kaskad-E, which received support from the Climate Foundation, are both committed to developing a cost-effective pyrolysis plant for agricultural companies to enable them to carbonize and use plant waste. Vegetable carbon has multiple applications in agriculture: It is added to litter in cowsheds and stables and to manure so that less ammonia and methane gas escape. In addition, vegetable carbon is ploughed into the earth so that soil can absorb more water and nutrients. Many Western countries are now focussing on using carbon based on modern pyrolysis processes. In Switzerland, research and development specialists and agriculturalists are joining forces to investigate the topic of vegetable carbon.

Everyone knows the vast quantities of waste caused by the packaging of takeaway meals. Since mid-2016, the company ReCIRCLE, which is based in Berne, has been offering an alternative to plastic and polystyrene containers for takeaway meals. Its goal is that as many takeaway outlets as possible should supply the food in plastic containers that can be reused. The boxes can be returned to participating restaurants and takeaway outlets. CO_2 emissions are also produced during the manufacturing and disposal of disposable containers. Thanks to ReCIRCLE, these emissions can also be reduced.

The Climate Foundation also lent its support to a scheme to identify leaks in gas pipes more rapidly. Based on technology developed by the Swiss Federal Institute of Technology (ETH) Zurich, the firm Distran produces acoustic cameras that can recognize and locate leaks in gas pipes within seconds – thus preventing massive harm to the environment. This is because leaking gas pipes result in methane being released, which has a greenhouse effect in the atmosphere that is 25 times greater than that of CO_2.

1.3 CDP (formerly the Carbon Disclosure Project)

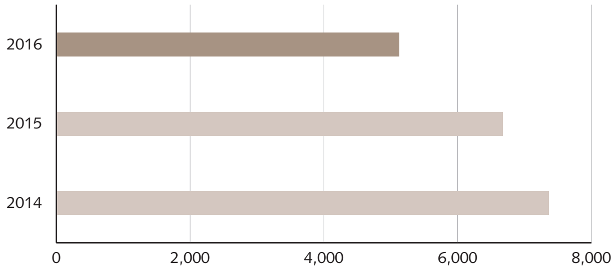
The CDP provides companies with a scoring system that they can use to measure and disclose their environmental impacts. Based on the data provided in questionnaires completed by the companies, the CDP produces an annual "CDP Climate Score". Vontobel performs a dual role with regard to the CDP. First, it is one of the signatory investors that use the CDP database as a source of research information for sustainable investments. Second, Vontobel is a CDP reporting company.

With our "A-" score in the CDP ratings, Vontobel achieved the status of "Sector Leader Financials" in the DACH region (Germany, Austria and Switzerland) and the status of "Index/Country Leader in Switzerland" in 2016. The CDP measures the greenhouse gas emissions of companies using four areas – only those companies that achieve an excellent performance in all four areas are included in this top 10.

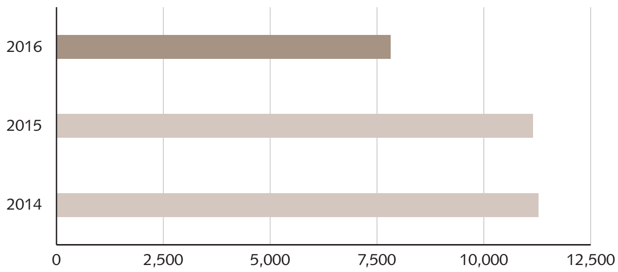
2 Environmental protection

Vontobel is committed to using processes that reduce the environmental impacts of our activities and help to protect the climate. Each year, we gather comprehensive environmental data in order to measure our progress. When conducting our operations, we strive to use materials as sparingly as possible and place an emphasis on energy efficiency and the reduction of greenhouse gas emissions.

Total energy consumption
per Full Time Equivalent (in kWh)



Business travel
per Full Time Equivalent (in km)



2.1 Lighting

The use of energy-saving LED lighting is a standard feature of all new and renovated office buildings at Vontobel. Wherever possible, we switch to LED lighting in existing buildings in view of the massive reductions in electricity and maintenance costs that can be achieved. This form of lighting does not result in waste products that require special disposal. During the year under review, Vontobel switched 80% of the lighting at our head office in Zurich to LED. The remaining areas will be equipped with LED lighting in the coming years. Our regional office in Lugano now has LED lighting in 100% of the building.

2.2 Disposal of waste

When disposing of waste at Vontobel, all paper products are sent for recycling. PET bottles, aluminium and special waste such as fluorescent light tubes are also collected separately. The recycling rate is around 50%. Strict rules on the separation of waste into PET bottles, aluminium, paper and other waste were introduced for each floor of all the buildings on the Zurich Campus. This waste disposal concept will apply to all new and renovated offices in future.

Electronic appliances that are used within the business must comply with the highest standards and requirements. In the past, Vontobel disposed of equipment as electronic waste as soon as its compliance with these requirements could no longer be guaranteed. However, many of these devices still worked – meaning they could be put to reliable use in a non-profit environment. The extension of the useful lives of electronic equipment also makes sense from an environmental perspective. Since 2015, Vontobel has therefore been giving functioning electronic devices to the Berg Foundation in Gossau in the Canton of Zurich. In 2016, the Berg Fondation supplied equipment for a school project in Congo and a school in Slovakia. When donating this equipment, the same high standards of data security apply as before.

2.3 Office buildings

When selecting and renovating office buildings, we systematically focus on environmentally friendly and energy-efficient measures to achieve energy savings. High energy standards and good insulation of the building envelopes are part of this approach.

2.4 Supply chain

Vontobel purchases a large quantity of products and services – such as facility management services, IT infrastructure, and the design and production of printed materials, as well as catering and cleaning services – from external providers. Wherever possible, we work with local suppliers and focus on establishing long-term partnerships. For example, we purchase fruit for our employees from a Swiss family-owned company and all of our printing orders in Switzerland are awarded to Swiss printing companies. Advertising and Christmas gifts used throughout the company are also purchased from Swiss providers.

Vontobel strives to achieve high environmental and social standards in its own business activities and expects its business partners to help protect the environment and to offer good employment conditions. These aspects are incorporated into our tendering process and serve as a guide for us when selecting suppliers. The relevant details are set out in the "Guidelines for sustainable procurement at Bank Vontobel". They address matters such as employment standards, child labour and forced labour, environmental protection and the prevention of corruption. These guidelines are available at www.vontobel.com/sustainability and form part of our general purchasing guidelines.

2.5 Mobility
Vontobel continued its commitment to sustainable mobility in 2016. Our participation in the "bike to work" initiative proved successful, with 48 employees in 12 teams cycling to work despite the poor spring weather. They covered a total of 8,622 kilometres by bike. Based on the principle that each kilometre cycled saves the equivalent to 160 grams of CO_2 (the CO_2 output of an average Swiss mid-sized car, according to the Swiss Federal Statistical Office), this corresponds to a CO_2 saving of 1,380 kilograms. Vontobel employees participated again in the mobility dialogue for major companies in the City of Zurich. This year, the topics debated were "City Traffic 2025", the project "Züri Velo" and the strategy of the Zurich Transport Network (ZVV). In 2015, Vontobel purchased two Citroën Berlingo electric vehicles for its Mail Services department. During the year under review, they covered 12,000 diesel-free kilometres, corresponding to around two tons of CO_2 savings.

2.6 Catering
In 2016, we continued with the "One Two We" programme introduced in our employee restaurant in 2013 and the related "One Climate Menu" launched in connection with the programme. On average, our partner SV Group served 736 meals to employees and guests each day. "One Two We" is a sustainability programme launched in conjunction with WWF Switzerland. Its aim is to offer more meals that mainly use seasonal produce and include fewer products that are transported by air and less meat, while making increased use of different types of cereals as an alternative to rice – thus reducing the carbon footprint in the food chain. As a result of the measures taken, the volume of CO_2 emissions generated by the employee restaurant fell by more than 11%. Since the programme began, the restaurant has saved more than 165 tons of CO_2. In the cafeteria of the employee restaurant in Zurich, around 40% of the coffee consumed comes from Fair Trade sources. The coffee served from the other coffee machines on the Zurich Campus is certified according to UTZ or C.A.F.E. Practices.

2.7 Electricity
Vontobel has been purchasing electricity from renewable sources for all 22 of its locations globally since 2013 – either directly or otherwise indirectly via the "Gold Power" solution offered by South Pole. With "GoldPower", companies can purchase renewable energy irrespective of the actual electricity used. This promotes the building of global capacity for the production of electricity from renewable sources.

3. Environmental key figures

The first table shows environmental key figures on an absolute basis, while the second table shows the figures per full-time equivalent (FTE). Total energy consumption remained largely stable in 2016 despite an increase in headcount. Paper consumption has declined in recent years – a positive outcome that reflects our digitalization efforts. Water consumption increased, reflecting the rise in headcount. However, water consumption decreased on a per capita basis, as did overall energy consumption and the volume of waste produced. The recycling rate remained unchanged at around half.

The increase in greenhouse gas emissions is mainly attributable to a change in emission factors for kilometres flown. Like in prior periods, we recorded kilometres flown for all our locations and applied the emissions factors defined by DEFRA (Department for Environment, Food and Rural Affairs). However, we have distinguished between short, medium and long-haul flights as well as between business and economy class. In addition, we now take account of the DEFRA recommendation and have included "radiative forcing" in the emissions factors for air travel. Another reason for the increase is a change of scope: In 2016, we recorded CO_2 emissions from commuter travel, employee catering, data centres and dispatch for the first time.

Environmental key figures, absolute			
	2016[1,5]	2015[1]	2014[1]
Total energy consumption (MWh)	**9,403**	9,447	10,164
Electricity consumption (MWh)	**6,578**	6,362	6,804
Heat consumption (MWh)	**2,494**	2,709	2,986
District heating/cooling usage (MWh)	**331**	376	374
Business travel (1,000 km)	**14,346**	15,773	15,553
of which business flights (1,000 km)	**13,192**	13,017	
Commuting (1,000 km)	**16,545**		
Paper consumption (t)	**88**	155	161
Proportion of recycled paper used (%)	**42**	29	19
Water consumption (drinking water, m^3)	**18,807**	18,217	17,432
Volume of waste (t)	**151**	218	265
Recycling ratio (%)	**51**	49	67
Food (t)	**103**		
Total greenhouse gas emissions (CO_2 equivalents in t)[2]	**6,316**	3,513	3,884
Greenhouse gas emissions: scope 1 and 2 (CO_2 equivalents in t)[2,3]	**912**	1,174	1,447
Greenhouse gas emissions: scope 3 (CO_2 equivalents in t)[2,4]	**5,405**	2,339	2,437

[1] Figures are based on the period from 1 October in the previous year to 30 September
[2] Definition according to the Greenhouse Gas Protocol
[3] Greenhouse gas emissions associated with electricity consumption of 237 t CO_2 equivalents are reported according to the market-based approach, as defined in the Greenhouse Gas Protocol Scope 2 Standard.
[4] Of which 4,607 t CO_2 equivalents from business travel by air, rental car and train. Other Scope 3 categories covered: Commuting, water, paper, dispatch, food, waste.
[5] Figures are based on a broader scope and adapted emissions factors

Environmental key figures per full-time position (FTE[2])			
	2016[1,4]	2015[1]	2014[1]
Total energy consumption (kWh/FTE)	**5,125**	6,677	7,365
Electricity consumption (kWh/FTE)	**3,585**	4,497	4,930
Heat consumption (kWh/FTE)	**1,359**	1,915	2,164
District heating/cooling usage (kWh/FTE)	**180**	265	271
Business travel (km/FTE)	**7,818**	11,149	11,271
of which business flights (1,000 km)	**7,189**	9,201	
Commuting (1,000 km)	**9,017**		
Paper consumption (kg/FTE)	**48**	110	116
Water consumption (drinking water, l/FTE)	**10,249**	12,876	12,632
Volume of waste (kg/FTE)	**82**	154	192
Food (kg)	**56**		
Total greenhouse gas emissions (CO_2 equivalents in kg/FTE)[3]	**3,442**	2,483	2,815
Greenhouse gas emissions: scope 1 and 2 (CO_2 equivalents in kg/FTE)[3]	**497**	830	1,049
Greenhouse gas emissions: scope 3 (CO_2 equivalents in kg/FTE)[3]	**2,945**	1,653	1,766

[1] Figures are based on the period from 1 October in the previous year to 30 September
[2] FTE = full time equivalent
[3] Definition according to the Greenhouse Gas Protocol
[4] Figures are based on a broader scope and adapted emissions factors

Social Sustainability

At Vontobel, we define social sustainability as our responsibility as an employer, our comprehensive commitment to serving communities, and our efforts to promote culture and education.

1. Responsibility as an employer

The skills and expertise of our employees are vital to Vontobel's long-term success. Vontobel is aware of the competition that exists for skilled employees: As a medium-sized wealth and asset manager, Vontobel has to compete with major players both in our Swiss home market and internationally.

We therefore want to offer our employees attractive employment conditions. Training and development, employee health and wellbeing, and a good work/life balance are especially important in positioning Vontobel as an attractive employer. Another key factor is the provision of a pleasant working environment that is free from discrimination and promotes diversity and equal opportunities. To ensure a working environment that is free from discrimination, the principle of non-discrimination is enshrined in our Employee Handbook. No cases of discrimination were reported in 2016.

Our Human Resources Principles define the objectives of our human resources and leadership processes and the measures taken to achieve them. The Vontobel Employee Handbook contains comprehensive information about employment conditions, social benefits and training, as well as compliance and security guidelines, and it is supplemented by internal policies. In addition, up-to-date information is always available to employees on the Intranet.

1.1 Number of employees

As of 31 December 2016, a total of 1,756 employees held full-time positions at Vontobel and were based in 22 locations – 6 in Switzerland and 16 abroad. In addition to employees with permanent contracts, a total of 92 temporary employees worked for Vontobel at the end of 2016. These individuals either have fixed-term contracts or are available on an "on call" basis to assist the company when needed. Headcount increased by around 12% year on year, including 70 positions at Vescore companies that remained part of Vontobel and were integrated after the acquisition. In Switzerland, all employees up to and including middle management are covered by the Agreement on Conditions of Employment for Bank Employees (VAB) issued by the Employers Association of Banks in Switzerland (AVG).

In 2016, the employee turnover rate increased from 11.4% to 13.7%. A total of 73 female employees and 188 male employees left the bank during the year. Meanwhile, a total of 423 new employees were hired during the year under review (138 women and 285 men).

Employee turnover and training		
	2016	2015
Turnover rate (in %)	**13.7**	11.4
Training costs (1,000 CHF)	**1,532**	1,618
Training costs (CHF/FTE)	**915**	1,083
Number of apprenticeships	**28**	29

Employee departures by age category: below 24: 6, 25–39: 97, 40–54: 99, 55–64: 20, above 65: 65.
Hires by age category: below 24: 30, 25–39: 216, 40–54: 159, 55–64: 18, above 65: 0.

1.2 Compensation concept

Vontobel is convinced that compensation should be determined solely on the basis of an employee's abilities and function. Consequently, Vontobel does not measure wage equality on an individual basis or by gender. Vontobel's compensation system has the following objectives: To promote a performance-oriented culture and foster an entrepreneurial mindset and actions and a prudent approach to risk among employees; to promote a long-term commitment to the company among top performers; and to position Vontobel as a competitive employer. The share participation plan, which has a long-term focus, also incorporates risk aspects. It thus provides incentives for employees to contribute to the sustained success and stability of Vontobel, in accordance with the principles defined by the Swiss Financial Market Supervisory Authority FINMA. Further information on this topic can be found in the Compensation Report (Annual Report 2016, page 58 ff.).

1.3 Performance evaluations and development planning

We consider it important for employees to assume responsibility for their own professional development. As part of the annual definition of performance objectives and behavioural competencies (performance management) and their evaluation, all employees are given the opportunity to draw up a personal development plan. This

Number of employees by domicile						
	Number of women	Number of men	**31-12-16 Total**	Number of women	Number of men	31-12-15 Total
Switzerland	410	1,008	**1,418**	376	888	1,264
Germany	44	66	**110**	39	44	83
USA	28	46	**74**	32	46	78
Austria	2	0	**2**	2	1	3
U.A.E	2	11	**13**	2	12	14
Italy	7	9	**16**	6	9	15
Luxembourg	8	9	**17**	7	10	17
Liechtenstein	9	8	**17**	10	6	16
United Kingdom	15	36	**51**	12	35	47
Hong Kong	12	10	**22**	9	7	16
Singapore	4	7	**11**	4	4	8
Spain	1	2	**3**	1	2	3
Australia	1	1	**2**	1	1	2
Total	543	1,213	**1,756**	501	1,065	1,566

Figures include apprentices

Nationalities of employees				
	Number	**31-12-16 in %**	Number	31-12-15 in %
Switzerland	**1,146**	**65**	1,048	67
Germany	**225**	**13**	173	11
Austria	**24**	**1**	18	1
Italy	**64**	**4**	64	4
USA	**66**	**4**	64	4
Spain	**13**	**1**	13	1
France	**30**	**2**	23	1
United Kingdom	**60**	**3**	55	4
Other	**128**	**7**	108	7
Total	**1,756**	**100**	1,566	100

forms the basis for their personal career development and is defined by employees in consultation with their line manager. Vontobel provides appropriate online tools for this process and employees are supported by Human Resources and business partners in the individual divisions.

Since the skills and expertise of our employees are the most important factor determining Vontobel's long-term success, we now carry out a "People Day" process each year. Its goal is to manage our internal talent pool more actively and to give employees the opportunity to continue developing professionally. As part of this process, top management discusses succession planning, identifies top performers and talents, and discusses nominations for the Senior Leadership Programme and the "SeitenWechsel" programme.

1.4 Training and development

Continuous learning is essential to keep pace with industry developments. We recognize our responsibility as an employer and therefore offer a broad range of training courses adapted to Vontobel's business objectives on an ongoing basis.

1.4.1 Training and development measures in 2016

One area of focus of our internal training and development measures in 2016 was the course for Vontobel relationship managers (see "Sustainable investing – Private Banking"). Leadership courses were expanded based on feedback from the pilot courses carried out. We continue to assign importance to the active involvement of members of the Executive Board in training programmes.

The completion of various e-learning and classroom training modules is now a mandatory requirement for new employees. In addition, a "Welcome Day" is held four times a year at which the divisions present themselves and employees obtain valuable information about Vontobel's strategy, objectives and corporate culture. Since 2016, the Welcome Day has been mandatory for all employees in Switzerland and for all employees from the rank of Director in international locations. In 2016, we also developed our "getting started" pages on the Intranet to facilitate the employee onboarding process at an international level. This includes a video welcome message from the CEO and useful information and tips to help employees settle into their new roles at Vontobel.

To review the quality of the courses and programmes that are completed, we provide participants with a questionnaire on aspects such as content, design, applicability and transferability and we evaluate their responses. In addition to qualitative reporting, we also produce quantitative reports. This enables us to produce a comparison with training and development activities in previous years and also in comparison with the industry benchmark. Training costs declined slightly in 2016 compared to the previous year on both an absolute and per capita basis.

1.4.2 Training and development

In 2016, the Vontobel Academy once again offered a large number of internal and external courses on specialist, personal development and management topics. The third version of the Vontobel Ambassador e-learning programme was expanded to include further modules and is now mandatory for all employees. Its aim is to inform all employees about Vontobel's most important products and services. From 2017, we are offering employees the opportunity to take a test at the end of the e-learning course. In our leadership courses, we now also address the topic of Diversity & Inclusion – reflecting the need to actively discuss this topic at management level in order to bring about change and achieve our goals in this area.

Vontobel also supports its employees in completing external training courses where appropriate. These courses mainly involve business-specific qualifications such as the Master in Banking and Finance, Bachelor or Master in Business Administration, CFA or CIIA. The "SeitenWechsel" programme gives senior managers the opportunity to further develop their personal and leadership skills. Vontobel executives spend one week in a social institution – ranging from homes for people with disabilities and clinics for people suffering from addiction to asylum centres. The programme enables them to discover a very different type of working environment and provides them with a new perspective. Managers from almost all of the bank's divisions took part in the programme again in 2016. They found the experience to be enriching and gave very positive feedback about the programme.

1.4.3 Apprenticeships

Vontobel offers a range of apprenticeships to enable young people to embark on a career in a fascinating industry. This, in turn, benefits Vontobel by giving it access to a pool of well-qualified young professionals who can be offered a permanent position. In 2016, Vontobel once again offered attractive training positions to future professionals in the form of 28 apprenticeships (commercial or IT apprenticeships, including one traineeship). Apprentices can also obtain a vocational 'Matura' when completing their training at Vontobel.

1.5 Diversity & Inclusion

Among its findings, the 2015 employee survey highlighted the need to strengthen employee awareness of the topic of Diversity & Inclusion. We therefore defined three main areas that we will focus on going forward: "Gender", "Nationality" and "Demography". Appropriate and realistic goals – referred to as our "Aspirations 2020" – were formulated for each area and measures were defined that are now being implemented. Detailed information about the various activities is provided on the Intranet on an ongoing basis.

In the "Gender" focus area, we are striving to continuously increase the number of women at senior management level or with leadership responsibilities. The first two "Vontobel Business Women's Lunches" opened the way for an active dialogue with women at senior management level. These open discussions made it possible to raise awareness of this topic and to facilitate joint efforts to achieve a better gender mix. In the "Nationality" focus area, we want to ensure that the composition of our workforce reflects our target markets while, at the same time, preserving the "Swissness" that is valued by our clients. The number of different nationalities at Vontobel remained largely stable compared to the previous year.

Finally, in the "Demography" focus area, we will aim to achieve a more balanced age mix. Long-term succession planning that addresses the needs of the divisions is an essential part of Vontobel's long-term human resources planning. This is another area in which we take our Diversity & Inclusion focus areas into account. The age structure shows that most employees are aged between 30 and 50. Targeted measures are needed to align the potential of this age group with the division's staffing needs.

Of the total of 1,756 employees at Vontobel, 1,494 held full-time positions. There was virtually no change in the proportion of employees who worked on a part-time basis compared to 2015: The proportion of female employees working part-time increased slightly from 30% to 31%, while the proportion of male employees in part-time positions was unchanged at 8%. In principle, part-time employees receive the same benefits as full-time employees. Different benefits apply in the case of temporary employees or staff who are available on an "on call" basis.

1.6 Health and wellbeing

Employee health and wellbeing is assigned considerable importance at Vontobel. The employee restaurant at Vontobel's head office serves healthy meals every day. The salad buffet, starters, main courses and drinks available on tap are offered free to employees; they only pay for deserts.

In 2013, the Vontobel employee restaurant in Zurich introduced SV Group's "One Two We" sustainability programme as part of a pilot scheme (see also "Environmental sustainability"). In addition, baskets of fresh fruit are available in Vontobel's offices so that employees can help themselves at any time. Since summer 2016, Vontobel has been purchasing Fair Trade bananas. The consumption of Fair Trade products makes a direct contribution towards improving living and working conditions for people in the countries where the fruit are cultivated.

Vontobel employees regularly train together in various sports clubs. Suitable changing facilities are available for employees to use in each of Vontobel's offices. When equipping new work spaces or renovating offices, electronically adjustable desks are usually installed to allow employees to alter their height of their work station – reflecting ergonomic recommendations that employees should switch positions while working. Studies have confirmed the benefits of this approach: By reducing the amount of time that employees spend sitting by up to 30%, it is possible to mitigate health problems. During the year under review, we were able to install these types of desks almost throughout the Zurich Campus, where the majority of employee work.

1.7 Combining family and professional commitments

In the case of both maternity and paternity leave, the benefits that Vontobel grants to working parents go beyond the statutory minimum. Female employees who have been with the company for up to six years are entitled to four months of maternity leave on full pay. After completing six years of service, they benefit from six months of maternity leave on full pay. New fathers are granted five days of paternity leave.

Vontobel is a longstanding member of profawo (formerly Childcare Service), an organization that advises parents on childcare issues and runs a group of nurseries. Vontobel is also a member of kcc group (globegarden), an organization that offers families complete childcare solutions. Wherever possible from an operational perspective, Vontobel endeavours to meet requests for part-time working arrangements from employees, including members of middle management.

Since 2016, employees in Switzerland have had the option of purchasing up to a maximum of 10 individual days of holiday in addition to their normal holiday entitlement. Almost 7% of employees have so far made us of this option.

1.7.1 Swiss National Future Day 2016

In 2016, Vontobel participated in National Future Day for the 11th time. Hundreds of companies, organizations and universities across Switzerland open their doors on this day and children in grades 5 to 7 are invited to accompany an adult with whom they have close ties (parents, god parents, aunts or uncles) to work. During the morning session of Future Day at Vontobel, the children learn interesting facts about the bank and then spend the remainder of the day – i.e. lunch and the afternoon session – with the accompanying adult. In 2016, more than 80 children took part in Future Day at Vontobel.

Age structure				
		31-12-16		31-12-15
	Number	**in %**	Number	in %
Up to 20 years old	**27**	**2**	27	2
20 to 30 years old	**171**	**10**	132	8
30 to 40 years old	**511**	**29**	468	30
40 to 50 years old	**602**	**34**	556	36
50 to 60 years old	**387**	**22**	330	21
More than 60 years old	**58**	**3**	53	3
Total	**1,756**	**100**	1,566	100
Average age (in years)	**43**		43	

Age structure of the Board of Directors				
		31-12-16		31-12-15
	Number	**in %**	Number	in %
30 to 40 years old	**2**	**22**	1	14
40 to 50 years old	**2**	**22**	1	14
50 to 60 years old	**3**	**34**	3	43
More than 60 years old	**2**	**22**	2	29
Total	**9**	**100**	7	100

Years of service				
		31-12-16		31-12-15
	Number	**in %**	Number	in %
Up to 1 year	**221**	**13**	201	13
1 to 5 years	**672**	**38**	595	38
5 to 10 years	**455**	**26**	404	26
10 to 20 years	**312**	**18**	268	17
20 to 30 years	**67**	**3**	72	4
More than 30 years	**29**	**2**	26	2
Total	**1,756**	**100**	1,566	100

Breakdown of rank structure by gender as of 31-12-2016				
	Number of women	Proportion of women	Number of men	Proportion of men
Employee	179	45%	219	55%
Middle management	234	43%	310	57%
Senior management	130	16%	678	84%
Executive Board	0	0%	6	100%
Total	**543**	**31%**	**1,213**	**69%**
Board of Directors	3	33%	6	67%

Breakdown of full-time and part-time positions by gender as of 31-12-2016						
	Number of women	Proportion of women	Number of men	Proportion of men	Total number	Total proportion
20 – 49%	25	5%	5	0%	30	2%
50 – 79%	78	14%	33	3%	111	6%
80 – 99%	65	12%	56	5%	121	7%
100%	375	69%	1,119	92%	1,494	85%
Total	**543**	**100%**	**1,213**	**100%**	**1,756**	**100%**

1.8 Employee satisfaction
In 2016, we implemented or launched a number of initiatives to address the findings of the 2015 employee survey. This includes measures in the Diversity & Inclusion focus areas, intensified compliance training, regular town halls at all locations, and the more targeted promotion of talent and employee development. We will continue to work on all of these topics in 2017. The next employee survey is due to take place in 2018.

1.9 Employee engagement
The transfer of knowledge benefits society. A number of Vontobel employees share their expertise with others by giving talks and presentations at training events that are held internally or at external educational establishments. This makes it possible to ensure the transfer of knowledge within the company and to raise public awareness about the complex interrelationships within the financial markets and the importance of the finance industry for the Swiss economy.

During the Advent period in 2016, Vontobel employees set up a market stall in front of Vontobel's office at Bleicherweg and handed out warm punch to passers-by. A donation was made to the University Children's Hospital Zurich (Kispi) for each beaker of punch given out.

2. Serving communities

There is a long tradition of social responsibility at Vontobel. Our company is an integral part of the global economic system and we benefit, in particular, from the excellent operating environment in our Swiss home market in terms of high standards of education, a good infrastructure and political stability. In this context, we are responsible for promoting the welfare, cohesion and stability of the communities in which we work. We want to get involved in issues and projects that are relevant in terms of the stability and development of the community.

Economic value distributed		
(CHF mn)	**2016**	2015
Value creation[1]	**829.1**	755.4
Taxes[2]	**61.8**	47.3
Dividend paid	**102.7**	86.7

[1] Income less general expense and depreciation of property, equipment and intangible assets
[2] Includes income tax, tax on capital and other taxes and contributions

In 2016, value creation increased by almost 10% compared to the previous year and taxes paid rose by more than 30%. In addition, the dividend paid by Vontobel Holding AG increased significantly a result of the improvement in net profit in 2016. The total amount donated by Vontobel in 2016 was CHF 150,750.

2.1 Supporter of the Munich Security Conference
Vontobel is one of the supporters of the internationally renowned Munich Security Conference (MSC). Over the past five decades, the MSC has become a leading forum for the international strategic community. It brings together heads of state and government, ministers, leading figures in international organizations and NGOs, CEOs and other specialists to debate key security policy challenges. In 2016, a study by the University of Pennsylvania once again named the MSC the "Best Think Tank Conference" in the world.

2.2 Founding member of the Corporate Support Group
Vontobel is a founding member of the Corporate Support Group of the International Committee of the Red Cross (ICRC). The Group was established by the ICRC and selected Swiss companies in 2005 in order to build an innovative long-term partnership to provide effective humanitarian aid in the coming years. In 2016, Vontobel carried out its second Christmas fundraising campaign involving all employees. This time, Vontobel supported the ICRC prevention campaign aimed at protecting children living in war-torn areas of Syria from playing with weapons and undetonated bombs they find lying on the ground. In addition, Vontobel made a donation to this ICRC project for every Christmas card sent by the company.

2.3 Financial inclusion projects
Vontobel is actively involved with the Swiss financial services provider pintail, which has developed a digital service to enable people in countries with underdeveloped financial systems to access a full range of financial services. The platform operates exclusively via mobile phones: With pintail, for example, payment transactions for migrant workers from developing countries can be made at a fraction of the current transfer costs. Vontobel has a financial stake in pintail and gives it specialist support.

Through its financial and specialist support for this project, Vontobel is making an important contribution from a development policy and social perspective: Financial inclusion has a key role to play in efforts to combat poverty and has, in fact, been classed a civil right in many European countries for over a century. We also have a stake in responsAbility, one of the world's leading asset managers in the field of development investments. Through its investment vehicles, responsAbility supplies debt and equity financing to non-listed firms in emerging economies and developing countries.

3. Promoting culture and education

Renowned cultural institutions and events increase the attractiveness of the places where they are located and enhance quality of life. Consequently, we want to give some of the value we create back to society by promoting culture and education. Our primary focus at present is on classical music. Another area of focus is modern art. On the education side, we are involved in initiating and supporting platforms that promote discussions about key issues of our time.

3.1 Lucerne Festival

The Lucerne Festival in Summer is one of the world's most renowned classical music festivals. For more than 75 years, it has been delighting audiences with its unique line-up of top orchestras and soloists from around the globe. The motivation behind our support for the Lucerne Festival in Summer as a theme sponsor can be summarized in a single sentence: Swiss quality shines out into the world. The event, which takes place in an open and modern architectural setting close to Lucerne's historic old town, enjoys worldwide recognition year after year for the exceptional artists who perform there. Vontobel's theme sponsorship reflects our aspiration to play an active part in the Festival. The result is an active partnership – now also at an international level – with the Lucerne Festival that is of mutual benefit. Vontobel is also one of the main supporters of the American Friends of Lucerne Festival.

3.2 Modern Art

In the field of modern art, we are building up our own art collection and additionally lend our support to leading modern art institutions in selected locations where we operate. Vontobel is, for example, one of the supporters of the association of the friends of the Pinakothek der Moderne museum in Munich (PIN). As part of this commitment, we support the association's annual PIN.PARTY, which includes a charitable auction.

3.3 Vontobel in Dialogue

In-depth knowledge is a valuable asset in a globalized world. The permanent exchange of knowhow across borders creates value for individuals and society. With our "Vontobel in Dialogue" event series, which we launched in 2016, we help to ensure that topics of current relevance are addressed. Questions and challenges in the fields of politics, the economy, culture and science are examined during speeches by recognized experts and in discussions with them. In 2016, "Vontobel in Dialogue" events were held on the topics "Open markets – the future or the past?" in Berne, "Europe: quo vadis? Future prospects for EU countries and Switzerland" in Lugano, and "Identity" in Zurich.

3.4 Professorship of Financial Engineering

As an active wealth and asset manager, we consider it important to promote academic research into financial and investment topics. During his lifetime, the bank's former Honorary Chairman Dr Hans Vontobel personally established the Professorship of Financial Engineering at the University of Zurich. The research projects conducted by the professors and students provide important input for our work.

3.5 NZZ Podium

"NZZ Podium" is an event series organized by "Neue Zürcher Zeitung" and focuses on contemporary topics. Vontobel has been a partner of "NZZ Podium" since it was launched. "NZZ Podium" takes place six to eight times a year. In 2016, it addressed the following topics: "Innovation – what comes next?"; "Switzerland as a centre of innovation"; "Migration"; "The future of mobility"; and "The US election".

Global Reporting Initiative (GRI)

Notes on the report

Sustainability reporting according to the Global Reporting Initiative (GRI)
Our sustainability report has been produced in accordance with the principles set out in the Global Reporting Initiative (GRI) for the seventh time. The GRI has set itself the goal of increasing the transparency and comparability of corporate reporting globally (www.globalreporting.org). In implementing this reporting standard, we want to provide a high level of transparency about our sustainability objectives and performance for all stakeholders. Consequently, our Sustainability Report describes numerous current key performance indicators and changes and it applies the GRI G4 guidelines. As in prior years, we selected the "core" reporting option.

Material topics and system boundaries for reporting
The process defined under G4 to determine material aspects and indicators was carried out at Vontobel in various workshops and interviews. During this process, all GRI aspects and the Financial Sector supplements that apply specifically to the financial sector were discussed and their materiality was determined for Vontobel. Following a final review by Corporate Sustainability Management, the material aspects were already listed in the Sustainability Report 2014 and assigned the relevant indicators. The following GRI aspects continue to be material for the company and are covered in the report in accordance with the GRI G4 guidelines (G4 –19):
– Economic performance
– Indirect economic impacts
– Materials
– Energy
– Emissions
– Employment
– Training and education
– Diversity and equal opportunity
– Non-discrimination
– Anti-corruption
– Product and service labelling
– Customer privacy
– Product compliance
– Product portfolio
– Active ownership

As a provider of financial products, we also incorporate sustainability aspects into our products and services and into partnerships and relationships with suppliers. Further information is available in the preceding chapters (G4 –20, G4–21). Unless stated otherwise, the reporting boundary encompasses Vontobel Holding AG with the subsidiaries listed in the consolidated annual financial statements as well as their locations. Unless stated otherwise, the reporting period is from 1 January to 31 December 2016. The environmental key figures relate to the period from 1 October 2015 to 30 September 2016. Information on the scope of consolidation can be found on page 214–215 of the Annual Report (G4–17). No restatements or corrections were made to the previous year's disclosures (G4–22, G4–23).

Commitment to stakeholders
An open dialogue (G4-26) is key in order to gain a better understanding of the needs of our clients, employees, suppliers and cooperation partners and to take account of the interests of local communities and NGOs. We want to engage with our stakeholders by providing clear and comprehensible information on different challenges and opportunities relating to ESG matters. Regular employee and client surveys are key tools in this context, as are targeted discussions with our suppliers. In 2016, we implemented measures based on the results of the 2015 employee and client surveys. Issues raised by employees included calls for enhanced internal communication and targeted support in the area of career development. The majority of clients indicated that they were very satisfied with Vontobel but we nonetheless want to achieve improvements in this area and to further strengthen client satisfaction and client trust in our company (G4-27). We are making good progress in these efforts, with Vontobel having been assigned the top rating "excellent" for the third time for its investment proposal in a private banking test carried out by the German investor magazine €uro, while the Swiss business magazine "Bilanz" named Vontobel "Best private bank in Switzerland 2016".

Materiality Disclosures
Vontobel Holding AG
Jan 2017 Service

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core = general standard disclosures; mandatory reporting
m.= aspect defined as material for Vontobel
p.c. = Omissions due to partial coverage. We are working to increase data coverage in the coming years.

Consolidated income statement

Consolidated income statement					
	Note	**31-12-16**	31-12-15	Change to 31-12-15	
		CHF mn	CHF mn	CHF mn	in %
Interest income		**75.8**	75.1	0.7	1
Interest expense		**8.1**	8.0	0.1	1
Net interest income	1	**67.7**	67.1	0.6	1
Fee and commission income		**831.9**	884.8	(52.9)	(6)
Fee and commission expense		**183.2**	183.7	(0.5)	(0)
Net fee and commission income	2	**648.7**	701.1	(52.4)	(7)
Trading income	3	**250.0**	221.4	28.6	13
Other income	5, 6	**114.7**	(1.0)	115.7	
Total operating income		**1,081.1**	988.6	92.5	9
Personnel expense	7	**484.8**	528.4	(43.6)	(8)
General expense	8	**189.7**	167.1	22.6	14
Depreciation of property, equipment and intangible assets	9	**62.3**	66.1	(3.8)	(6)
Valuation adjustments, provisions and losses	10	**23.0**	3.1	19.9	642
Operating expense		**759.8**	764.7	(4.9)	(1)
Profit before taxes		**321.3**	223.9	97.4	44
Taxes	11	**56.9**	43.8	13.1	30
Group net profit		**264.4**	180.1	84.3	47
of which allocated to minority interests		**4.6**	2.9	1.7	59
of which allocated to shareholders of Vontobel Holding AG		**259.8**	177.2	82.6	47

Share information (CHF)					
Basic earnings per share[1]	13	**4.72**	3.20	1.52	48
Diluted earnings per share[1]	13	**4.59**	3.11	1.48	48

[1] Basis: weighted average number of shares

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income					
		31-12-16	31-12-15	Change to 31-12-15	
	Note	**CHF mn**	CHF mn	CHF mn	in %
Group net profit according to the income statement		**264.4**	180.1	84.3	47
Other comprehensive income, net of tax	12				
Other comprehensive income that will be reclassified to the income statement					
Currency translation adjustments					
Income during the reporting period		**(6.2)**	(13.1)	6.9	
Gains and losses transferred to the income statement		**0.0**	0.8	(0.8)	(100)
Total currency translation adjustments		**(6.2)**	(12.3)	6.1	
Financial investments carried at fair value (“available-for-sale”)					
Income during the reporting period		**(26.1)**	28.6	(54.7)	(191)
Gains and losses transferred to the income statement		**(97.0)**	(1.2)	(95.8)	
Total financial investments carried at fair value (“available-for-sale”)		**(123.1)**	27.4	(150.5)	(549)
Cash flow hedges					
Income during the reporting period		**(0.3)**	(0.4)	0.1	
Gains and losses transferred to the income statement		**0.0**	0.0	0	
Total cash flow hedges		**(0.3)**	(0.4)	0.1	
Total other comprehensive income that will be reclassified to the income statement		**(129.6)**	14.7	(144.3)	(982)
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit pension plans					
Total gains/(losses) on defined benefit pension plans		**60.6**	(34.6)	95.2	
Total other comprehensive income that will not be reclassified to the income statement		**60.6**	(34.6)	95.2	
Total other comprehensive income, net of tax		**(69.0)**	(19.9)	(49.1)	
Comprehensive income		**195.4**	160.2	35.2	22
of which allocated to minority interests		**2.9**	2.9	0.0	0
of which allocated to shareholders of Vontobel Holding AG		**192.5**	157.3	35.2	22

Consolidated balance sheet

Assets						
		31-12-16	31-12-15	01-01-15	Change to 31-12-15	
	Note	**CHF mn**	CHF mn	CHF mn	CHF mn	in %
Cash		**6,374.0**	5,355.5	3,275.2	1,018.5	19
Due from banks		**1,502.7**	1,007.3	878.1	495.4	49
Cash collateral for reverse-repurchase agreements	22	**823.1**	1,013.5	1,387.4	(190.4)	(19)
Trading portfolio assets	14	**2,515.8**	2,257.2	2,073.2	258.6	11
Positive replacement values	14, 36	**172.3**	144.8	181.7	27.5	19
Other financial assets at fair value	14	**2,293.4**	2,569.6	6,293.8	(276.2)	(11)
Loans	15	**2,601.9**	2,365.1	2,116.2	236.8	10
Financial investments	16	**2,111.3**	2,150.4	1,623.8	(39.1)	(2)
Investments in associates	17	**0.6**	0.5	0.5	0.1	20
Property and equipment	19	**153.9**	165.9	185.3	(12.0)	(7)
Goodwill and other intangible assets	20	**279.0**	219.8	116.2	59.2	27
Other assets	11, 21	**565.9**	355.2	341.4	210.7	59
Total assets		**19,393.9**	17,604.8	18,472.8	1,789.1	10

The accounting principles relating to the presentation of individual balance sheet items were adapted as a result of the IAS 1 Disclosure Initiative. The figures for the previous year were adapted accordingly.

Liabilities and equity						
		31-12-16	31-12-15	01-01-15	Change to 31-12-15	
	Note	**CHF mn**	CHF mn	CHF mn	CHF mn	in %
Due to banks		**1,139.0**	341.9	333.9	797.1	233
Cash collateral from repurchase agreements	22	**0.0**	76.1	0.0	(76.1)	(100)
Trading portfolio liabilities	14	**99.7**	100.3	97.2	(0.6)	(1)
Negative replacement values	14, 36	**515.4**	645.5	614.7	(130.1)	(20)
Other financial liabilities at fair value	14	**6,354.8**	5,430.9	6,420.9	923.9	17
Due to customers	25	**9,058.5**	8,775.8	8,960.6	282.7	3
Provisions	27	**33.4**	18.4	22.1	15.0	82
Other liabilities	11, 26	**679.0**	790.7	611.9	(111.7)	(14)
Total liabilities		**17,879.8**	16,179.6	17,061.3	1,700.2	11
Share capital	28	**56.9**	56.9	65.0	0.0	0
Treasury shares	28	**(93.8)**	(94.6)	(337.0)	0.8	
Capital reserve		**(157.8)**	(156.1)	135.1	(1.7)	
Retained earnings		**1,754.5**	1,536.8	1,480.9	217.7	14
Other components of shareholders' equity		**(45.7)**	82.2	67.5	(127.9)	(156)
Shareholders' equity		**1,514.1**	1,425.2	1,411.5	88.9	6
Minority interests		**0.0**	0.0	0.0	0.0	
Total equity		**1,514.1**	1,425.2	1,411.5	88.9	6
Total liabilities and equity		**19,393.9**	17,604.8	18,472.8	1,789.1	10

The accounting principles relating to the presentation of individual balance sheet items were adapted as a result of the IAS 1 Disclosure Initiative. The figures for the previous year were adapted accordingly.

Statement of equity

Statement of equity			
CHF mn	Share capital	Treasury shares	Capital reserve
Balance as of 01-01-15	65.0	(337.0)	135.1
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		(87.0)	
Sale of treasury shares		13.3	2.5
Share-based compensation expense			26.5
Allocations from share-based compensation		36.6	(15.7)
Change in minority interests			0.0
Change in liability to purchase minority interests			(42.9)
Other effects[3,4]	(8.1)	279.5	(261.6)
Ownership-related changes	(8.1)	242.4	(291.2)
Balance as of 31-12-15	56.9	(94.6)	(156.1)
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		(60.9)	
Sale of treasury shares		14.9	(0.4)
Share-based compensation expense			22.3
Allocations from share-based compensation		46.8	(27.0)
Change in minority interests			0.0
Change in liability to purchase minority interests			3.4
Other effects	0.0	0.0	0.0
Ownership-related changes	0.0	0.8	(1.7)
Balance as of 31-12-16	56.9	(93.8)	(157.8)

[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 1.85 (previous year CHF 1.55) per registered share with a par value of CHF 1.00 in April 2016.
[3] In accordance with the resolution of the General Meeting of Shareholders of 28 April 2015 to carry out a capital reduction, 8,125,000 treasury shares were cancelled in the financial year 2015.
[4] Of the estimated acquisition price for Finter Bank Zurich AG, CHF 9.8 mn was paid in the form of shares of Vontobel Holding AG.

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**
1,480.9	100.3	(32.8)	0.0	**1,411.5**	0.0	**1,411.5**
177.2				**177.2**	2.9	**180.1**
	28.6	(13.1)	(0.4)	**15.1**	0.0	**15.1**
	(1.2)	0.8	0.0	**(0.4)**	0.0	**(0.4)**
(34.6)				**(34.6)**	0.0	**(34.6)**
(34.6)	27.4	(12.3)	(0.4)	**(19.9)**	0.0	**(19.9)**
142.6	27.4	(12.3)	(0.4)	**157.3**	2.9	**160.2**
(86.7)				**(86.7)**	0.0	**(86.7)**
				(87.0)	0.0	**(87.0)**
				15.8	0.0	**15.8**
				26.5	0.0	**26.5**
				20.9	0.0	**20.9**
	0.0	0.0		**0.0**	8.7	**8.7**
				(42.9)	(11.6)	**(54.5)**
0.0	0.0			**9.8**	0.0	**9.8**
(86.7)	0.0	0.0	0.0	**(143.6)**	(2.9)	**(146.5)**
1,536.8	127.7	(45.1)	(0.4)	**1,425.2**	0.0	**1,425.2**
1,536.8	127.7	(45.1)	(0.4)	**1,425.2**	0.0	**1,425.2**
259.8				**259.8**	4.6	**264.4**
	(26.1)	(4.5)	(0.3)	**(30.9)**	(1.7)	**(32.6)**
	(97.0)	0.0	0.0	**(97.0)**	0.0	**(97.0)**
60.6				**60.6**	0.0	**60.6**
60.6	(123.1)	(4.5)	(0.3)	**(67.3)**	(1.7)	**(69.0)**
320.4	(123.1)	(4.5)	(0.3)	**192.5**	2.9	**195.4**
(102.7)				**(102.7)**	(5.2)	**(107.9)**
				(60.9)	0.0	**(60.9)**
				14.5	0.0	**14.5**
0.0				**22.3**	0.0	**22.3**
				19.8	0.0	**19.8**
	0.0	0.0		**0.0**	0.0	**0.0**
				3.4	2.3	**5.7**
0.0	0.0			**0.0**	0.0	**0.0**
(102.7)	0.0	0.0	0.0	**(103.6)**	(2.9)	**(106.5)**
1,754.5	4.6	(49.6)	(0.7)	**1,514.1**	0.0	**1,514.1**

Consolidated cash flow statement

Consolidated cash flow statement		
CHF mn	**31-12-16**	31-12-15
Cash flow from operating activities		
Group net profit (incl. minorities)	**264.4**	180.1
Reconciliation to net cash flow from operating activities		
Non-cash positions in Group results		
Depreciation and valuation adjustments of property, equipment and intangible assets	**62.3**	66.1
Credit loss expense	**0.0**	0.1
Income from investments in associates	**(0.1)**	0.0
Deferred income taxes	**2.3**	2.5
Change in provisions	**14.9**	(4.4)
Net income from investing activities	**(98.4)**	5.1
Net income from disposal of property, equipment and intangible assets	**0.1**	0.0
Other non-cash income	**2.5**	24.6
Net (increase)/decrease in assets relating to banking activities		
Due from/to banks, net	**744.0**	115.1
Reverse-repurchase agreements, cash collateral for securities borrowing agreements	**190.4**	373.9
Trading positions and replacement values, net	**(424.4)**	(103.8)
Other financial assets/liabilities at fair value, net	**1,200.0**	2,734.3
Loans/due to customers, net	**45.9**	(712.9)
Other assets	**(184.2)**	(5.1)
Net increase/(decrease) in liabilities relating to banking activities		
Repurchase agreements, cash collateral from securities lending agreements	**(76.1)**	76.1
Other liabilities	**(95.6)**	134.8
Taxes paid	**(55.2)**	(50.7)
Cash flow from operating activities	**1,592.8**	2,835.8
Cash flow from investing activities		
Investments in subsidiaries and associates	**(16.4)**	126.3
Disposal of subsidiaries and associates	**2.9**	0.0
Settlement of earn-out payments	**(4.5)**	0.0
Purchase of property, equipment and intangible assets	**(42.1)**	(35.3)
Disposal of property, equipment and intangible assets	**0.0**	0.0
Investment in financial instruments	**(596.4)**	(577.9)
Divestment of financial instruments	**723.8**	79.2
Cash flow from investing activities	**67.3**	(407.7)
Cash flow from financing activities		
Net movements in treasury shares	**(46.4)**	(71.2)
Dividends paid	**(107.9)**	(86.7)
Cash flow from financing activities	**(154.3)**	(157.9)
Effects of exchange rate differences	**(2.4)**	(10.5)
Net increase/(decrease) in cash and cash equivalents	**1,503.4**	2,259.7
Cash and cash equivalents, beginning of the year	**6,283.7**	4,024.0
Cash and cash equivalents as at the balance sheet date	**7,787.1**	6,283.7

Consolidated cash flow statement		
CHF mn	**31-12-16**	31-12-15
Cash and cash equivalents comprise at year end		
Cash	**6,374.0**	5,355.5
Due from banks on demand	**1,413.1**	928.2
Total	**7,787.1**	6,283.7

Further information:		
Dividends received	**52.8**	42.3
Interest received	**128.8**	174.3
Interest paid	**11.1**	26.0

Accounting principles

1. Basis of presentation

Vontobel's consolidated financial statements comprise the accounts of Vontobel Holding AG and its subsidiaries. They have been prepared in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). The accounting principles applied are the same as in the consolidated financial statements dated 31 December 2015, the only exceptions being the changes referred in section 4.

2. Estimates, assumptions and judgement by management

In the application of accounting principles, management is required to make numerous estimates and assumptions that influence the level of reported assets and liabilities and expenses and income, as well as the disclosure of contingent assets and contingent liabilities. Vontobel is convinced that – in all material respects – these consolidated financial statements provide a true and fair view of its financial position, its results of operations and its cash flows. Management reviews its estimates and assumptions on a continual basis and adapts them in line with new findings and conditions.

Estimates and assumptions are mainly contained in the following areas of the consolidated financial statements and are discussed in the corresponding notes to the consolidated financial statements or in the Compensation Report: fair value of financial instruments, share-based payment, provisions, income taxes, pension plans, and goodwill and other intangible assets.

With the exception of the above-mentioned estimates and assumptions, judgement by management did not have a significant influence on the application of accounting principles in the year under review or the previous year.

3. Summary of the most important accounting principles

3.1 Consolidation principles

Subsidiaries

All subsidiaries directly or indirectly controlled by Vontobel Holding AG are consolidated in the consolidated financial statements. Vontobel exercises control over another company if all three of the following requirements are met: Vontobel has decision-making power over the other company, is exposed to variable returns from its involvement with the other company and has the ability to use its power over that company to affect the amount of its returns.

Acquired subsidiaries are consolidated from the date on which control is transferred to Vontobel. Changes to investments in subsidiaries are recorded as transactions in shareholders' equity provided Vontobel retains control of the subsidiary. Subsidiaries that are sold are consolidated until the date on which control is lost. If Vontobel loses control of a subsidiary, any investment that is retained in the former subsidiary is recognized as an interest in an associate or as a financial instrument in accordance with IAS 39.

The acquisition of a subsidiary is accounted for using the purchase method. The acquisition costs are measured at the fair value of the consideration at the acquisition date. Previously held equity interests in the acquiree that are treated as financial instruments in accordance with IAS 39 or as an associated company are measured at fair value at the acquisition date and any gain or loss is recorded in the income statement. The identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at fair value at the acquisition date. A minority interest in the acquiree is measured either at fair value or at its proportionate interest in the fair value of the net assets acquired; either method can be chosen on a transaction-by-transaction basis. If the aggregate of the fair value of the consideration, the fair value of the previously held equity interests and the minority interests measured according to the chosen method, as detailed above, exceeds the fair value of the net assets acquired, the difference between the two amounts is recorded as goodwill. If the opposite applies, the difference is immediately recorded in the income statement. The costs directly attributable to the acquisition (e. g. consulting and audit costs) are charged to the income statement.

Vontobel's investment funds are classed as structured entities according to IFRS 12. They are consolidated if Vontobel – as principal – acts primarily in its own interests. If Vontobel – as an agent – acts primarily in the interests of investors, the investment funds are not consolidated. Shares of non-consolidated investment funds are treated as financial instruments, as defined in section 3.3.

The effects of intra-Group transactions are eliminated in the consolidated financial statements. Shareholders' equity, net profit and comprehensive income attributable to minority interests are reported separately in the consolidated balance sheet and statement of comprehensive income.

If Vontobel has an obligation to acquire minority interests, a liability corresponding to the estimated acquisition price is recognized as a charge against minority interests and (if the liability exceeds the minority interests) as a charge against capital reserves. In principle, changes in the liability are recognized in shareholders' equity. Any compensation component is reflected in the income statement. A share of profits or losses continues to be allocated to minority interests in the income statement and the statement of comprehensive income.

Associates

Companies over which Vontobel can exert significant influence are accounted for using the equity method. As a rule, influence is deemed significant when Vontobel holds 20% to 50% of voting rights.

According to the equity method of accounting, the interest acquired in a company is stated at cost in the balance sheet upon acquisition. After the acquisition, the book value of the associated company is increased or reduced, depending on Vontobel's share of the comprehensive income and the ownership-related changes in the shareholders' equity of the associated company.

3.2 General principles

Foreign currency translation

Vontobel companies prepare their financial statements in the respective functional currency. Transactions in a currency other than the functional currency are recorded by the companies at the exchange rate on the date of the transaction. Exchange differences arising between the date of a transaction and its subsequent settlement are recognized in the income statement. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the closing exchange rates, unrealized exchange differences are recognized in the income statement. Non-monetary items carried at historical cost in a foreign currency are translated into the functional currency at the historical exchange rate. Non-monetary items carried at fair value in a foreign currency are translated into the functional currency at the closing exchange rates. Any unrealized gains and losses resulting from the foreign currency translation are recorded in the income statement in the case of trading portfolio assets and other financial instruments at fair value and in other comprehensive income in the case of available-for-sale financial assets.

When drawing up the consolidated financial statements, the balance sheets of Vontobel companies that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items of the income statement, other comprehensive income and cash flows. Currency translation adjustments that result from changes in exchange rates between the beginning and the end of the year, as well as the difference between the annual profit at average rates and at year-end rates, are recognized in other comprehensive income. If a realization event occurs (e. g. if control over a Group company is lost), the relevant currency translation adjustments are transferred from other comprehensive income to the income statement. For information on hedges of net investments in foreign operations, please refer to note 37 "Hedge accounting".

Business segments

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. Vontobel comprises three business units – Private Banking, Asset Management and Investment Banking – which reflect the types of products and services offered to clients. The three business units constitute the operating and reportable segments as defined in IFRS 8. The support units Operations, Finance & Risk, Corporate Services and the Board of Directors support unit supply core services to the business units and are grouped within the Corporate Center.

Income, expenses, assets and liabilities are allocated to the business units on the basis of client responsibility or according to the principle of origination. Items that cannot be allocated directly to the business units 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, 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").

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement include cash (petty cash, giro or demand deposits at the Swiss National Bank and foreign central banks as well as clearing credit balances at recognized clearing centres and clearing banks), receivables due from banks on demand as well as available-for-sale money market paper in the balance sheet item "Financial investments" with an original term of a maximum of three months.

Accrual of earnings

Income from services rendered over a specific period of time is recorded on a pro rata basis for the duration of the service. This includes asset management fees and custody fees. Profit-based income and performance-based income are not recorded until all of the relevant criteria have been met. This type of income may, for example, be generated in corporate finance and in the fund business. Interest income is accrued as earned. Dividends are recognized when payment is received.

3.3 Financial instruments

Initial recognition

Purchases and disposals of financial assets are recognized in the balance sheet on the trade date. At the time of initial recognition, financial assets or financial liabilities are classified in the respective category according to IAS 39 criteria and measured at the fair value of the consideration given or received, including directly attributable transaction costs. In the case of trading portfolio assets and other financial instruments at fair value ("Fair value through profit and loss"), the transaction costs are immediately recognized in the income statement.

Determining fair value and recognition of "Day 1 Profit"

Please refer to note 33 "Fair value of financial instruments" for information on the determination of the fair value of financial instruments, the fair value hierarchy, the valuation methods and the day 1 profit.

Trading portfolio assets and liabilities and other financial instruments at fair value ("fair value through profit and loss")

Financial assets or financial liabilities held for trading purposes are measured at fair value in "Trading portfolio assets" or "Trading portfolio liabilities". Gains and losses on the sale and redemption of such instruments, interest and dividend income as well as all changes in fair value are recognized in "Trading income".

Provided the criteria defined by IAS 39 have been met, a financial instrument can be assigned to the category "Other financial instruments at fair value" upon initial recognition and carried in the balance sheet as "Other financial assets at fair value" or "Other financial liabilities at fair value". The corresponding accounting treatment in the income statement is analogous to the treatment of trading portfolio assets and liabilities.

Issued structured products and certificates are shown in the item "Other financial liabilities at fair value". Interest rate instruments used for the purpose of reinvesting the issue proceeds and hedging the interest rate risks of issued structured products are shown in the item "Other financial assets at fair value". In addition, certain designated portfolios of equity instruments and shares in funds outside the trading business are also reported in the item "Other financial assets at fair value".

Based on a documented strategy, the management, valuation and reporting to the senior management of both issued products and designated interest rate instruments from the issuing business as well as of equity instruments and shares in funds outside the trading business is performed on a fair value basis.

Available-for-sale financial assets

Financial assets that are available for sale are stated at fair value. Unrealized gains and losses are recognized in other comprehensive income until the financial assets are sold or determined to be impaired. Foreign currency translation gains and losses are recorded as trading income in the case of monetary items such as debt instruments and are recorded as a component of the change in fair value in other comprehensive income in the case of non-monetary items such as equities.

In the test that is carried out on a half-yearly basis, equities and similar securities and rights are classed as impaired if the acquisition costs may not be recovered due to a significant or prolonged decline in fair value. In the case of listed instruments, this basically applies if, on the balance sheet date, they have been listed at below the acquisition price for at least six months or if the price at which they are listed is at least 20% lower than the acquisition price. In the case of unlisted instruments, other appropriate information is consulted for the purpose of the impairment test (e. g. current financial information if Vontobel has access to this data as a result of its participation, or annual reports).

Interest rate instruments comprise liquid instruments issued by high-quality borrowers with certain minimum ratings from external rating agencies. The creditworthiness of the borrowers is monitored continuously based on changes in external ratings, market factors as well as internal assessments. If an interest rate instrument no longer meets the internal rules governing creditworthiness, it is generally sold within a very short period of time. In exceptional cases where a position of this nature has not yet been entirely disposed of by the next balance sheet date (30 June or 31 December), checks are carried out to determine whether there is objective evidence of impairment. Since Vontobel's available-for-sale interest rate instruments are highly liquid, market price is a reliable indicator of the financial position of a borrower. In the event of a significant decrease in market price due to company-specific factors, the interest rate instrument is classed as impaired.

If an available-for-sale asset is determined to be impaired, the cumulative unrealized loss previously recognized in other comprehensive income is transferred to the item "Other income" in the income statement. Impairment reversals on interest rate instruments are recognized in "Other income", and impairment reversals on equities are recognized in other comprehensive income. This also applies if an impairment recorded in the first half of the year is partly or completely offset by a reversal of impairment in the second half of the year. On the disposal of a financial asset that is available for sale, the cumulative unrealized gain or loss previously recognized in other comprehensive income is transferred to the item "Other income" in the income statement. Gains or losses from partial disposals are calculated using the average cost method.

Interest is accrued in the period in which it is earned using the effective interest method and recognized together with dividend income in the item "Net interest income".

Loans granted

Loans are reported in the balance sheet at amortized cost using the effective interest method less any specific allowances for credit risks. Based on the size and structure of the credit portfolio, as well as Vontobel's policy of essentially only granting credit on a secured basis or to counterparties with very high creditworthiness, no general allowances are made for credit risks.

The secured loans provided to investment clients ("lombard lending") are backed by securities that serve as easily realizable collateral. With the exception of issuer risks relating to the bond portfolio, exposures to professional counterparties are, in principle, only entered into on a secured basis. The daily procedures to ensure that adequate collateral is in place are described in sections 5.2 and 5.3 of the notes on risk management and risk control. Section 5.3 also contains information on the methods and processes used to carefully manage counterparty risks resulting from unsecured exposures.

The management and control of counterparty risks minimizes the probability that a valuation adjustment will have to be recorded on a loan as at the balance sheet date (30 June or 31 December). In exceptional cases where it is likely that the amount due according to the contractual terms cannot be collected in full, an individual valuation adjustment will be recorded based on the following procedure:

- The available collateral is valued at the liquidation value, taking account of the price effect in the case of liquidation and also deducting any reductions in value, holding costs and liquidation costs.
- If part of the loan is no longer secured against collateral, i.e. if the total loan exceeds the liquidation value of the collateral, Vontobel assesses the creditworthiness of the borrower. If it concludes that there are objective signs of impairment, a valuation adjustment is recorded for the relevant loan. The impairment is recorded under "Valuation adjustments, provisions and losses".

Interest income on loans that are not overdue is accrued in the period in which it is earned and recorded in "Net interest income". Increases in or reversals of impairment losses are recognized in "Valuation adjustments, provisions and losses". As a rule, they are derecognized at the point in which a legal title confirms the conclusion of the liquidation process.

Securities lending and borrowing transactions

The transfer of securities in the context of securities lending and borrowing transactions (due to the actual lending or borrowing transaction or as collateral) is not recorded in the balance sheet since the risks and rewards of ownership of the securities are not transferred. In securities lending transactions, cash collateral received is recorded in the balance sheet as "Cash collateral from securities lending agreements". In securities borrowing transactions, cash collateral provided is recorded in the balance sheet as "Cash collateral for securities borrowing agreements".

Fees and interest from securities lending and borrowing are accrued in interest income or interest expense in the period in which they are incurred.

Repurchase and reverse-repurchase agreements

Repurchase and reverse-repurchase agreements are treated as secured financing agreements. The transfer of securities in the case of repurchase and reverse-repurchase agreements is not recorded in the balance sheet since the risks and rewards of ownership of the securities are not transferred.

In reverse-repurchase agreements, cash collateral provided is stated in the balance sheet as "Cash collateral for reverse-repurchase agreements". In repurchase agreements, the cash collateral received is stated in the balance sheet as "Cash collateral from repurchase agreements".

Interest income from reverse-repurchase agreements and interest expense from repurchase agreements are accrued in the period in which they are incurred.

Negative interest rates

Negative interest on assets and liabilities is accrued in the period in which it is incurred and is shown in the income statement as interest expense or interest income.

Derivative financial instruments

Derivative instruments are stated at fair value and presented as positive and negative replacement values. Provided no hedge accounting (see note 37 "Hedge accounting") is applied for the relevant derivatives, realized and unrealized gains and losses are shown in "Trading income".

Hedge Accounting

Information on hedge accounting is provided in note 37.

3.4 Other basic principles

Own shares and derivatives on own shares

Vontobel Holding AG shares held by Vontobel are deducted from shareholders' equity in the item "Treasury shares" at weighted average cost. Changes in fair value are not recorded. When own shares are sold, the proceeds are recorded in "Capital reserve" and the corresponding acquisition cost is transferred from the balance sheet position "Treasury shares" to "Capital reserve".

Derivatives on own shares that must be physically settled qualify as equity instruments and are stated in shareholders' equity under "Capital reserve". Changes in fair value are not recognized. The settlement of a contract is treated like a purchase or sale of own shares.

Derivatives on own shares that must be settled in cash or that offer a choice of settlement method are treated as derivative financial instruments.

An exception are put options written on own shares and forward contracts to purchase own shares in which physical settlement has been agreed on or offered as an alternative. In both cases, the discounted strike price or forward price upon execution of the contract is deducted from shareholders' equity as a liability. This liability is increased during the contract term up to the strike price or forward price using the effective interest rate method. Upon settlement of a contract, the liability is either derecognized or transferred to shareholders' equity.

Share-based payment

According to the bonus model of Vontobel, the employees of most Vontobel companies are offered an annual bonus as well as a performance-related future allocation of shares. Employees have the right and/or the obligation to draw part of their annual bonus in shares of Vontobel Holding AG instead of in cash. The fair value of these shares at grant date is charged as personnel expense. Employees who draw part of their annual bonus in shares are entitled to receive additional Vontobel Holding AG shares after three years have lapsed provided certain criteria with regard to operating performance have been met. Market-related variables are fixed at the time the rights to receive these so-called performance shares are granted and are not adjusted during the vesting period. The share price used to determine personnel expense is calculated on the basis of the fair value of the Vontobel Holding AG share at this time, less the present value of the dividends expected during the vesting period. The variables that cannot be observed in the market, such as the future performance of the business and the probability that employees with rights to receive performance shares will leave the company early, are continually reassessed by management during the vesting period based on current developments and conditions. The estimated cost of the performance shares for the entire vesting period on the balance sheet date is charged as personnel expense on a pro rata temporis basis.

Property and equipment

Property and equipment include bank buildings, leasehold improvements, information technology and telecommunications equipment, software (IT core systems and other software, incl. software in development) and other fixed assets. The acquisition or production costs of property and equipment are capitalized if Vontobel is likely to obtain future economic benefits from them and the costs can be both identified and reliably determined. Property and equipment are depreciated on a straight-line basis over their estimated useful life as follows:

Property and equipment	
in years	
Bank buildings	max. 40
Leasehold improvements	max. 10
Information technology and telecommunications equipment	3
IT core systems	max. 10
Other software	3–5
Other fixed assets	2–5

Property and equipment are reviewed for impairment if events or circumstances indicate that the carrying amount may be impaired. If the carrying amount exceeds the recoverable amount, an impairment loss is recorded. Any reversals of impairments at a later date will be recognized in the income statement.

Goodwill and other intangible assets

The goodwill arising from the acquisition of a subsidiary (see section 3.1 "Consolidation principles" for details) is recognized as an asset in the balance sheet and assigned to one or more cash-generating units and is, in principle, subject to an annual impairment test. If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently to determine whether the book value of the relevant cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the book value of the cash-generating unit exceeds the recoverable amount, a goodwill impairment is recorded. Reversals of impairments are not recorded. This also applies if an impairment recorded in the first half of the year is partly or completely offset by a reversal of impairment in the second half of the year. Please refer to note 20 for details of the impairment test.

Other intangible assets comprise client relationships and brands acquired in the course of business combinations, as well as the cooperation agreement with Raiffeisen. They are depreciated on a straight-line basis over the useful life of five to ten years. The other intangible assets are tested for impairment if events or circumstances indicate that the book value may be impaired. If the book value exceeds the recoverable amount, an impairment loss is recorded. Any reversals of impairments at a later date will be recognized in the income statement. No other intangible assets with an indefinite useful life are capitalized in Vontobel's balance sheet.

Leasing

In the case of operating leasing, the leased assets are not reported in Vontobel's balance sheet since the related ownership rights and obligations remain with the lessor. The expenses resulting from operating leasing are recorded in the position "General expense". Vontobel does not have any significant finance leasing agreements.

Income taxes

Current income taxes are calculated on the basis of the applicable tax laws in individual countries and recognized as an expense in the period in which the related profits are made. Assets or liabilities from current income taxes are shown in the balance sheet items "Other assets" or "Other liabilities", respectively.

Deferred tax assets or deferred tax liabilities correspond to the tax effects arising from temporary differences between the carrying amounts of assets and liabilities in Vontobel's balance sheet and their corresponding tax values. They are included in the balance sheet items "Other assets" or "Other liabilities", respectively. Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled.

Current and deferred taxes are credited or charged to other comprehensive income or shareholders' equity if the taxes refer to items that are credited or charged to other comprehensive income or to shareholders' equity in the same or a different period.

Pension funds

Vontobel operates a number of pension plans for its employees in Switzerland and in other countries. They include both defined benefit and defined contribution plans. The pension plans in Switzerland have been set up according to the Swiss method of defined contributions but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plans are treated as defined benefit plans in the consolidated financial statements.

In the case of defined benefit plans, the pension obligations and expenses are determined by actuarial appraisals prepared by outside experts according to the projected unit credit method. The appropriate calculations are performed on an annual basis. The net amount recognized in the balance sheet corresponds to the funding surplus or funding deficit of the defined benefit pension plans, taking account of any possible restrictions on the amount of a surplus that can be recognized as an asset (asset ceiling). The net interest based on the net liability or net asset of the defined benefit pension plans, the current and (due to plan amendments or plan curtailments) past service costs, the administration costs (excluding asset management costs) and the gains and losses arising from plan settlements are recorded in personnel expense. Actuarial gains and losses on pension liabilities as well as the return on plan assets and changes due to the asset ceiling (following the deduction of the sums recorded in net interest) are recognized in other comprehensive income.

No actuarial calculations are required in order to record defined contribution plans in the balance sheet. The contributions to these types of pension plans are recorded in the income statement when the employees render the corresponding services, which is generally in the year in which the contributions are paid.

Provisions

A provision is recognized if Vontobel has, as a result of a past event, a current liability at the balance sheet date that will probably lead to an outflow of funds, the level of which can be reliably estimated. The recognition and release of provisions are recorded in the item "Valuation adjustments, provisions and losses". If an outflow of funds is unlikely to occur or the amount of the liability cannot be reliably estimated, a contingent liability is shown. If there is, as a result of a past event, a possible liability as of the balance sheet date whose existence depends on future developments that are not fully under Vontobel's control, a contingent liability is likewise shown.

4. Changes in financial reporting

4.1 Changes in accounting principles

4.1.1 Standards and interpretations that have been implemented

Vontobel has to apply the following new or revised standards and interpretations for the first time in the financial year 2016:

IAS 1 – Disclosure Initiative

The amendments to IAS 1 make clear that information is only to be disclosed in the notes to the financial statements if not immaterial. The amended IAS 1 also contains guidance on the aggregation and disaggregation of items in the balance sheet and statement of comprehensive income and explains how interests in other comprehensive income of companies recognized using the equity method are to be shown in the statement of comprehensive income. It also makes clear that understandability and comparability are to be considered when determining the order of the notes.

Vontobel made the following amendments (for the first time in the Half-Year Report 2016):

– The previous balance sheet items "Accrued income and prepaid expenses", "Current tax assets" and "Deferred tax assets" are now shown in the balance sheet item "Other assets" due to considerations of materiality. The values of the three previous balance sheet items are disclosed in note 21. As of 31 December 2016 (resp. as per 31 December 2015 and 31 December 2014), accrued income and prepaid expenses totalled CHF 155.9 mn (CHF 165.3 mn and CHF 183.1 mn), current tax assets totalled CHF 26.1 mn (CHF 21.9 mn and CHF 15.0 mn) and deferred tax assets totalled CHF 24.4 mn (CHF 27.8 mn and CHF 12.3 mn).
– The previous balance sheet items "Accrued expenses and deferred income", "Current tax liabilities" and "Deferred tax liabilities" are now shown in the balance sheet item "Other liabilities" due to considerations of materiality. The values of the three previous balance sheet items are disclosed in note 26. As of 31 December 2016 (resp. as per 31 December 2015 and 31 December 2014), accrued expenses and deferred income totalled CHF 305.2 mn (CHF 349.7 mn and CHF 341.9 mn), current tax liabilities totalled CHF 13.2 mn (CHF 8.0 mn and CHF 9.3 mn) and deferred tax liabilities totalled CHF 42.4 mn (CHF 50.4 mn and CHF 48.1 mn).
– The securities previously included in the balance sheet item "Securities lent or delivered as collateral" are now shown in their original balance sheet items ("Trading portfolio assets", "Other financial assets at fair value" and "Financial investments") due to considerations of materiality and transparency. The corresponding information is shown in the notes on these balance sheet items (notes 14 and 16) and in note 23. As of 31 December 2016 (resp. as per 31 December 2015 and 31 December 2014), the corresponding securities in trading portfolio assets totalled CHF 114.8 mn (CHF 57.6 mn and CHF 23.8 mn), in other financial assets at fair value totalled CHF 112.8 mn (CHF 217.4 mn and CHF 137.3 mn) and in financial investments totalled CHF 0.0 mn (CHF 0.0 mn and CHF 0.0 mn).

Other new standards and interpretations

The following new or revised standards and interpretations did not have any impact on Vontobel or were not relevant to Vontobel when applied for the first time:
– IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations;
– IFRS 14 – Regulatory Deferral Accounts;
– IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization;
– IAS 16 and IAS 41 – Agriculture: Bearer Plants;
– IAS 27 – Equity Method in Separate Financial Statements;
– IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception;
– Annual Improvements 2012–2014.

4.1.2 Other changes

None.

4.2 Changes in estimates

No material changes in estimates.

5. Standards and interpretations that have not yet been implemented

Various new and revised standards and interpretations have to be applied with effect from 1 January 2017 or a later date. Vontobel has not made use of the option of applying the following standards and interpretations prior to the effective dates.

IFRS 9 – Financial Instruments
In July 2014, the IASB published the final version of IFRS 9. The new standard replaces IAS 39 and contains guidelines on the classification and measurement of financial assets and liabilities, the identification of impairment of financial assets, and hedge accounting.

The classification and measurement of financial assets is based on the contractual cash flows from financial assets and on the business model in which they are held. In the case of debt instruments, the following categories exist:
– Recognition in the balance sheet at amortized cost using the effective interest method;
– Recognition in the balance sheet at fair value, with changes in fair value being recognized in other comprehensive income and transferred to the income statement if the instrument is sold;
– Recognition in the balance sheet at fair value, with changes in fair value being recognized in the income statement.

In the event of an accounting mismatch, the fair value option can be applied to a debt instrument that would fall within one of the first two categories.

All equity instruments are measured at fair value and, in principle, changes in their fair value are recorded in the income statement. If an equity instrument is not held for trading purposes, it can be irrevocably classified as an instrument that is measured at fair value the first time it is recorded in the balance sheet. However, with the exception of dividends, all of its income components are recorded in other comprehensive income and are not transferred to profit and loss under any circumstances.

IFRS 9 incorporates the rules on the classification and measurement of financial liabilities set out in IAS 39. A new feature in IFRS 9 is that the impact of the change in own credit risk from financial liabilities, for which the fair value option is applied, is now recorded in other comprehensive income. However, if this treatment would create or enlarge an accounting mismatch in the income statement, the impact of the change in own credit risk should continue to be recorded in the income statement according to the method used in IAS 39.

It is primarily financial assets measured at amortized cost or financial assets where changes in fair value are recognized in other comprehensive income that fall within the scope of the new impairment model. Upon initial recognition of these instruments, the present value of expected credit losses resulting from possible default events within the next 12 months are recognized through profit or loss. If there has been a significant increase in the risk of default since the initial recognition of the instrument, the present value of all expected credit losses over the remaining life of the instrument are recorded through profit or loss.

The new general hedge accounting model enables companies to better reflect their risk management activities in their financial statements by providing more opportunities to apply hedge accounting and by allowing flexibility in how an economic relationship between the hedged item and the hedging instrument is demonstrated.

IFRS 9 has to be applied from 1 January 2018. Based on current analyses, Vontobel does not expect the new provisions to have any significant overall impacts.

IFRS 15 – Revenue from Contracts with Customers
The new standard provides a five-step model for the recognition of revenue that should, in principle, be applied to all customer contracts. The model comprises the following steps:
– Identify the contract with the customer;
– Identify distinct performance obligations in the contract;
– Determine the transaction price;
– Allocate the transaction price to the performance obligations in the contract;
– Recognize revenue when the performance obligations are satisfied.

IFRS 15 contains new guidelines on whether revenue should be recognized at a certain point in time or over time. For cases involving variable consideration, a new recognition threshold was introduced. Under this reporting standard, variable amounts are only included in revenue if it is highly probable that a significant revenue reversal will not occur in the future as a result of re-estimation.

The new standard provides detailed guidance on various issues, such as identifying distinct performance obligations and accounting for contract modifications. The standard also introduces new guidance on the costs of fulfilling and obtaining a contract, as well as specifying the circumstances in which such costs should be capitalized. The new standard includes significantly increased requirements for the disclosure of revenue in the financial statements.

IFRS 15 has to be applied from 1 January 2018. Based on current analyses, Vontobel does not expect the new provisions to have any significant overall impacts.

IFRS 16 – Leases

In January 2016, the IASB published the new standard for the financial reporting of leases. The new standard introduces a new lessee accounting model that eliminates the classification of leases as either finance leases or operating leases. For all leases, the lessee recognizes a leasing liability for its obligation to make future lease payments. At the same time, the lessee capitalizes the right to use the underlying asset, which basically corresponds to the present value of future lease payments plus directly attributable costs. Exemptions apply in the case of short-term leases and low-value lease assets. IFRS 16 replaces IAS 17 and the related interpretations and is to be applied for the first time to financial years beginning on or after 1 January 2019. Based on current analysis, Vontobel does not expect the new provisions to have any significant overall impacts with the exception of the recognition of leasing liabilities and rights of use.

Other new standards and interpretations

Based on initial analyses, the following new and revised standards and interpretations are not expected to have any significant impact on Vontobel's net profit, comprehensive income and shareholders' equity or are not expected to be relevant to Vontobel:

- IAS 7 – Disclosure Initiative;
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses;
- IAS 40 – Transfers of Investment Properties;
- IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- IFRS 4 – Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- Annual Improvements 2014–2016.

Risk management and risk control

1. Risk policy

A conscious and prudent approach to risk is a prerequisite for the sustained, long-term success of Vontobel as an internationally oriented Swiss banking group specializing in wealth and asset management and investment banking. The assumption of risk is an inherent part of the activities of the three divisions Private Banking, Asset Management and Investment Banking. The Group-wide risk culture, which is firmly established at every level of the company and is reviewed on an ongoing basis, ensures that risks are recognized and that appropriate control and mitigation mechanisms are implemented and refined.

In its risk policy, Vontobel defines the relevant risk categories and the corresponding risk profiles, as well as the powers of authorization, organizational structure, methods and processes relating to the management and control of risks. The appropriateness of the risk policy is reviewed at least once annually by the Board of Directors.

The Board of Directors evaluates and monitors the Group's Internal Control System using a systematically developed risk analysis model discussed with the Executive Board.

The Risk Management and Risk Control units ensure that all risks are managed and monitored with the utmost care.

The most important principles regarding risk management and control are:
– Clearly delegated responsibilities and authority
– Alignment of risk profile and risk capacity
– Independent control functions and adequate human and technical resources
– Adequate internal control systems
– Transparency regarding the risks taken

Clear responsibilities and powers of authorization
Organizational aspects and powers of authorization relating to the management and control of all risks have been defined as follows:
– The Board of Directors has the ultimate responsibility for risk issues.
– The Executive Board is responsible for the operational implementation of the risk policy and for the management and control of all risks.
– The heads of the divisions are responsible for managing risks in accordance with the relevant qualitative and quantitative guidelines.
– The Risk Control unit is responsible for risk control.

Alignment of risk profile and risk capacity
Comprehensive, combined Group-wide stress tests are conducted on a regular basis. In addition to market and credit risks (i.e. position risks), these tests assess operational risks as well as risks relating to income and costs. The results of the stress tests are compared with Vontobel's risk capacity to ensure that its risk profile does not exceed the available risk capacity and that any adjustments are made promptly.

Independent control functions as well as adequate human and technical resources
The Risk Control unit reports directly to the Head of the Finance & Risk division, who works independently from the business divisions and is a member of the Executive Board.

Risk Control is organized into various teams, which are responsible for the subsequent independent monitoring of market risks, credit and counterparty risks and operational risks in general, as well as the risks that result when client assets are not invested in accordance with internal or external regulations (investment control) in particular.

In terms of operational risks in particular, an important role is also played by the Legal, Compliance & Tax unit, which reports to the Head of the Operations division who also works independently from the divisions and is a member of the Executive Board.

The Risk Control unit is primarily responsible for identifying risks related to ongoing business activities, changes in the environment (markets or regulation) or the launch of new activities (new products and services or new markets). Secondly, it records the identified risks using suitable methods and quantifies them using measuring systems as far as possible. These risks are then consolidated, analyzed and monitored. Vontobel employs conventional methods and procedures to achieve this (see the following sections on the individual risk categories). Market and credit risks are monitored on a daily basis and compared with the limits that have been set. If any limits are exceeded, this is reported immediately and the position is monitored closely until the additional exposure is reduced. The Risk Control unit's third responsibility is to transparently present the risks that have been assumed.

Adequacy of internal control systems
The management and control of all risks is essentially performed using a holistic approach referred to as the Internal Control System (ICS). In accordance with the FINMA Circular 08/24 "Supervision and Internal Control at Banks", as well as the provisions governing control processes during the production of financial statements according to the Swiss Code of Obligations, existing control processes are regularly reviewed and further optimized. As well as ensuring compliance with legal and regulatory requirements, the focus is on ensuring the effectiveness, efficiency and reliability of business processes as well as of financial information and risk data.

Transparency regarding the risks taken
Vontobel's risk policy distinguishes between strategic, market, liquidity, credit, operational and reputational risks. The latter are considered to be of particular and overriding importance. The Board of Directors, Executive Board and employees know that the good reputation of Vontobel and the trust which is placed in it are based on their ability to strike a balance between profit orientation, risk tolerance and compliance with mandatory rules of conduct each day.

The transparent presentation of the risk profile in consolidated form and of the individual risks that have been assumed in detailed form is a core function of the Risk Control team (see above). The front office areas that are responsible for risk management are informed about market and credit risks on a daily basis, mainly via suitable reports. However, reports on operational risks are provided at appropriate intervals rather than on a daily basis.

The Executive Board and the Board of Directors are informed in full about any changes in individual risk factors and the Group's risk profile via consolidated periodic risk reports. The valuation principles are set out in note 33.

2. Strategic risk

Vontobel defines strategic risk as the risk that the strategic objectives it has set, and the operational objectives derived from them, will not be realized in the course of current business operations due to a failure to adequately adapt to changing operating conditions or as a result of decisions that subsequently prove to be wrong.

Strategic risk is regularly reviewed and assessed as part of Vontobel's holistic approach to risk monitoring, with a particular focus being placed on the assessment of the environment and of the company's strategic direction. The Executive Board is informed of the qualitative results of the analysis, which are approved by the Board of Directors. If necessary, risk mitigation measures are defined and implemented. These measures are also taken into account in strategic and operational planning.

3. Market risk

3.1 General information
Market risk refers to the risk of losses as a result of changes in market parameters such as interest rates, credit spreads, foreign exchange rates, stock prices or commodities prices and the corresponding volatilities. Market risks are relevant in various areas, both within and outside Investment Banking.

In **Investment Banking,** the major proportion of the risk positions originates from the business with proprietary products such as warrants, certificates and structured products, as well as the hedging of these instruments. The Financial Products business unit in Investment Banking is responsible for these positions, as well as for foreign exchange and money market trading, the management of the foreign exchange position and collateral trading (repo transactions and securities lending and borrowing transactions). Market risks are limited and monitored using a multi-level system of limits. In addition to the Value at Risk limits and stress exposure limits prescribed at a global level and for each trading unit, this system defines a wide range of detailed sensitivity limits and volume limits in order to control and limit risks.

Positions involving market risks are also held **outside Investment Banking.** These financial investments consist of broadly diversified portfolios and non-consolidated holdings, with the allocation to equities being maintained at a consistently low level. The financial investments are classified as "available-for-sale". Non-strategic exposures in equity instruments and investment funds (including alternative investments) are classified as "Other financial assets at fair value through profit and loss" (see note 14). To quantify and limit risk, the same measurement methods – i.e. Value at Risk and stress exposure – are used for these positions at a consolidated level as for the positions held by Investment Banking.

Further information on market risks at **overall balance sheet level** (interest rate risks and currency risks) can be found in section 3.3 "Market risks related to the balance sheet structure".

3.2 Market risks related to Investment Banking and other securities holdings

3.2.1 Value at Risk (VaR)

The management and control of market risks for all the positions in Investment Banking as well as for securities holdings outside Investment Banking is based on specific sensitivity and volume limits as well as on Value at Risk and stress exposure measurements, in line with the general market standard.

VaR is measured daily using the historical simulation method. All instruments are revalued based on historical changes to the risk factors. As a result, the historically observed volatility of the individual risk factors and the historically observed correlations between the individual risk factors are imputed directly into the VaR calculations. The confidence level is 99%, the holding period is set at one day and the historical period of observation to determine the time series relevant to VaR extends over the last four years.

The following table shows the VaR for Vontobel as a whole, as well as for Investment Banking. The average VaR for the year under review totalled CHF 8.7 mn for Vontobel as a whole, of which CHF 2.7 mn related to Investment Banking (2015: average VaR of CHF 9.9 mn for Vontobel and of CHF 3.0 mn for Investment Banking).

The table also shows the relative importance of the VaR of the individual risk factors as a proportion of total VaR. The average VaR figures indicate that in the case of Vontobel, equity risks and interest rate risks (including issuer-specific credit spread risks) represent the most significant risk factors and are comparable in scale. Currency and commodities risks are of secondary importance.

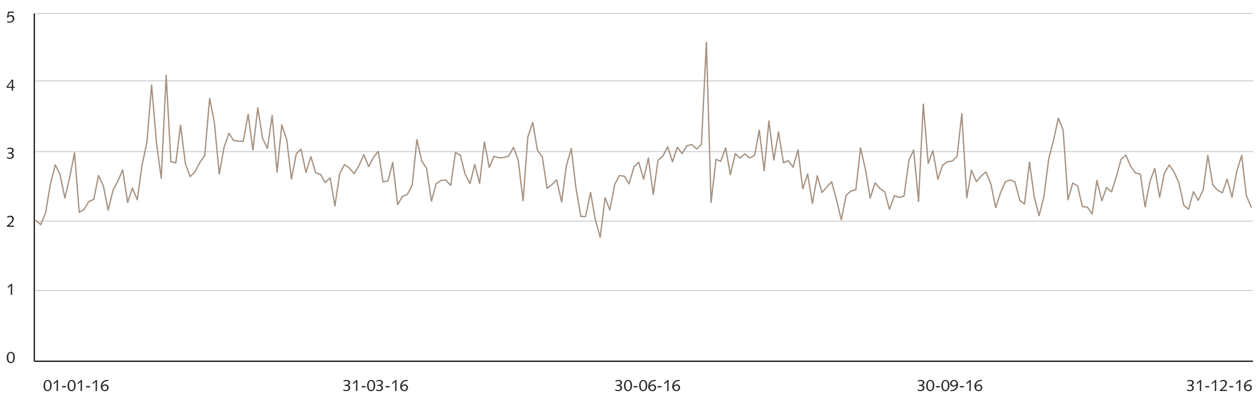
Value at Risk (VaR) for Vontobel overall and for Investment Banking[1]						
CHF mn	Equities[2]	Interests incl. credit spread	Currencies[3]	Commo-dities	Diversi-fication	**31-12-16 Total**
Vontobel:	**1.7**	**4.5**	**1.8**	**1.1**	**(4.1)**	**5.0**
Average	6.0	4.8	2.2	1.1	(5.4)	**8.7**
Minimum	1.1	3.0	0.9	0.1	n/a[4]	**3.6**
Maximum	9.5	6.5	6.4	3.0	n/a[4]	**13.0**
of which Investment Banking:	1.7	1.6	0.5	1.1	(2.7)	**2.2**
Average	1.4	2.1	0.5	1.2	(2.5)	**2.7**
Minimum	0.6	0.7	0.2	0.2	n/a[4]	**1.8**
Maximum	3.4	3.1	2.5	3.1	n/a[4]	**4.6**

Value at Risk (VaR) for Vontobel overall and for Investment Banking[1]						
CHF mn	Equities [2]	Interests incl. credit spread	Currencies [3]	Commo-dities	Diversi-fication	31-12-15 Total
Vontobel:	**7.2**	**5.1**	**2.0**	**0.7**	**(6.1)**	**8.9**
Average	8.8	5.1	2.6	0.4	(7.0)	9.9
Minimum	6.1	4.2	1.3	0.1	n/a[4]	7.9
Maximum	12.1	7.2	7.3	1.4	n/a[4]	13.4
of which Investment Banking:	1.4	1.5	0.4	0.8	(2.4)	1.7
Average	2.0	2.1	0.8	0.4	(2.3)	3.0
Minimum	1.1	1.5	0.2	0.1	n/a[4]	1.7
Maximum	6.4	5.7	4.5	1.2	n/a[4]	6.9

[1] 99% confidence level; 1-day holding period; historical observation period of the last four years. The contributions to the risk factors include both price and volatility risks.
[2] Including positions in investment funds and hedge funds
[3] Including precious metals
[4] The maximum and minimum exposures for the total VaR and component VaR may have arisen on different days. Diversification is therefore not applicable here.

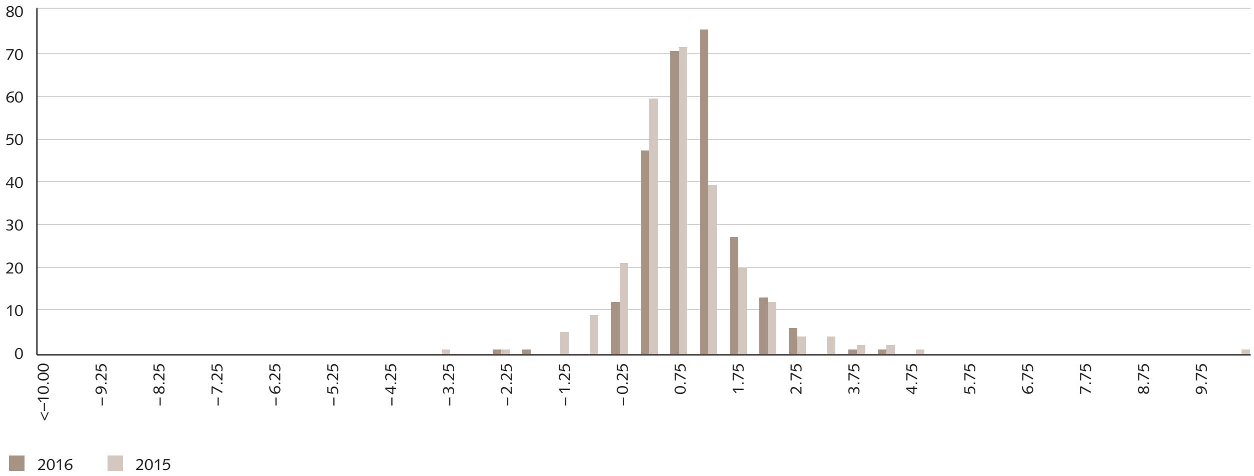
The graph below shows the development over time of 1-day VaR for the positions of Investment Banking/Financial Products at Vontobel. There is also a graph to show the frequency distribution of daily gains and losses for the years 2016 and 2015.

Value at Risk (VaR)[1] for the positions of Investment Banking/Financial Products
CHF mn



[1] 99% confidence level; 1-day holding period; last four years historical observation period

Frequency distribution of the gains and losses of the positions Investment Banking/Financial Products[1]
number of days



[1] The reported gains and losses represent actual income incl. spreads as well as income from intraday trading (in CHF mn).

3.2.2 Stress exposure

In addition to the VaR limits based on a 99% confidence level, stress exposure limits have also been defined. The corresponding stress tests are conducted on a daily basis. All positions held by Investment Banking and all other securities positions are re-evaluated in a variety of stress scenarios (with 1-day and 10-day holding periods) and the scenario with the largest loss is subsequently defined as the stress exposure. The calculations are based on historical and institute-specific stress scenarios. The stress scenarios are reviewed regularly and are supplemented or adapted where necessary based on changes in the market environment and risk positioning.

3.3 Market risks related to the balance sheet structure

The Treasury unit is responsible for managing the balance sheet structure, capital and liquid assets. Interest rate risks and currency risks are monitored and limited as part of the Group's asset and liability management (ALM) activities. Treasury is also responsible for securing refinancing and monitoring liquidity risk on a continuous basis.

3.3.1 Interest rate risk

Interest rate and foreign-exchange risks arise in balance sheet management through differing interest commitments and foreign currencies on the asset and liability side of the balance sheet and of off-balance-sheet items. These risks are managed and monitored at an aggregated level. The interest rate sensitivities of the market value of shareholders' equity (broken down to show positions within and outside Investment Banking) are presented below. The table shows the gains and losses by currency and maturity range, assuming a +/–100 basis point change in interest rates in accordance with the reporting of interest rate risks prescribed by FINMA Circular 08/6. Assuming additive aggregation between individual currencies, the sensitivity to a +100 basis point change corresponds to CHF +10.9 mn for the current year and CHF +3.2 mn for the previous year.

Interest rate risk						
					Interest sensitivity as of 31-12-16	
CHF mn	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	**Total**
Interest rate risk						
+100 basis points						
CHF: Vontobel	0.4	(0.1)	2.5	28.6	(12.4)	**19.0**
of which IB	0.1	(0.1)	0.7	6.9	2.5	**10.1**
of which non-IB	0.3	0.0	1.8	21.7	(14.9)	**8.9**
USD: Vontobel	0.2	0.4	0.0	(9.7)	(4.1)	**(13.2)**
of which IB	0.0	0.4	1.0	(0.2)	(0.2)	**1.0**
of which non-IB	0.2	0.0	(1.0)	(9.5)	(3.9)	**(14.2)**
EUR: Vontobel	0.1	(0.3)	5.6	0.7	(4.9)	**1.2**
of which IB	0.0	(0.1)	4.4	(4.4)	(0.1)	**(0.2)**
of which non-IB	0.1	(0.2)	1.2	5.1	(4.8)	**1.4**
Others: Vontobel	0.1	0.1	0.5	3.7	(0.5)	**3.9**
of which IB	0.0	0.1	0.1	(1.8)	(0.5)	**(2.1)**
of which non-IB	0.1	0.0	0.4	5.5	0.0	**6.0**
–100 basis points						
CHF: Vontobel	(0.4)	0.8	(2.5)	(29.2)	13.9	**(17.4)**
of which IB	(0.1)	0.8	(0.7)	(6.8)	(2.5)	**(9.3)**
of which non-IB	(0.3)	0.0	(1.8)	(22.4)	16.4	**(8.1)**
USD: Vontobel	(0.2)	(0.5)	0.0	10.4	4.5	**14.2**
of which IB	0.0	(0.5)	(1.0)	0.2	0.3	**(1.0)**
of which non-IB	(0.2)	0.0	1.0	10.2	4.2	**15.2**
EUR: Vontobel	(0.1)	0.3	(5.7)	(2.1)	0.9	**(6.7)**
of which IB	0.0	0.1	(4.5)	2.9	(4.2)	**(5.7)**
of which non-IB	(0.1)	0.2	(1.2)	(5.0)	5.1	**(1.0)**
Others: Vontobel	(0.1)	(0.2)	(0.7)	(3.9)	0.6	**(4.3)**
of which IB	0.0	(0.2)	(0.2)	1.8	0.6	**2.0**
of which non-IB	(0.1)	0.0	(0.5)	(5.7)	0.0	**(6.3)**

IB = Investment Banking

Interest rate risk						
					Interest sensitivity as of 31-12-15	
CHF mn	up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	more than 5 years	Total
Interest rate risk						
+100 basis points						
CHF: Vontobel	0.0	0.2	0.9	22.7	(8.1)	15.7
of which IB	(0.3)	0.2	(1.1)	2.5	(2.3)	(1.0)
of which non-IB	0.3	0.0	2.0	20.2	(5.8)	16.7
USD: Vontobel	(0.2)	(0.6)	1.3	(19.0)	(4.6)	(23.1)
of which IB	(0.3)	(0.4)	(0.4)	(0.1)	(0.4)	(1.6)
of which non-IB	0.1	(0.2)	1.7	(18.9)	(4.2)	(21.5)
EUR: Vontobel	(0.1)	(1.7)	3.3	1.2	4.5	7.2
of which IB	(0.1)	(1.5)	1.5	(9.6)	4.8	(4.9)
of which non-IB	0.0	(0.2)	1.8	10.8	(0.3)	12.1
Others: Vontobel	0.1	0.1	(0.2)	4.0	(0.6)	3.4
of which IB	0.0	0.1	(0.7)	(0.7)	(0.6)	(1.9)
of which non-IB	0.1	0.0	0.5	4.7	0.0	5.3
–100 basis points						
CHF: Vontobel	0.0	(0.1)	(1.1)	(22.9)	9.6	(14.5)
of which IB	0.3	(0.1)	0.9	(2.1)	3.1	2.1
of which non-IB	(0.3)	0.0	(2.0)	(20.8)	6.5	(16.6)
USD: Vontobel	0.2	0.5	(1.4)	20.0	5.0	24.3
of which IB	0.3	0.3	0.3	(0.1)	0.5	1.3
of which non-IB	(0.1)	0.2	(1.7)	20.1	4.5	23.0
EUR: Vontobel	0.1	2.5	(3.6)	(3.2)	(6.1)	(10.3)
of which IB	0.1	2.2	(1.8)	7.8	(6.5)	1.8
of which non-IB	0.0	0.3	(1.8)	(11.0)	0.4	(12.1)
Others: Vontobel	(0.1)	(0.1)	0.2	(4.0)	0.6	(3.4)
of which IB	0.0	(0.1)	0.7	0.8	0.6	2.0
of which non-IB	(0.1)	0.0	(0.5)	(4.8)	0.0	(5.4)

IB = Investment Banking

Under IFRS, the market value effect of changes in interest rates in Investment Banking essentially has an impact on the income statement, as well as on shareholders' equity as a result of changes in retained earnings. However, the only impact outside Investment Banking is on interest rate sensitive positions that are assigned to the category "fair value through profit and loss" under IFRS. In the case of interest rate sensitive financial investments in the category "available-for-sale", the market value effect of changes in interest rates only has an impact on shareholders' equity.

If interest rates changed by +100 (–100) basis points, the impact on pre-tax profit in Investment Banking would be CHF +8.8 mn as of 31-12-16 and CHF –9.4 mn as of 31-12-15 (31-12-16: CHF –14.0 mn, 31-12-15: CHF +7.2 mn) and the pre-tax impact on consolidated shareholders' equity would be CHF –48.9 mn as of 31-12-16 and CHF –67.3 mn as of 31-12-15 (31-12-16: CHF +46.4 mn, 31-12-15: CHF +67.8 mn).

In view of the limited significance of interest income from variable interest-bearing positions or positions which expire in the course of the year, the impact of a change in interest rates on income levels has not been simulated.

3.3.2 Currency risk

As in the case of interest rate risks, currency risks relating to trading positions and the balance sheet structure are kept at a low level. This is achieved primarily through currency-congruent investments and refinancing activities. The following table shows the sensitivities to changes in foreign exchange rates of +/–5% according to internal reports.

Currency risk

					Currency sensitivity as of 31-12-16	
1,000 CHF	USD	EUR	JPY	GBP	Precious metals	Others
+5%						
Vontobel	5,444.7	6,331.9	(17.2)	2,463.1	(32.5)	3,470.7
of which IB	(45.3)	446.4	(10.6)	145.9	(32.5)	223.2
of which non-IB	5,490.0	5,885.5	(6.6)	2,317.2	0.0	3,247.5
–5%						
Vontobel	(5,895.1)	(6,833.8)	(180.9)	(2,524.6)	(312.5)	(3,115.7)
of which IB	(405.1)	(948.3)	(187.5)	(207.4)	(312.5)	131.8
of which non-IB	(5,490.0)	(5,885.5)	6.6	(2,317.2)	0.0	(3,247.5)

Currency risk

					Currency sensitivity as of 31-12-15	
1,000 CHF	USD	EUR	JPY	GBP	Precious metals	Others
+5%						
Vontobel	5,368.8	4,865.4	(102.7)	2,541.1	336.3	3,091.7
of which IB	39.7	(1,276.1)	(100.9)	282.5	345.6	152.8
of which non-IB	5,329.1	6,141.5	(1.8)	2,258.6	(9.3)	2,938.9
–5%						
Vontobel	(6,170.5)	(5,552.5)	(88.4)	(2,353.0)	(639.4)	(3,103.1)
of which IB	(841.4)	589.0	(90.2)	(94.4)	(648.7)	(164.2)
of which non-IB	(5,329.1)	(6,141.5)	1.8	(2,258.6)	9.3	(2,938.9)

IB = Investment Banking

4. Liquidity risk and refinancing

Liquidity risk refers to the risk of being unable to cover short-term funding needs at any time (e. g. due to the impossibility of substituting or renewing deposits, outflows of funds due to drawing on lending commitments or margin calls, etc.). Liquidity risk management ensures that Vontobel always has sufficient liquidity to be able to fulfil its payment obligations, even in stress scenarios. The liquidity risk management system therefore comprises functional risk measurement and control systems to ensure its continuous ability to pay its obligations at any time. It also defines strategies and requirements for the management of liquidity risk under stress conditions as part of the defined liquidity risk tolerance. They mainly include risk mitigation measures, the holding of a liquidity buffer comprising highly liquid assets, and a contingency plan to manage any liquidity shortfalls.

The diversification of sources of refinancing and access to the repo market ensure that cash and cash equivalents are rapidly available on a secured basis if required. Liquidity is monitored and assured on a daily basis. The continuous monitoring of the volume and quality of available collateral also ensures that Vontobel always has adequate refinancing capabilities. In the event of an unexpected tightening of liquidity, the Group can also access a portfolio of positions that retain their value and can easily be liquidated.

The maturity structure of assets and liabilities is shown in note 32. Liquidity has to be provided for the daily market making required for the issuing and trading business. Consequently, the balance sheet positions “Trading portfolio assets”, “Positive replacement values”, “Other financial assets at fair value”, “Trading portfolio liabilities”, “Negative replacement values” and “Other financial liabilities at fair value” are not broken down into individual cash flows and divided into different maturity ranges but are, instead, reported at fair value in the “Demand” column. In the case of the other financial balance sheet positions, the book values are reported in the maturity range which represents the earliest point at which payment can be demanded according to the contractual provisions. In view of the predominantly short maturities, the breakdown of these positions into individual cash flows would provide an only marginally different view.

As part of the package of reforms announced by the Basel Committee on Banking Supervision (BCBS) in December 2010, it was decided that two quantitative minimum standards for liquidity management would be introduced: (a) the minimum liquidity ratio or “liquidity coverage ratio” (LCR), which took effect on 1 January 2015, and (b) the structural liquidity ratio or “net stable funding ratio” (NSFR), which is to be introduced by no later than 1 January 2018.

Liquidity Coverage Ratio in accordance with FINMA Circular 15/2

Average	**2nd Half year 2016**	4th Quarter 2016	3rd Quarter 2016
Total stock of high quality liquid assets (HQLA) in CHF mn	**6,973.2**	7,262.0	6,684.3
Total net cash outflows in CHF mn	**3,202.1**	3,397.6	3,006.6
Liquidity Coverage Ratio LCR in %	**217.8**	213.7	222.3

The liquidity coverage ratio is disclosed 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 half-year. 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 2016, the liquidity coverage ratio had to exceed 70%. 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.

5. Credit risk

5.1 General information

Credit risk concerns the risk of losses should a counterparty fail to honour its contractual obligations. In the case of Vontobel, credit risk comprises:

– Default risks from lending against collateral ("lombard lending") and mortgage-backed loans
– Default risks from bond positions (issuer risk)
– Default risks from money market investments
– Default risks related to securities lending and borrowing, repo transactions, collateral management and derivatives, as well as
– Default risks related to settlement.

In principle, Vontobel does not engage in commercial lending. Since autumn 2016, mortgages have been offered to Vontobel clients and employees to finance real estate.

5.2 Lending to private and institutional investment clients

In the case of private and institutional investment clients, Vontobel engages primarily in lending against collateral, i.e. the extension of loans is subject to the provision of securities that serve as easily realizable collateral. As a restriction on lending, limits on blanket credit lines are set for each client. These limits cover all the exposures assumed in respect of each client. These exposures (including the risk add-ons determined by the type of exposure) must essentially be covered by the collateral value of the collateral (securities after haircuts). Exposures that are only secured from a market value perspective but not after the application of collateral add-ons or haircuts, or exposures that are secured by collateral that is not recognized according to the guidelines of the Basel Committee on Banking Supervision, are only assumed in exceptional cases in respect of these clients. The lending value of positions and portfolios is generally determined in accordance with the "comprehensive approach" prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The quality of the collateral (volatility, rating, liquidity and tradability) and the diversification of the portfolio and currency risks are considered in the calculation.

In cases where the exposures are covered by market values but not by collateral values (i.e. after taking account of risk discounts), a default process is initiated with the aim of restoring cover through the reduction of the exposures, portfolio switches or the provision of additional collateral.

As of 31-12-16, gross exposures to private clients and institutional investment clients totalled CHF 2,944.6 mn (31-12-15: CHF 2,718.9 mn), of which CHF 2,838.3 mn (31-12-15: CHF 2,615.1 mn) was secured by recognized financial collateral (after risk discounts) and CHF 106.3 mn (31-12-15: CHF 103.8 mn) was not secured by recognized financial collateral.

Lending to private and institutional investment clients[1]

CHF mn	Covered by recognized collateral	Not covered by recognized collateral	**31-12-16 Total**
Lending exposure	2,894.3	106.3	**3,000.6**

Lending to private and institutional investment clients[1]

CHF mn	Covered by recognized collateral	Not covered by recognized collateral	31-12-15 Total
Lending exposure	2,615.1	103.8	2,718.9

[1] Comprises not only cash credits but also the total due from private and institutional investment clients.

5.3 Exposures to professional counterparties and issuer risk

Vontobel has both secured and unsecured exposures to professional counterparties.

Secured exposures result from securities lending and borrowing, repo transactions, the collateral management of margin obligations and margin calls, as well as the collateralization of OTC derivatives that are eligible for netting. The **mitigation of credit risks** using securities as easily realizable liquid collateral is of key importance for these types of transactions. The transactions are generally concluded on the basis of collateralized netting agreements with strict requirements regarding eligible collateral, appropriate contractual collateral values and low contractual thresholds and minimum transfer amounts. The daily calculation and comparison of credit exposures and collateral is a core element of the management and monitoring of credit risks. During this process, conservative add-on factors are applied to the credit exposures and conservative haircuts are applied to the collateral in accordance with the "comprehensive approach" prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The different add-ons and haircuts are determined according to the instrument, rating, term to maturity, liquidity and tradability.

Unsecured exposures mainly comprise the **issuer risks in bond portfolios** held in Investment Banking or for the purpose of balance sheet management. They also include exposures relating to money market transactions, accounts, guarantees and contractual independent amounts (threshold values and minimum transfer amounts) that are agreed with counterparties in netting agreements for securities lending and borrowing, repurchase agreements and the collateralization of OTC derivatives.

Settlement risks are reduced through the use of the Continuous Linked Settlement (CLS) system when conducting foreign currency transactions. Vontobel is connected to the CLS system as a third party.

All exposures to professional counterparties and issuers are monitored and restricted using a differentiated **system of limits** – which is defined in the Credit Regulations and is reviewed annually – for the individual counterparty categories, rating segments, countries and regions.

Vontobel bases the management and limitation of exposures to professional counterparties on internal assessments by the Credit Research unit as well as on the ratings of external agencies recognized by FINMA. It uses the ratings of Fitch, Moody's, S&P and Fedafin (public sector bodies only). If various ratings exist for a specific position, the relevant rating is assigned according to the rules prescribed by the Basel Committee on Banking Supervision.

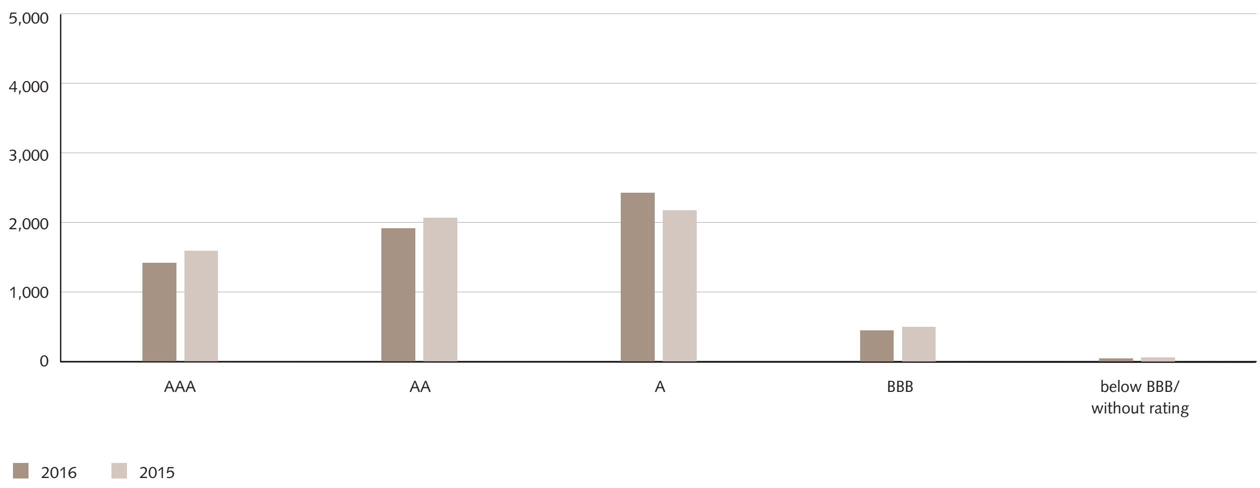
The requirements regarding **counterparty creditworthiness** are particularly high for unsecured credit risks as well as issuer risks. The breakdown of unsecured counterparty and issuer risks by rating category is shown in the following table and graph. This and the following tables only contain information on current unsecured exposures without potential exposures relating to collateralized positions. The figures including the application of add-ons or haircuts in accordance with capital regulations are presented in the tables in the section on capital.

Breakdown of unsecured counterparty and issuer risks by rating[1]						
CHF mn	AAA	AA	A	BBB	below BBB/ without rating	**31-12-16 Total**
Issuer risk from debt instruments[2]	1,380.3	1,655.1	2,141.1	349.6	36.9	**5,563.0**
Money market and accounts[3]	26.6	234.9	82.4	96.2	3.6	**443.7**
Other financial receivables[4]	13.5	28.5	203.3	4.3	1.8	**251.4**
Total	**1,420.4**	**1,918.5**	**2,426.8**	**450.1**	**42.3**	**6,258.1**
Share (%)	22.7	30.6	38.8	7.2	0.7	**100.0**

Breakdown of unsecured counterparty and issuer risks by rating[1]						
CHF mn	AAA	AA	A	BBB	below BBB/ without rating	31-12-15 Total
Issuer risk from debt instruments[2]	1,483.1	1,945.1	1,886.7	447.0	59.8	5,821.7
Money market and accounts[3]	98.7	95.2	136.1	45.5	1.9	377.4
Other financial receivables[4]	9.3	29.9	150.6	9.9	0.5	200.2
Total	**1,591.1**	**2,070.2**	**2,173.4**	**502.4**	**62.2**	**6,399.3**
Share (%)	24.9	32.3	34.0	7.8	1.0	100.0

[1] Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities.
[2] Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 939.1 mn as of 31-12-16 or CHF 980.3 mn as of 31-12-15.
[3] The cash account of CHF 2,827.1 mn as of 31-12-16 or CHF 2,470.0 as of 31-12-15 deposited at the SNB has been excluded.
[4] Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees, and pledged capital life insurance policies.

Breakdown of Vontobel's credit risk by rating
CHF mn



The exposures mainly relate to the rating categories "AAA" and "AA", as shown in the previous table and graph: as of 31-12-16, 53% (31-12-15: 57%) of the exposures related to these categories of high creditworthiness. 92% of the exposures comprised a rating of "A" or above (31-12-15: 91%). The proportion of exposures with a rating of less than "BBB" or with no rating was 1% (31-12-15: 1%). The cash account of CHF 2,827.1mn (31-12-15: CHF 2,470.0 mn) deposited at the SNB has been excluded.

The breakdown of credit exposures by counterparty type as well as by geographical region is illustrated in the following table.

Breakdown of unsecured counterparty and issuer risks by counterparty type[1]				
CHF mn	Banks	Other corporations/ institutions without bank status	Governments/ public sector bodies	**31-12-16 Total**
Issuer risk from debt instruments[2]	2,269.0	1,361.3	1,932.7	**5,563.0**
Money market and accounts[3]	369.0	25.5	49.2	**443.7**
Other financial receivables[4]	51.3	195.0	5.1	**251.4**
Total	**2,689.3**	**1,581.8**	**1,987.0**	**6,258.1**

Breakdown of unsecured counterparty and issuer risks by counterparty type[1]				
CHF mn	Banks	Other corporations/ institutions without bank status	Governments/ public sector	31-12-15 Total
Issuer risk from debt instruments[2]	2,220.8	1,440.9	2,160.0	5,821.7
Money market and accounts[3]	276.5	0.2	100.7	377.4
Other financial receivables[4]	20.1	176.9	3.2	200.2
Total	**2,517.4**	**1,618.0**	**2,263.9**	**6,399.3**

[1] Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities.
[2] Including positions in credit default swaps (synthetic bond positions) in the amount of CHF 939.1 mn as of 31-12-16 or CHF 980.3 mn as of 31-12-15.
[3] The cash account of CHF 2,827.1 mn as of 31-12-16 or CHF 2,470.0 as of 31-12-15 deposited at the SNB has been excluded.
[4] Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies.

In terms of counterparty type, a large proportion of unsecured counterparty and issuer risks relates to governments and banks, as expected. As of 31-12-16, governments, including public sector bodies, accounted for CHF 1,987.0 mn (31-12-15: CHF 2,263.9 mn) of a total of CHF 6,258.1 mn (31-12-15: CHF 6,399.3 mn) or 32% (31-12-15: 35%). Banks accounted for CHF 2,689.3 mn (31-12-15: CHF 2,517.4 mn) of a total of CHF 6,258.1 mn (31-12-15: CHF 6,399.3 mn) or 43% (31-12-15: 39%). The cash account of CHF 2,827.1mn (31-12-15: CHF 2,470.0 mn) deposited at the SNB has been excluded.

When setting limits, considerable importance is assigned to preventing concentration risks relating to individual counterparties, thus ensuring that exposures within counterparty categories are broadly diversified.

Breakdown of unsecured counterparty and issuer risks by region[1]						
CHF mn	Switzerland	Europe excl. Switzerland	North America	Asia	Others	**31-12-16 Total**
Issuer risk from debt instruments[2]	401.9	2,505.1	1,047.5	1,514.2	94.3	**5,563.0**
Money market and accounts[3]	159.3	208.8	70.0	4.8	0.8	**443.7**
Other financial receivables[4]	73.4	144.1	10.8	23.1	0.0	**251.4**
Total	**634.6**	**2,858.0**	**1,128.3**	**1,542.1**	**95.1**	**6,258.1**

Breakdown of unsecured counterparty and issuer risks by region[1]						
CHF mn	Switzerland	Europe excl. Switzerland	North America	Asia	Others	31-12-15 Total
Issuer risk from debt instruments[2]	475.1	2,640.5	1,072.5	1,515.8	117.8	5,821.7
Money market and accounts[3]	143.8	224.9	5.7	2.8	0.2	377.4
Other financial receivables[4]	36.9	143.0	8.5	11.8	0.0	200.2
Total	**655.8**	**3,008.4**	**1,086.7**	**1,530.4**	**118.0**	**6,399.3**

[1] Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities.
[2] Including positions in credit default swaps (synthetic bond positions) in the amount of CHF 939.1 mn as of 31-12-16 or CHF 980.3 mn as of 31-12-15.
[3] The cash account of CHF 2,827.1 mn as of 31-12-16 or CHF 2,470.0 as of 31-12-15 deposited at the SNB has been excluded.
[4] Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees, and pledged capital life insurance policies.

In geographical terms, the unsecured credit and issuer risks mainly relate to the regions of Europe (excluding Switzerland) and Switzerland. Exposures in the regions of North America and Asia account for a smaller proportion of these risks. The cash account of CHF 2,827.1 mn (31-12-15: CHF 2,470.0 mn) deposited at the SNB has been excluded.

Exposures involving country risks are avoided in principle. Consequently, there are no relevant country risks to report on a consolidated basis.

6. Operational risks

6.1 General information

Operational risks represent the risk of losses resulting from the inadequacy or failure of internal processes, people and systems or from external events.

6.2 Processes and methods

All business activities entail operational risks, which are prevented, mitigated, transferred or even assumed based on cost/benefit considerations. During this process, potential legal, regulatory and compliance-related risks are taken into account, as are follow-on risks in the form of reputational risks.

The Group-wide process model represents the basis for the management of operational risks. As part of the systematic assessments that are performed annually, the operational risks in all critical processes and process entities are identified and evaluated. In addition, further attention is focused on core security topics such as data protection and business continuity management, which are guaranteed through the use of extra tools.

6.2.1 Qualitative assessment

The qualitative assessment of operational risks is carried out using estimates of the loss potential and possible frequency of these risks. Once these inherent risks have been calculated, existing controls and further risk mitigation measures are taken into account to determine the residual risks. These residual risks are considered in order to determine compliance with pre-defined risk tolerances. If risk tolerances are exceeded, further risk mitigation measures are defined.

6.2.2 Quantitative assessment

In addition to qualitative assessments, quantitative methods are also used to measure and monitor operational risks. They include the monitoring of key risk indicators and the development of those indicators for all divisions. The risks measured in this context are also compared with the relevant pre-defined risk tolerances and if these tolerances are exceeded, further risk mitigation measures are defined.

6.2.3 Internal Control System

All measures to control operational risks form part of the Internal Control System (ICS). Consequently, the ICS encompasses all control elements that ensure the necessary framework for the achievement of strategic business objectives and the orderly running of operations at all levels of the organization. The ICS is reviewed at least once annually and is adapted or strengthened if necessary.

6.3 Legal, regulatory and compliance-related risks

Legal and compliance-related risks are the risk of losses occurring due to non-compliance with or the infringement of applicable laws, internal or external codes of conduct and market practices, as well as contractual obligations. Issues such as these may not only lead to financial losses but can equally result in regulators imposing fines and measures on the organization or can give rise to reputational harm. Regulatory risk is essentially the risk that changes to laws and rules of conduct could impact on Vontobel's activities.

As a market participant in the financial services industry, Vontobel is subject to extensive regulations and requirements defined by government bodies, regulatory authorities and self-regulatory organizations in Switzerland and other countries in which Vontobel operates.

To prevent or mitigate legal, regulatory and compliance-related risks, Vontobel has implemented the relevant structures and processes that are designed to raise employee awareness of or to provide initial or further training for employees about this topic. In addition, Vontobel has an appropriate system of policies and effective control processes in place to ensure compliance with legal and regulatory framework conditions. The corresponding compliance standards are regularly reviewed by Vontobel and adapted to regulatory and legal developments.

6.4 Insurance

Vontobel's insurance policy is aligned with the Group's operational risk management and financial risks.

In the first instance, Vontobel strives to prevent or mitigate risks as far as possible in accordance with the Group's risk policy. In a second step, it determines whether Vontobel can and should bear the risks itself. If this is not the case, the risks are covered by insurance policies. In particular, Vontobel insures against risks of a catastrophic nature in order to protect its capital base.

The internal Insurance unit analyses and evaluates the need for insurance measures on an ongoing basis.

Various other factors are taken into account when purchasing insurance. They mainly comprise legal requirements (compulsory insurance). However, a whole series of other business considerations lead to a wide range of risks for which insurance cover is acquired.

7. Reputational risks

A reputational risk is understood to be the risk of events occurring that could cause sustained harm to Vontobel's image. As such, reputational risks often constitute follow-on risks to the other risk categories described above.

Vontobel's ability to conduct its business depends to a significant extent on its reputation, which it has built over the bank's long history in accordance with its current claim "Performance creates trust". It is therefore of key importance for Vontobel to safeguard its good name and all employees have to assign this matter the highest priority. Consequently, appropriate measures are taken on an ongoing basis to make employees aware of the key importance of Vontobel's reputation.

Capital

The capital base serves primarily as a means of covering inherent business risks. The active management of the volume and structure of capital is therefore of key importance. The monitoring and management of capital adequacy is performed primarily on the basis of the regulations and ratios defined by the Basel Committee on Banking Supervision, as well as other criteria. Compliance with the statutory capital adequacy requirements prescribed by Switzerland and the Swiss Financial Market Supervisory Authority (FINMA) is mandatory. External capital adequacy requirements were met in the year under review and in previous years without exception.

1. Capital management

Capital management is aimed primarily at supporting growth and creating added value for shareholders while complying with regulatory capital requirements. A solid capital position and structure also enable Vontobel to demonstrate its financial strength and creditworthiness to its business partners and clients.

Capital management is performed while taking account of the economic environment and the risk profile of all business activities. Various control options are available to maintain the target level of capital and the desired capital structure or to adapt them in line with changing requirements. These options include flexible dividend payments, the repayment of capital or the procurement of various forms of regulatory capital. During the year under review, there were no significant changes to the objectives, principles of action or processes compared to the previous year.

2. Regulatory requirements

The new capital requirements (Basel III) entered into force on 1 January 2013. They are described in detail in the Swiss Capital Adequacy Ordinance (CAO) and the FINMA circulars that it refers to.

To determine net eligible Common Equity Tier 1 capital under Basel III, additional deductions are made from capital calculated in accordance with IFRS. These items were deducted in full – without the use of the offsetting arrangements permitted during the phase-in period that runs until 2018. In addition to goodwill and intangible assets, the following are of particular relevance for Vontobel in this context: unrealized gains on available-for-sale financial investments.

Banks can use a number of different approaches to calculate their capital adequacy requirements according to Basel III. Vontobel applies the International Standardized Approach (SA-BIS) for credit risks, the standardized approach for market risks and the basic indicator approach for operational risks. As part of the reduction of credit risks (risk mitigation), the comprehensive approach with standard haircuts defined by the supervisory authorities is applied for the recognition of collateral.

As a result of the recognition of the fair value option by FINMA in accordance with section XVI. of the FINMA Circular 13/1 (Eligible equity capital – banks), unrealized gains and losses are included in the calculation of tier 1 capital. This excludes the valuation adjustments of own liabilities recorded in accordance with IFRS rules due to a change in own creditworthiness. As a result, tier 1 capital totalled CHF 1,018.4 mn and the BIS tier 1 ratio was 19.0%. The BIS tier 1 ratio thus substantially exceeds the minimum capital ratio.

The scope of consolidation used for the calculation of capital was the same in the year under review and the previous year as the scope of consolidation used for accounting purposes. Please refer to the tables “Major subsidiaries and participations” and “Changes in the scope of consolidation” in the Notes to the consolidated financial statements for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of money or capital within the Group.

Eligible and required capital		
CHF mn	**31-12-16**	31-12-15
Eligible capital		
Equity according to balance sheet	**1,514.1**	1,425.2
Paid-in capital	**56.9**	56.9
Disclosed reserves	**1,291.2**	1,285.7
Net profit for the current financial year	**259.8**	177.2
Deduction for treasury shares	**(93.8)**	(94.6)
Deduction for minority interests	**0.0**	0.0
Deduction for dividends, as proposed by the Board of Directors	**(113.8)**	(105.2)
Deduction for goodwill	**(223.3)**	(187.9)
Deduction for intangible assets	**(55.7)**	(31.9)
Deduction for deferred tax assets	**(24.4)**	(27.8)
Addition (Deduction) for losses (gains) due to changes in own credit risk	**3.9**	1.7
Deduction for unrealised gains related to financial investments AFS	**(9.2)**	(132.7)
Deduction for defined benefit pension fund assets (IAS 19)	**(22.1)**	(0.4)
Other adjustments	**(51.1)**	(45.9)
Net eligible BIS common equity tier 1 capital (CET1)	**1,018.4**	895.1
Additional tier 1 capital (AT1)	**0.0**	0.0
Net eligible BIS tier 1 capital	**1,018.4**	895.1
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)	**1,018.4**	895.1

Risk-weighted positions		
Credit risks	**1,622.4**	1,480.1
Receivables	**1,519.7**	1,289.1
Price risk relating to equity instruments in the banking book	**102.7**	191.0
Non-counterparty related risks	**152.9**	165.7
Market risks	**1,862.0**	1,726.3
Interest rates	**1,076.1**	1,051.1
Equities	**314.7**	277.9
Currencies	**248.6**	255.4
Gold	**13.0**	10.4
Commodities	**209.6**	131.5
Operational risk	**1,723.5**	1,629.8
Total risk-weighted positions	**5,360.8**	5,001.9

Capital ratios in accordance with FINMA Circular 16/01		
as a percentage of risk-weighted positions	**31-12-16**	31-12-15
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%)[1]	**19.0**	17.9
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%)[2]	**19.0**	17.9
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%)[3]	**19.0**	17.9
CET1 available to cover BCBS minimum capital and buffer requirements after deduction of AT1 and T2 capital requirements which are filled by CET1	**15.5**	14.4
CET1 available	**14.8**	13.7
T1 available	**16.6**	15.5
Eligible regulatory capital available	**19.0**	17.9

[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 calcuations (31-12-2016: CHF 8.5 mn/31-12-2015: CHF 91.6 mn).

Leverage ratio in accordance with FINMA Circular 15/3		
	31-12-16	31-12-15
Net eligible BIS tier 1 capital in CHF mn	**1,018.4**	895.1
Total leverage ratio exposure in CHF mn	**19,437.9**	17,453.6
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	**5.2**	5.1

3. Breakdown of credit risks in accordance with FINMA Circular 08/22

The following tables are intended to provide additional quantitative information regarding the capital adequacy requirements for credit risks, in accordance with the FINMA Circular 08/22. The type and volume of information is based on Basel III. The total values may deviate from the book values reported according to IFRS. In particular, off-balance-sheet items are weighted with the corresponding credit conversion factor and reported accordingly. In the case of derivative financial instruments, the negative replacement values that are eligible for offset (netting) are deducted from the positive replacement values. The add-ons that are shown entail a percentage-based premium based on the contract volume of the corresponding derivative financial instruments. The percentage rate is determined on the basis of the underlying and the remaining term of the contract. AFS interest rate instruments comprise financial investments in the banking book that represent an issuer-related risk. All remaining positions that have to be covered with capital for credit risks are reported collectively under "Other assets". In particular, they include accruals and deferrals, equity instruments in the banking book and hedge funds in trading portfolio assets.

Excluding the above-mentioned positions reported under "Other assets", the balance sheet items "Trading portfolio assets" and "Other financial assets at fair value" do not entail any credit risks (but do entail a specific market risk) from a regulatory capital perspective and are therefore omitted from the following tables. Information on credit risks in the trading book is provided in section 5.3 of the notes on risk management and risk control.

The domicile of the counterparty or issuer serves as the basis for the allocation to the different geographical regions in the following table.

Credit risks broken down by region						
CHF mn	Switzerland	Europe excl. Switzerland	North America	Asia	Others	**31-12-16 Total**
Balance sheet						
Due from banks	1,031.8	430.8	25.0	10.1	5.0	**1,502.7**
Loans	887.9	1,120.5	232.6	152.7	208.2	**2,601.9**
Debt instruments AFS	33.8	1,184.6	674.9	105.3	91.2	**2,089.8**
Other assets	519.9	66.1	6.4	1.7	5.4	**599.5**
Positive replacement values after netting	24.0	29.2	0.6	0.2	10.3	**64.3**
Total balance sheet	**2,497.4**	**2,831.2**	**939.5**	**270.0**	**320.1**	**6,858.2**
Off-balance sheet						
Contingent liabilities/ guarantee credits	155.5	224.2	4.9	6.6	27.3	**418.5**
Irrevocable commitments	15.5	0.0	0.0	0.0	0.0	**15.5**
Add-ons and credit valuation adjustment	23.0	51.5	0.6	0.5	7.5	**83.1**
Total off-balance sheet	**194.0**	**275.7**	**5.5**	**7.1**	**34.8**	**517.1**
Total	**2,691.4**	**3,106.9**	**945.0**	**277.1**	**354.9**	**7,375.3**

Credit risks broken down by region						
CHF mn	Switzerland	Europe excl. Switzerland	North America	Asia	Others	31-12-15 Total
Balance sheet						
Due from banks	564.8	406.0	23.1	11.7	1.7	1,007.3
Loans	758.1	981.3	221.7	149.7	254.3	2,365.1
Debt instruments AFS	118.0	942.1	712.6	86.7	35.5	1,894.9
Other assets	574.5	41.4	0.0	19.9	0.0	635.8
Positive replacement values after netting	17.9	30.7	2.6	0.5	6.6	58.3
Total balance sheet	**2,033.3**	**2,401.5**	**960.0**	**268.5**	**298.1**	**5,961.4**
Off-balance sheet						
Contingent liabilities/ guarantee credits	81.7	114.6	87.8	7.2	14.9	306.2
Irrevocable commitments	8.2	0.0	0.0	0.0	0.0	8.2
Add-ons and credit valuation adjustment	19.0	104.7	6.7	0.4	8.6	139.4
Total off-balance sheet	**108.9**	**219.3**	**94.5**	**7.6**	**23.5**	**453.8**
Total	**2,142.2**	**2,620.8**	**1,054.5**	**276.1**	**321.6**	**6,415.2**

The industry code of the counterparty or issuer serves as the basis for the allocation to the different sectors in the following table.

Credit risks broken down by sector or counterparty type						
CHF mn	Governments and central banks	Banks	Public bodies	Private and institutional investors	Others	**31-12-16 Total**
Balance sheet						
Due from banks	0.0	1,502.7	0.0	0.0	0.0	**1,502.7**
Loans	2.0	0.0	12.8	2,566.2	20.9	**2,601.9**
Debt instruments AFS	330.3	373.6	614.6	0.0	771.3	**2,089.8**
Other assets	4.9	42.8	0.0	461.7	90.1	**599.5**
Positive replacement values after netting	0.0	32.1	0.0	32.2	0.0	**64.3**
Total balance sheet	**337.2**	**1,951.2**	**627.4**	**3,060.1**	**882.3**	**6,858.2**
Off-balance sheet						
Contingent liabilities/ guarantee credits	0.2	41.8	5.0	321.0	50.5	**418.5**
Irrevocable commitments	0.0	0.0	15.1	0.2	0.2	**15.5**
Add-ons and credit valuation adjustment	0.0	57.2	0.1	25.8	0.0	**83.1**
Total off-balance sheet	**0.2**	**99.0**	**20.2**	**347.0**	**50.7**	**517.1**
Total	**337.4**	**2,050.2**	**647.6**	**3,407.1**	**933.0**	**7,375.3**

Credit risks broken down by sector or counterparty type						
CHF mn	Governments and central banks	Banks	Public bodies	Private and institutional investors	Others	31-12-15 Total
Balance sheet						
Due from banks	0.0	1,007.3	0.0	0.0	0.0	1,007.3
Loans	1.7	0.0	10.0	2,316.0	37.4	2,365.1
Debt instruments AFS	536.6	219.8	558.9	0.0	579.6	1,894.9
Other assets	2.4	101.0	0.0	482.9	49.5	635.8
Positive replacement values after netting	0.0	16.2	0.0	42.1	0.0	58.3
Total balance sheet	**540.7**	**1,344.3**	**568.9**	**2,841.0**	**666.5**	**5,961.4**
Off-balance sheet						
Contingent liabilities/ guarantee credits	0.1	11.4	1.2	241.2	52.3	306.2
Irrevocable commitments	0.0	0.0	7.9	0.0	0.3	8.2
Add-ons and credit valuation adjustment	0.0	51.0	0.1	88.3	0.0	139.4
Total off-balance sheet	**0.1**	**62.4**	**9.2**	**329.5**	**52.6**	**453.8**
Total	**540.8**	**1,406.7**	**578.1**	**3,170.5**	**719.1**	**6,415.2**

The following table provides an overview of credit risks broken down by risk weighting categories according to Basel III. The allocation of the exposures to the risk weightings is based on the type and current rating of the counterparty or the issue rating for the financial investment.

Credit risks broken down by risk weighting categories according to Basel III

CHF mn	0%/2%	20%/35%	50%	75%	100%	150%	**31-12-16 Total**
Balance sheet							
Due from banks	952.4	508.8	41.5	0.0	0.0	0.0	**1,502.7**
Loans	2,496.9	44.7	0.0	19.8	37.5	3.0	**2,601.9**
Debt instruments AFS	632.4	824.0	378.2	0.0	255.2	0.0	**2,089.8**
Other assets	93.1	13.3	27.8	0.0	401.1	64.2	**599.5**
Positive replacement values after netting	59.4	0.0	0.0	0.0	4.9	0.0	**64.3**
Total balance sheet	**4,234.2**	**1,390.8**	**447.5**	**19.8**	**698.7**	**67.2**	**6,858.2**
Off-balance sheet							
Contingent liabilities/ guarantee credits	116.3	44.3	0.0	31.8	226.1	0.0	**418.5**
Irrevocable commitments	0.0	15.1	0.0	0.0	0.4	0.0	**15.5**
Add-ons and credit valuation adjustment	14.3	9.7	33.9	0.6	24.6	0.0	**83.1**
Total off-balance sheet	**130.6**	**69.1**	**33.9**	**32.4**	**251.1**	**0.0**	**517.1**
Total	**4,364.8**	**1,459.9**	**481.4**	**52.2**	**949.8**	**67.2**	**7,375.3**

Credit risks broken down by risk weighting categories according to Basel III

CHF mn	0%/2%	20%/35%	50%	75%	100%	150%	31-12-15 Total
Balance sheet							
Due from banks	297.1	687.2	23.0	0.0	0.0	0.0	1,007.3
Loans	2,257.4	39.4	0.0	17.7	23.0	27.6	2,365.1
Debt instruments AFS	647.3	715.7	291.5	0.0	240.4	0.0	1,894.9
Other assets	219.0	1.0	0.0	0.0	365.0	50.8	635.8
Positive replacement values after netting	54.4	0.6	1.1	0.0	2.2	0.0	58.3
Total balance sheet	**3,475.2**	**1,443.9**	**315.6**	**17.7**	**630.6**	**78.4**	**5,961.4**
Off-balance sheet							
Contingent liabilities/ guarantee credits	64.6	0.0	2.4	16.0	223.2	0.0	306.2
Irrevocable commitments	0.0	7.9	0.0	0.0	0.3	0.0	8.2
Add-ons and credit valuation adjustment	75.6	8.1	33.9	0.6	21.2	0.0	139.4
Total off-balance sheet	**140.2**	**16.0**	**36.3**	**16.6**	**244.7**	**0.0**	**453.8**
Total	**3,615.4**	**1,459.9**	**351.9**	**34.3**	**875.3**	**78.4**	**6,415.2**

For the calculation of capital, Vontobel refers to the ratings of external rating agencies recognized by FINMA. It uses the ratings of Fitch, Moody's, S&P and Fedafin (public sector bodies only). If different ratings exist for a specific position, the allocation of the relevant rating is performed in accordance with the rules set out by the Basel Committee on Banking Supervision.

Credit risks based on external ratings, broken down by risk weighting categories

						31-12-16
		0%	20%	50%	100%	150%
Counterparty	Rating	CHF mn	CHF mn	CHF mn	CHF mn	CHF mn
Governments and central banks	with rating	632.4	14.6	0.0	0.0	0.0
	without rating	0.0	0.0	0.0	0.0	0.0
Public bodies	with rating	–	117.7	0.0	0.0	0.0
	without rating	–	0.0	0.0	0.0	0.0
Banks	with rating	–	915.9	188.4	0.0	0.0
	without rating	–	3.0	0.0	0.0	0.0
Corporates	with rating	–	364.0	293.0	487.9	0.0
	without rating	–	0.0	0.0	46.8	0.0
Total	**with rating**	**632.4**	**1,412.2**	**481.4**	**487.9**	**0.0**
	without rating	**0.0**	**3.0**	**0.0**	**46.8**	**0.0**
Total		**632.4**	**1,415.2**	**481.4**	**534.7**	**0.0**

Credit risks based on external ratings, broken down by risk weighting categories

						31-12-15
		0%	20%	50%	100%	150%
Counterparty	Rating	CHF mn	CHF mn	CHF mn	CHF mn	CHF mn
Governments and central banks	with rating	647.3	10.5	0.0	0.0	0.0
	without rating	0.0	0.0	0.0	0.0	0.0
Public bodies	with rating	–	125.4	0.0	0.0	0.0
	without rating	–	0.0	0.0	0.0	0.0
Banks	with rating	–	933.8	172.9	0.0	0.0
	without rating	–	3.0	0.0	0.0	0.0
Corporates	with rating	–	347.8	179.0	397.1	0.0
	without rating	–	0.0	0.0	57.1	0.0
Total	**with rating**	**647.3**	**1,417.5**	**351.9**	**397.1**	**0.0**
	without rating	**0.0**	**3.0**	**0.0**	**57.1**	**0.0**
Total		**647.3**	**1,420.5**	**351.9**	**454.2**	**0.0**

Loans extended against collateral, OTC derivatives, securities lending and borrowing transactions and repo transactions are secured primarily using securities as easily realizable collateral. The following table shows the credit risks broken down by collateral type in accordance with the comprehensive approach under Basel III with regulatory standard haircuts.

Credit risks broken down by credit risk mitigation methods

CHF mn	Covered by recognized collateral	Not covered by recognized collateral	**31-12-16 Total**
Balance sheet			
Due from banks	952.4	550.3	**1,502.7**
Loans	2,496.9	105.0	**2,601.9**
Debt instruments AFS	0.0	2,089.8	**2,089.8**
Other assets	93.1	506.4	**599.5**
Positive replacement values after netting	59.4	4.9	**64.3**
Total balance sheet	**3,601.8**	**3,256.4**	**6,858.2**
Off-balance sheet			
Contingent liabilities/guarantee credits	116.3	302.2	**418.5**
Irrevocable commitments	0.0	15.5	**15.5**
Add-ons and credit valuation adjustment	14.3	68.8	**83.1**
Total off-balance sheet	**130.6**	**386.5**	**517.1**
Total	**3,732.4**	**3,642.9**	**7,375.3**

Credit risks broken down by credit risk mitigation methods

CHF mn	Covered by recognized collateral	Not covered by recognized collateral	31-12-15 Total
Balance sheet			
Due from banks	297.1	710.2	1,007.3
Loans	2,257.4	107.7	2,365.1
Debt instruments AFS	0.0	1,894.9	1,894.9
Other assets	219.0	416.8	635.8
Positive replacement values after netting	54.4	3.9	58.3
Total balance sheet	**2,827.9**	**3,133.5**	**5,961.4**
Off-balance sheet			
Contingent liabilities/guarantee credits	64.6	241.6	306.2
Irrevocable commitments	0.0	8.2	8.2
Add-ons and credit valuation adjustment	75.6	63.8	139.4
Total off-balance sheet	**140.2**	**313.6**	**453.8**
Total	**2,968.1**	**3,447.1**	**6,415.2**

The above information on the mitigation of credit risks is based on the Basel III rules and thus represents the coverage ratios from a capital adequacy perspective. However, the disclosure of credit risk on page 140 provides a more appropriate basis for the assessment of the actual risk profile.

Reconciliation of total credit risks under Basel III with balance sheet positions				
CHF mn	IFRS book value	Basel III credit equivalent before weighting	**31-12-16 Difference**	Explanation of difference between IFRS and Basel III
Balance sheet				
Cash	6,374.0	0.0	**(6,374.0)**	No credit risk resp. no capital requirement
Due from banks	1,502.7	1,502.7	**0.0**	
Cash collateral for reverse-repurchase agreements	823.1	0.0	**(823.1)**	No credit risk resp. no capital requirement
Loans	2,601.9	2,601.9	**0.0**	
Debt instruments AFS	2,089.8	2,089.8	**0.0**	
Other assets	599.5	599.5	**0.0**	
Positive replacement values before/after netting	172.3	64.3	**(108.0)**	Gross IFRS book value, Basel III after netting
Total balance sheet	**14,163.3**	**6,858.2**	**(7,305.1)**	
Off-balance sheet				
Contingent liabilities/ guarantee credits	422.3	418.5	**(3.8)**	Basel III conversion into credit equivalents
Irrevocable commitments	32.0	15.5	**(16.5)**	Basel III conversion into credit equivalents
Add-ons and credit valuation adjustment	0.0	83.1	**83.1**	Basel III add-ons based on contract volumes of derivative instruments
Total off-balance sheet	**454.3**	**517.1**	**62.8**	
Total	**14,617.6**	**7,375.3**	**(7,242.3)**	

Reconciliation of total credit risks under Basel III with balance sheet positions				
CHF mn	IFRS book value	Basel III credit equivalent before weighting	31-12-15 Difference	Explanation of difference between IFRS and Basel III
Balance sheet				
Cash	5,355.5	0.0	(5,355.5)	No credit risk resp. no capital requirement
Due from banks	1,007.3	1,007.3	0.0	
Cash collateral for reverse-repurchase agreements	1,013.5	0.0	(1,013.5)	No credit risk resp. no capital requirement
Loans	2,365.1	2,365.1	0.0	
Debt instruments AFS	1,894.9	1,894.9	0.0	
Other assets	635.8	635.8	0.0	
Positive replacement values before/after netting	144.8	58.3	(86.5)	Gross IFRS book value, Basel III after netting
Total balance sheet	**12,416.9**	**5,961.4**	**(6,455.5)**	
Off-balance sheet				
Contingent liabilities/ guarantee credits	568.4	306.2	(262.2)	Basel III conversion into credit equivalents
Irrevocable commitments	17.3	8.2	(9.1)	Basel III conversion into credit equivalents
Add-ons and credit valuation adjustment	0.0	139.4	139.4	Basel III add-ons based on contract volumes of derivative instruments
Total off-balance sheet	**585.7**	**453.8**	**(131.9)**	
Total	**13,002.6**	**6,415.2**	**(6,587.4)**	

The tables above show the differences between the total amounts reported in accordance with FINMA Circular 08/22 and the book values of the corresponding balance sheet and off-balance-sheet positions reported in accordance with IFRS.

When determining regulatory capital requirements, the balance sheet items "Trading portfolio assets" and "Other financial assets at fair value" are basically assigned to the trading book. This means that they do not entail any credit risks (but do entail a specific market risk) from a regulatory capital perspective and are therefore omitted from the tables shown above. A small number of items in the above-mentioned balance sheet positions are assigned to the banking book from a regulatory capital perspective. They are contained in the line item "Other assets".

4. Maximum credit risk before and after credit risk mitigation

Maximum credit risk before and after credit risk mitigation			
CHF mn	Credit risk before credit risk mitigation	Credit risk mitigation[1]	**31-12-16 Credit risk after credit risk mitigation**
Balance sheet			
Cash[2]	6,374.0	0.0	**6,374.0**
Due from banks	1,502.7	952.4	**550.3**
Cash collateral for reverse-repurchase agreements	823.1	823.1	**0.0**
Trading portfolio assets (debt instruments)	592.7	0.0	**592.7**
Positive replacement values	172.3	167.4	**4.9**
Other financial assets at fair value (debt instruments)	2,230.3	0.0	**2,230.3**
Loans	2,601.9	2,496.9	**105.0**
Financial investments (debt instruments AFS)	2,089.8	0.0	**2,089.8**
Other assets	544.0	0.0	**544.0**
Exposure from credit default swaps[3]	1,707.0	0.0	**1,707.0**
Total balance sheet positions with credit risks	**18,637.8**	**4,439.8**	**14,198.0**

Maximum credit risk before and after credit risk mitigation			
CHF mn	Credit risk before credit risk mitigation	Credit risk mitigation[1]	31-12-15 Credit risk after credit risk mitigation
Balance sheet			
Cash[2]	5,355.5	0.0	5,355.5
Due from banks	1,007.3	297.1	710.2
Cash collateral for reverse-repurchase agreements	1,013.5	1,013.5	0.0
Trading portfolio assets (debt instruments)	633.1	0.0	633.1
Positive replacement values	144.8	140.9	3.9
Other financial assets at fair value (debt instruments)	2,511.9	0.0	2,511.9
Loans	2,365.1	2,257.4	107.7
Financial investments (debt instruments AFS)	1,894.9	0.0	1,894.9
Other assets	354.8	0.0	354.8
Exposure from credit default swaps[3]	1,751.4	0.0	1,751.4
Total balance sheet positions with credit risks	**17,032.3**	**3,708.9**	**13,323.4**

[1] Credit risk mitigation is presented on the basis of Basel III regulations and encompasses netting agreements, securities collateral and cash collateral.
[2] Bank notes and coins are included in the disclosure.
[3] Default risks relating to the reference entities of credit default swaps where Vontobel acts as the protection seller. Any credit risk vis-à-vis the counterparty of the credit default swap is included in the IFRS balance sheet in the position "Positive replacement values".

The above tables show the maximum credit risk arising from all balance sheet positions and the forms of credit risk mitigation available.

Balance sheet positions with credit risk after credit risk mitigation according to the risk representation				
CHF mn	Debt instruments	Demand and time deposits	Other financial receivables	**31-12-16 Total**
Cash[1]	0.0	6,374.0	0.0	**6,374.0**
Due from banks	0.0	550.3	0.0	**550.3**
Cash collateral for reverse-repurchase agreements	0.0	0.0	0.0	**0.0**
Trading portfolio assets (debt instruments)	592.7	0.0	0.0	**592.7**
Positive replacement values	0.0	0.0	4.9	**4.9**
Other financial assets at fair value (debt instruments)	2,230.3	0.0	0.0	**2,230.3**
Loans	0.0	105.0	0.0	**105.0**
Financial investments (debt instruments AFS)	2,089.8	0.0	0.0	**2,089.8**
Other assets	58.6	4.8	480.6	**544.0**
Exposure from credit default swaps	1,707.0	0.0	0.0	**1,707.0**
Total balance sheet assets with credit risk after mitigation	**6,678.4**	**7,034.1**	**485.5**	**14,198.0**
Unsecured credit risk from private and institutional investment clients[2]	0.0	106.3	0.0	**106.3**
Unsecured credit risk from professional counterparties and issuer risks[3]	5,563.1	443.7	251.5	**6,258.3**
Total according to tables “Credit risk”	**5,563.1**	**550.0**	**251.5**	**6,364.6**
Difference	**1,115.3**	**6,484.1**	**234.0**	**7,833.4**

Balance sheet positions with credit risk after credit risk mitigation according to the risk representation				
CHF mn	Debt instruments	Demand and time deposits	Other financial receivables	31-12-15 Total
Cash[1]	0.0	5,355.5	0.0	5,355.5
Due from banks	0.0	710.2	0.0	710.2
Cash collateral for reverse-repurchase agreements	0.0	0.0	0.0	0.0
Trading portfolio assets (debt instruments)	633.1	0.0	0.0	633.1
Positive replacement values	0.0	0.0	3.9	3.9
Other financial assets at fair value (debt instruments)	2,511.9	0.0	0.0	2,511.9
Loans	0.0	107.7	0.0	107.7
Financial investments (debt instruments AFS)	1,894.9	0.0	0.0	1,894.9
Other assets	65.0	4.4	285.4	354.8
Exposure from credit default swaps	1,751.4	0.0	0.0	1,751.4
Total balance sheet assets with credit risk after mitigation	**6,856.3**	**6,177.8**	**289.3**	**13,323.4**
Unsecured credit risk from private and institutional investment clients[2]	0.0	103.8	0.0	103.8
Unsecured credit risk from professional counterparties and issuer risks[3]	5,821.7	377.4	200.2	6,399.3
Total according to tables “Credit risk”	**5,821.7**	**481.2**	**200.2**	**6,503.1**
Difference	**1,034.6**	**5,696.6**	**89.1**	**6,820.3**

1 Bank notes and coins are included in the disclosure.
2 Paragraph 5.2 of the notes on risk management and risk control
3 Paragraph 5.3 of the notes on risk management and risk control

The tables on the previous page show a reconciliation of credit risks after credit risk mitigation for all balance sheet positions with credit risks from a risk management perspective.

The difference between the credit risk after credit risk mitigation from an accounting perspective and from a risk management perspective is attributable to the following factors:

- The risk figures take account of haircuts (add-on factors on the credit exposure and discount factors on collateral).
- The risk figures take account of add-ons for potential credit exposures.
- The trade date principle basically applies for accounting purposes, while the value date principle is used for risk management purposes. This means, for example, that if securities are sold but the transaction is only settled after the balance sheet date in accordance with the principle of "delivery versus payment", the sales price represents a receivable from the counterparty from an accounting perspective, while no credit risk arises from a risk management perspective.
- Differences exist between the recognition of credit risk mitigation from a regulatory perspective and from a risk management perspective.

Details on consolidated income statement

1 Net interest income

Net interest income				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Interest income from banks and customers	**29.6**	24.6	5.0	20
Interest income from securities borrowing and reverse-repurchase agreements	**4.7**	3.3	1.4	42
Interest income from financial liabilities	**2.9**	2.3	0.6	26
Interest income from financial instruments at amortized cost	**37.2**	30.2	7.0	23
Dividend income from financial assets available-for-sale	**10.9**	16.9	(6.0)	(36)
Interest income from financial assets available-for-sale	**27.7**	28.0	(0.3)	(1)
Interest and dividend income from financial assets at fair value	**38.6**	44.9	(6.3)	(14)
Total interest income	**75.8**	75.1	0.7	1
Interest expense from securities lending and repurchase agreements	**1.3**	1.0	0.3	30
Interest expense from other financial liabilities at amortized cost	**1.7**	1.7	0.0	0
Interest expense from financial assets	**5.1**	5.3	(0.2)	(4)
Interest expense from financial instruments at amortized cost	**8.1**	8.0	0.1	1
Total	**67.7**	67.1	0.6	1

2 Net fee and commission income

Net fee and commission income				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Commission income from lending activities	**1.0**	0.5	0.5	100
Brokerage fees	**109.3**	123.6	(14.3)	(12)
Custody fees	**149.5**	149.6	(0.1)	(0)
Advisory and management fees	**546.2**	579.8	(33.6)	(6)
Corporate finance	**4.7**	10.0	(5.3)	(53)
Fiduciary transactions	**0.9**	0.8	0.1	13
Other commission income from securities and investment transactions	**17.5**	18.6	(1.1)	(6)
Total fee and commission income from securities and investment transactions	**828.1**	882.4	(54.3)	(6)
Other fee and commission income	**2.8**	1.9	0.9	47
Brokerage fees	**17.2**	18.9	(1.7)	(9)
Other commission expense	**166.0**	164.8	1.2	1
Total commission expense	**183.2**	183.7	(0.5)	(0)
Total	**648.7**	701.1	(52.4)	(7)

3 Trading income

Trading income	31-12-16 CHF mn	31-12-15 CHF mn	Change to 31-12-15 CHF mn	in %
Securities	**670.2**	194.4	475.8	245
Other financial instruments at fair value	**(458.7)**	(8.2)	(450.5)	
Forex and precious metals	**38.5**	35.2	3.3	9
Total	**250.0**	221.4	28.6	13

Trading income as of 31-12-16 includes income of CHF –3.6 mn (31-12-15: CHF 18.5 mn), which is attributable to changes in fair value due to a change in Vontobel's own credit risk. Of the total impact, CHF –1.4 mn was realized as of 31-12-16 (31-12-15: CHF –2.4 mn), while the remaining CHF –2.2 mn (31-12-15: CHF 20.9 mn) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF 0.8 mn, of which CHF 4.7 mn was realized and CHF –3.9 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

Comprehensive income from financial instruments before tax	31-12-16 CHF mn	31-12-15 CHF mn	Change to 31-12-15 CHF mn	in %
Financial instruments held-for-trading	**670.2**	194.4	475.8	245
Other financial instruments at fair value	**(458.7)**	(8.2)	(450.5)	
Forex and precious metals	**38.5**	35.2	3.3	9
Trading income	**250.0**	221.4	28.6	13
Financial instruments available-for-sale	**149.0**	42.9	106.1	247
Loans and receivables	**29.2**	22.6	6.6	29
Financial liabilities measured at amortized cost	**(0.1)**	(0.4)	0.3	
Total financial instruments income statement	**428.1**	286.5	141.6	49
Unrealized gains/(losses) on available-for-sale financial instruments, recorded in other comprehensive income	**(27.8)**	30.1	(57.9)	(192)
(Gains)/losses on available-for-sale financial instruments, transferred from other comprehensive income to the income statement	**(106.2)**	(1.8)	(104.4)	
Unrealized gains/(losses) on cash flow hedges, recorded in other comprehensive income	**(0.3)**	(0.4)	0.1	
(Gains)/losses on cash flow hedges, transferred from other comprehensive income to the income statement	**0.0**	0.0	0.0	
Comprehensive income before tax	**293.8**	314.4	(20.6)	(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

Other income					
		31-12-16	31-12-15	Change to 31-12-15	
	Note	**CHF mn**	CHF mn	CHF mn	in %
Real estate income		**0.0**	0.0	0.0	
Income from the sale of property and equipment		**(0.1)**	0.0	(0.1)	
Income from the sale of financial instruments available-for-sale	6	**110.8**	(1.4)	112.2	
Impairments of financial instruments available-for-sale		**(0.4)**	(0.5)	0.1	
Income from investments in associates	6	**0.2**	0.1	0.1	100
Other income		**4.2**	0.8	3.4	425
Total		**114.7**	(1.0)	115.7	

6 Income from the sale of financial investments available-for-sale

Income from the sale of financial investments available-for-sale				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Debt instruments	**6.5**	(2.5)	9.0	
Equity instruments	**104.3**	1.1	103.2	
Total	**110.8**	(1.4)	112.2	

Income from investments in associates

Income from investments in associates				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Share of profit	**0.2**	0.1	0.1	100
Impairments	**0.0**	0.0	0.0	
Total	**0.2**	0.1	0.1	100

7 Personnel expense

Personnel expense				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Salaries and bonuses	**412.8**	451.6	(38.8)	(9)
Pension and other employee benefit plans	**22.2**[1]	30.6	(8.4)	(27)
Other social contributions	**33.0**	31.0	2.0	6
Other personnel expense	**16.8**	15.2	1.6	11
Total	**484.8**	528.4	(43.6)	(8)

Personnel expense includes the expense for share-based compensation of CHF 19.8 mn, of which CHF 24.0 mn relates to performance shares and CHF 4.7 mn to the awarding of bonus shares at preferential terms and CHF –8.9 mn to other share-based compensation (previous year: performance shares CHF 15.9 mn, bonus shares CHF 4.3 mn, other CHF 3.1 mn; total CHF 23.3 mn) as well as deferred compensation in cash of CHF –1.7 mn. (previous year: CHF 6.7 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).

8 General expense

General expense				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Occupancy expense	**35.9**	34.0	1.9	6
IT, telecommunications and other equipment	**64.6**	54.6	10.0	18
Travel and representation, public relations, marketing	**36.2**	28.6	7.6	27
Consulting and audit fees	**24.3**	23.3	1.0	4
Other general expense	**28.7**	26.6	2.1	8
Total	**189.7**	167.1	22.6	14

9 Depreciation of property, equipment and intangible assets

Depreciation of property, equipment and intangible assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Depreciation of property and equipment	**53.3**	54.2	(0.9)	(2)
Amortization of other intangible assets	**7.2**	11.3	(4.1)	(36)
Impairments of property and equipment	**1.8**	0.6	1.2	200
Total	**62.3**	66.1	(3.8)	(6)

10 Valuation adjustments, provisions and losses

Valuation adjustments, provisions and losses				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Impairments on credit risks	**0.1**	0.1	0.0	0
Decrease of allowances for credit losses	**(0.1)**	(0.1)	0.0	0
Increase in provisions	**17.9**	2.0	15.9	795
Release of provisions	**(1.6)**	(0.6)	(1.0)	
Recoveries	**0.1**	0.0	0.1	
Other	**6.6**	1.7	4.9	288
Total	**23.0**	3.1	19.9	642

11 Taxes

Taxes				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Statement of tax income				
Explanation of the relationship between tax expense and net profit before taxes:				
Current income taxes	**54.6**	41.3	13.3	32
Deferred income taxes	**2.3**	2.5	(0.2)	(8)
Total	**56.9**	43.8	13.1	30
Profit before taxes	**321.3**	223.9	97.4	44
Expected income tax rate of 22%[1]	**70.7**	49.3	21.4	43
Explanations for higher (lower) tax expense:				
Applicable tax rates differing from expected rate	**(12.7)**	5.2	(17.9)	(344)
Tax losses not taken into account	**2.0**	0.8	1.2	150
Appropriation of non-capitalized deferred taxes on loss carryforwards	**0.0**	(0.6)	0.6	
Newly recognized deferred tax assets	**(0.4)**	(4.9)	4.5	
Other income with no impact on taxes	**(2.0)**	(3.1)	1.1	
Tax income unrelated to accounting period	**1.6**	1.2	0.4	33
Participation relief granted on dividend income	**(5.0)**	(7.4)	2.4	
Other impacts	**2.7**	3.3	(0.6)	(18)
Income tax expense	**56.9**	43.8	13.1	30
Effective tax rate in %	**17.7**	19.6		
Composition of deferred taxes				
Tax loss carryforwards	**20.5**	5.4	15.1	280
Other	**3.9**	22.4	(18.5)	(83)
Total deferred tax assets	**24.4**	27.8	(3.4)	(12)
Property and equipment	**0.5**	0.7	(0.2)	(29)
Intangible assets	**10.8**	5.1	5.7	112
Investments in associates	**0.2**	0.2	0.0	0
Other provisions	**22.3**	29.2	(6.9)	(24)
Unrealized gains on available-for-sale financial investments	**3.9**	15.2	(11.3)	(74)
Other	**4.7**	0.0	4.7	
Total deferred tax liabilities	**42.4**	50.4	(8.0)	(16)

[1] The anticipated income tax rate of 22% corresponds to the average tax rate in Switzerland.

Changes in deferred tax assets and liabilities (net)				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Balance at the beginning of the year	**22.6**	35.8	(13.2)	(37)
Changes affecting the income statement	**(0.2)**	(0.6)	0.4	
Changes not affecting the income statement	**6.2**	(8.9)	15.1	
Change in scope of consolidation	**(10.3)**	(3.7)	(6.6)	
Translation adjustments	**(0.3)**	0.0	(0.3)	
Total as at the balance sheet date	**18.0**	22.6	(4.6)	(20)

Unrecognized tax loss carryforwards expire as follows:				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Within 1 year	**0.7**	0.0	0.7	
From 1 to 5 years	**5.4**	6.1	(0.7)	(11)
After 5 years	**58.8**	54.3	4.5	8
Total	**64.9**	60.4	4.5	7

Vontobel Holding AG and its subsidiaries are liable for income tax in most countries. The current tax assets and current tax liabilities reported as of the balance sheet date, as well as the resulting current tax expense for the period under review, are based partly on estimates and assumptions and may therefore differ from the amounts determined by the tax authorities in the future. In certain cases where complex tax questions arise, external tax specialists are consulted or preliminary clarification is obtained from the tax authorities.

In the case of deferred taxes, the level of recognized tax assets depends on assumptions regarding available future taxable profits that are eligible for offset. The determination of deferred tax assets is essentially based on budget figures and mid-term planning. If a company has posted a series of financial losses in the recent past, the deferred tax assets are only recognized to the extent that the company has sufficient taxable temporary differences or has convincing other evidence that sufficient taxable profits will be available in future periods. Recognized deferred tax assets for loss carryforwards eligible for offset amounted to CHF 20.5 mn (31-12-16) or CHF 5.4 mn (31-12-15). Unrecognized loss carryforwards in the amount of CHF 64.9 mn (31-12-16) or CHF 60.4 mn (31-12-15) are subject to tax rates of 16% to 33% (31-12-16) or 12% to 33% (31-12-15). If recognized in full, the deferred tax assets for loss carryforwards eligible for offset would total CHF 37.5 mn (31-12-16) or CHF 22.6 mn (31-12-15).

12 Tax effects to other comprehensive income

Tax effects to other comprehensive income			
			31-12-16
CHF mn	Amount before tax	Tax yield/ tax expense	Amount net of tax
Translation differences during the reporting period	(6.2)	0.0	(6.2)
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from available-for-sale financial instruments during the reporting period	(27.8)	1.7	(26.1)
Income from available-for-sale financial instruments transferred to the income statement	(106.2)	9.2	(97.0)
Income from cash flow hedges during the reporting period	(0.3)	0.0	(0.3)
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Defined benefit pension plans	77.8	(17.2)	60.6
Total other comprehensive income	**(62.7)**	**(6.3)**	**(69.0)**

Tax effects to other comprehensive income			
			31-12-15
CHF mn	Amount before tax	Tax yield/ tax expense	Amount net of tax
Translation differences during the reporting period	(13.1)	0.0	(13.1)
Translation differences transferred to the income statement	0.8	0.0	0.8
Income from available-for-sale financial instruments during the reporting period	30.1	(1.5)	28.6
Income from available-for-sale financial instruments transferred to the income statement	(1.8)	0.6	(1.2)
Income from cash flow hedges during the reporting period	(0.4)	0.0	(0.4)
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Defined benefit pension plans	(44.4)	9.8	(34.6)
Total other comprehensive income	**(28.8)**	**8.9**	**(19.9)**

13 Earnings per share

Earnings per share				
	31-12-16	31-12-15	Change to 31-12-15	
				in %
Net profit (CHF mn)[1]	**259.8**	177.2	82.6	47
Weighted average number of shares issued	**56,875,000**	62,291,667	(5,416,667)	(9)
Less weighted average number of treasury shares	**1,792,737**	6,915,729	(5,122,992)	(74)
Weighted average number of shares outstanding (undiluted)	**55,082,263**	55,375,938	(293,675)	(1)
Dilution effect number of shares[2]	**1,548,877**	1,542,294	6,583	0
Weighted average number of shares outstanding (diluted)	**56,631,140**	56,918,232	(287,092)	(1)
Basic earnings per share (in CHF)	**4.72**	3.20	1.52	48
Diluted earnings per share (in CHF)	**4.59**	3.11	1.48	48

[1] The net profit attributable to the shareholders of Vontobel Holding AG constitutes the basis for the calculation of undiluted as well as diluted earnings per share.
[2] The dilution effect is primarily the result of employee share-based benefit programs. The dilution effect from shares that will have to be issued if outstanding in-the-money options are exercised is insignificant. Shares that will have to be issued if outstanding out-of-the-money options are exercised do not have any dilution effect in the financial year but could dilute future earnings per share. The potential dilution effect is insignificant.

Details on consolidated balance sheet

14 Financial instruments at fair value through profit and loss

Trading portfolio assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Debt instruments				
Debt instruments of governments and public sector entities	**134.5**	154.9	(20.4)	(13)
Debt instruments of financial institutions	**275.9**	351.0	(75.1)	(21)
Debt instruments of corporations	**182.3**	127.2	55.1	43
Total	**592.7**	633.1	(40.4)	(6)
of which listed	**478.6**	556.9	(78.3)	(14)
of which unlisted	**114.1**	76.2	37.9	50
Equity instruments				
Listed	**1,341.8**	1,306.9	34.9	3
Unlisted	**0.0**	0.0	0.0	
Total	**1,341.8**	1,306.9	34.9	3
Units in investment funds				
Listed	**64.6**	14.0	50.6	361
Unlisted	**37.5**	9.7	27.8	287
Total	**102.1**	23.7	78.4	331
Precious metals	**479.2**	293.5	185.7	63
Total trading positions	**2,515.8**	2,257.2	258.6	11
of which lent or delivered as collateral	**114.8**	57.6	57.2	99

Trading portfolio liabilities				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Debt instruments	**71.6**	73.7	(2.1)	(3)
of which listed	**71.6**	73.7	(2.1)	(3)
of which unlisted	**0.0**	0.0	0.0	
Equity instruments	**28.1**	26.6	1.5	6
of which listed	**28.1**	26.6	1.5	6
of which unlisted	**0.0**	0.0	0.0	
Units in investment funds	**0.0**	0.0	0.0	
of which unlisted	**0.0**	0.0	0.0	
Total	**99.7**	100.3	(0.6)	(1)

Open derivative instruments				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Positive replacement values	**172.3**	144.8	27.5	19
Negative replacement values	**515.4**	645.5	(130.1)	(20)

Other financial assets at fair value through profit and loss				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Debt instruments				
Debt instruments of governments and public sector entities	**120.8**	150.3	(29.5)	(20)
Debt instruments of financial institutions	**1,389.9**	1,569.2	(179.3)	(11)
Debt instruments of corporations	**719.6**	792.4	(72.8)	(9)
Total	**2,230.3**	2,511.9	(281.6)	(11)
of which listed	**2,016.3**	2,098.3	(82.0)	(4)
of which unlisted	**214.0**	413.6	(199.6)	(48)
Equity instruments				
Listed	**0.0**	0.5	(0.5)	(100)
Total	**0.0**	0.5	(0.5)	(100)
Units in investment funds				
Unlisted	**57.5**	51.9	5.6	11
Total	**57.5**	51.9	5.6	11
Structured products	**5.6**	5.3	0.3	6
Total other financial assets at fair value through profit and loss	**2,293.4**	2,569.6	(276.2)	(11)
of which lent or delivered as collateral	**112.8**	217.4	(104.6)	(48)

Other financial liabilities at fair value through profit and loss				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Structured products	**6,354.8**	5,430.9	923.9	17
of which listed	**4,129.7**	3,823.6	306.1	8
of which unlisted	**2,225.1**	1,607.3	617.8	38

15 Loans

Loans				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Mortgages	**56.6**	39.4	17.2	44
Other accounts receivable	**2,561.8**	2,340.8	221.0	9
Less allowances for credit risks	**(16.5)**	(15.1)	(1.4)	
Total	**2,601.9**	2,365.1	236.8	10

Allowances for credit risks				
Balance at the beginning of the year	**(15.1)**	(4.1)	(11.0)	
Utilization in conformity with designated purpose	**0.0**	0.2	(0.2)	(100)
Doubtful interest income[1]	**(1.9)**	(1.5)	(0.4)	
(Increase)/decrease recognized in the income statement, net	**0.5**	(0.3)	0.8	
Change in scope of consolidation	**0.0**	(9.4)	9.4	
Allowances as at the balance sheet date	**(16.5)**	(15.1)	(1.4)	

Impaired loans				
Impaired loans	**39.2**	39.2	0.0	0
Estimated proceeds of liquidating collateral	**14.5**	15.9	(1.4)	(9)
Impaired loans, net	**24.7**	23.3	1.4	6
Allowance for credit losses related to impaired loans	**(16.5)**	(15.1)	(1.4)	
Average impaired loans	**39.3**	30.5	8.8	29

Non-performing loans[1]				
Non-performing loans	**39.2**	39.2	0.0	0
Allowance for credit losses related to non-performing loans	**(16.5)**	(15.1)	(1.4)	
Average non-performing loans	**39.3**	30.5	8.8	29

[1] Interest of CHF 1.9 mn (previous year CHF 1.5 mn) on non-performing loans that had not yet been received was capitalized.

Change in non-performing loans				
Non-performing loans at the beginning of the year	**39.2**	27.6	11.6	42
Net increase/(decrease)	**0.0**	11.6	(11.6)	(100)
Write-offs and disposals	**0.0**	0.0	0.0	
Non-performing loans as at the balance sheet date	**39.2**	39.2	0.0	0

16 Financial investments

Financial investments				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Carried at fair value ("available-for-sale")				
Debt instruments				
Debt instruments of governments and public sector entities	**285.9**	276.4	9.5	3
Debt instruments of financial institutions	**894.3**	783.4	110.9	14
Debt instruments of corporations	**909.6**	835.1	74.5	9
Total	**2,089.8**	1,894.9	194.9	10
of which listed	**2,089.8**	1,894.9	194.9	10
of which unlisted	**0.0**	0.0	0.0	
Equity instruments and other participations				
Listed	**0.2**	225.3	(225.1)	(100)
Unlisted	**14.9**	6.7	8.2	122
Total	**15.1**	232.0	(216.9)	(93)
Units in investment funds				
Listed	**0.8**	2.4	(1.6)	(67)
Unlisted	**5.6**	21.1	(15.5)	(73)
Total	**6.4**	23.5	(17.1)	(73)
Total financial investments carried at fair value ("available-for-sale")	**2,111.3**	2,150.4	(39.1)	(2)
of which lent or delivered as collateral	**0.0**	0.0	0.0	

17 Investments in associates

Investments in associates				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Balance at the beginning of the year	**0.5**	0.5	0.0	0
Decreases	**0.0**	0.0	0.0	
Equity income	**0.2**	0.1	0.1	100
Dividends paid	**(0.1)**	(0.1)	0.0	0
Translation differences	**0.0**	0.0	0.0	
Total as at the balance sheet date	**0.6**	0.5	0.1	20

Subsidiary consolidated using the equity method						
				Share capital	Interest held in %	
	Domicile	Activity	Currency	mn	**31-12-16**	31-12-15
Deutsche Börse Commodities GmbH	Frankfurt	Issues	EUR	1.0	**16**	16

18 Minority interests

The only minority interests originate from the acquisition of TwentyFour Asset Management LLP. These minority interests are held by several partners in TwentyFour Asset Management LLP. Under the terms of the agreement, Vontobel can acquire further interests in TwentyFour Asset Management LLP from partners that are willing to sell their interests or from parties that cease to be partners of TwentyFour Asset Management LLP. Vontobel will acquire the then remaining minority interests in two half tranches in 2021 and 2023, whereby Vontobel has the right to already acquire the second tranche in 2021. In terms of the acquisition of minority interests, Vontobel recognizes a liability corresponding to the estimated acquisition price as a charge against minority interests and (if the liability exceeds the minority interests) as a charge against capital reserves. As of 31 December 2016 and 31 December 2015, the liability totalled CHF 50.3 mn and CHF 55.4 mn (please refer to note 33 "Fair value of financial instruments" for information on the measurement of the liability). Changes in the liability are recognized in shareholders' equity with the exception of a minor compensation component. A share of profits or losses continues to be allocated to minority interests in the income statement and the statement of comprehensive income.

A summary of important financial information concerning TwentyFour Asset Management LLP is provided below.

Balance sheet		
CHF mn	**31-12-16**	31-12-15
Assets		
Goodwill	**65.6**	77.1
Client relationships	**11.5**	17.6
Brand	**0.4**	0.6
Other assets	**19.6**	15.3
Total assets	**97.1**	**110.6**
Liabilities		
Liabilities	**8.7**	6.1
Equity	**88.4**	104.5
of which minority interests[1]	**9.7**	11.6
Total liabilities	**97.1**	**110.6**

[1] In the consolidated balance sheet, shareholders' equity attributable to minority interests is derecognized due to the obligation to acquire the minority interests.

Comprehensive income		
CHF mn	**31-12-16**	31-12-15
Operating income	**30.1**	18.5
Profit, net of tax	**9.4**	5.8
of which minority interests	**4.6**	2.9
Comprehensive income	**5.1**	5.8
of which minority interests	**2.9**	2.9

Further financial information		
CHF mn	**31-12-16**	31-12-15
Cash flow from operating activities	**14.4**	9.5
dividends paid to holders of minority interests	**5.2**	0.0
Minority interest in%	**40**	40

19 Property and equipment

Property and equipment						
CHF mn	Bank buildings	IT systems	Software	Software in development	Other fixed assets	**Total fixed assets**
Acquisition cost						
Balance as of 01-01-15	1.7	16.3	276.2	5.7	75.8	375.7
Additions	0.0	3.8	24.6	1.3	5.3	35.0
Disposals	0.0	(4.0)	(29.5)	(0.2)	(2.6)	(36.3)
Change in scope of consolidation	0.0	0.4	0.1	0.0	0.2	0.7
Translation differences	0.0	0.0	(0.1)	0.0	(0.3)	(0.4)
Balance as of 31-12-15	1.7	16.5	271.3	6.8	78.4	374.7
Additions	0.0	4.4	22.9	1.0	13.8	42.1
Disposals	0.0	(2.0)	(37.7)	(0.3)	(0.8)	(40.8)
Change in scope of consolidation	0.0	0.0	0.9	0.0	0.1	1.0
Translation differences	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Balance as of 31-12-16	**1.7**	**18.9**	**257.4**	**7.5**	**91.4**	**376.9**
Cumulative depreciation						
Balance as of 01-01-15	(0.5)	(7.6)	(152.8)	0.0	(29.5)	(190.4)
Depreciation	(0.2)	(4.9)	(41.0)	0.0	(8.1)	(54.2)
Impairment losses	0.0	0.0	(0.1)	(0.5)	0.0	(0.6)
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	4.0	29.5	0.2	2.6	36.3
Change in scope of consolidation	0.0	(0.2)	0.0	0.0	(0.1)	(0.3)
Translation differences	0.0	0.0	0.1	0.0	0.3	0.4
Balance as of 31-12-15	(0.7)	(8.7)	(164.3)	(0.3)	(34.8)	(208.8)
Depreciation	(0.1)	(5.5)	(38.8)	0.0	(8.9)	(53.3)
Impairment losses	0.0	0.0	(0.8)	(0.7)	(0.3)	(1.8)
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	2.0	37.7	0.3	0.8	40.8
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	0.1	0.1
Balance as of 31-12-16	**(0.8)**	**(12.2)**	**(166.2)**	**(0.7)**	**(43.1)**	**(223.0)**
Net carrying values 31-12-15	1.0	7.8	107.0	6.5	43.6	165.9
Net carrying values 31-12-16	**0.9**	**6.7**	**91.2**	**6.8**	**48.3**	**153.9**

Vontobel has not entered into significant sale-and-lease-back transactions.

20 Goodwill and other intangible assets

Goodwill and other intangible assets			
CHF mn	Goodwill	Other intangible assets	**Total intangible assets**
Acquisition cost			
Balance as of 01-01-15	97.9	82.9	180.8
Additions	0.0	0.3	0.3
Disposals	0.0	(56.5)	(56.5)
Change in scope of consolidation	88.1	24.0	112.1
Translation differences	1.9	0.6	2.5
Balance as of 31-12-15	187.9	51.3	239.2
Additions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Change in scope of consolidation	46.9	33.4	80.3
Translation differences	(11.5)	(3.1)	(14.6)
Balance as of 31-12-16	**223.3**	**81.6**	**304.9**
Cumulative depreciation			
Balance as of 01-01-15	0.0	(64.6)	(64.6)
Amortization		(11.3)	(11.3)
Impairment losses	0.0	0.0	0.0
Reversals		0.0	0.0
Disposals	0.0	56.5	56.5
Change in scope of consolidation	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0
Balance as of 31-12-15	0.0	(19.4)	(19.4)
Amortization		(7.2)	(7.2)
Impairment losses	0.0	0.0	0.0
Reversals		0.0	0.0
Disposals	0.0	0.0	0.0
Change in scope of consolidation	0.0	0.0	0.0
Translation differences	0.0	0.7	0.7
Balance as of 31-12-16	**0.0**	**(25.9)**	**(25.9)**
Net carrying values 31-12-15	187.9	31.9	219.8
Net carrying values 31-12-16	**223.3**	**55.7**	**279.0**

The following organizational units represent the lowest level at which the goodwill allocated to them is monitored for internal management purposes:

Goodwill positions of each organizational unit				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Private Banking division	**45.5**	45.5	0.0	0
Francophone & Middle East business unit	**15.6**	15.6	0.0	0
Italy business unit	**6.2**	6.2	0.0	0
Asset Management division	**63.1**	26.3	36.8	140
Fixed Income business unit	**57.9**	68.0	(10.1)	(15)
Alternatives business unit[1]	**0.0**	26.3	(26.3)	(100)
Multi Asset Class Investing business unit[1]	**26.3**	0.0	26.3	
Quantitative Investing business unit	**8.7**	0.0	8.7	
Total	**223.3**	187.9	35.4	19

[1] As a result of the dissolution of the Alternatives business unit in 2016, the corresponding goodwill was allocated to the Multi Asset Class Investing business unit.

The above goodwill positions are subject to an annual impairment test, which is conducted in the third quarter of each year. If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently to determine whether the book value of the relevant organizational unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the book value of the organizational unit exceeds the recoverable amount, a goodwill impairment is recorded.

When conducting an impairment test, Vontobel begins by comparing the book value of the organizational unit with its fair value less costs to sell. Assets under management are a key factor that is considered in the case of all the organizational units that are assessed because it has a significant impact on their future earnings potential. The implicit multiplier for assets under management is calculated on the basis of the market capitalization of companies engaging in similar business activities, less reported shareholders' equity. This implicit multiplier is adjusted to take account of the difference between the gross margins of the organizational unit under review and the peer group as well as other factors that are relevant for the impairment test. If the book value of the organizational unit exceeds the fair value calculated using the adjusted multipliers less costs to sell, the book value is subsequently compared with the value in use of the organizational unit.

Multiplier		
in %	**31-12-16**	31-12-15
Private Banking division	**1.7**	2.2
Francophone & Middle East business unit	**3.0**	4.0
Italy business unit	**2.5**	2.3
Asset Management division	**0.9**	1.7
Fixed Income business unit	**0.6**	1.0
Alternatives business unit[1]	**n/a**	2.3
Multi Asset Class Investing business unit[1]	**0.6**	n/a
Quantitative Investing business unit	**0.3**	n/a

[1] As a result of the dissolution of the Alternatives business unit in 2016, the corresponding goodwill was allocated to the Multi Asset Class Investing business unit.

The fair value calculated using these multipliers less costs to sell exceeded the book value of all organizational units both in the year under review and in the previous year. Management determined that no reasonably possible change in the assumptions would have resulted in the book value of an organizational unit significantly exceeding its recoverable amount.

All the input parameters that are relevant for the valuation can be observed. In the case of the fair value less costs to sell of the organizational units tested, this is a level 2 valuation.

21 Other assets

Other assets					
	Note	**31-12-16 CHF mn**	31-12-15 CHF mn	Change to 31-12-15 CHF mn	in %
Accrued income and prepaid expenses		**155.9**	165.3	(9.4)	(6)
Current tax assets		**26.1**	21.9	4.2	19
Deferred tax assets	11	**24.4**	27.8	(3.4)	(12)
Value-added tax and other tax receivables		**54.7**	14.7	40.0	272
Defined benefit pension asset	42	**22.1**	0.4	21.7	
Settlement and clearing accounts		**2.2**	0.1	2.1	
Open settlement positions		**241.7**	101.5	140.2	138
Other receivables		**37.2**	22.1	15.1	68
Other		**1.6**	1.4	0.2	14
Total		**565.9**	355.2	210.7	59

22 Securities lending and borrowing operations and securities repurchase and reverse-repurchase transactions

Securities lending and borrowing operations and securities repurchase and reverse-repurchase transactions				
		31-12-16		31-12-15
		Cash collateral for		Cash collateral for
CHF mn	**securities borrowing agreements**	**reverse-repurchase agreements**	securities borrowing agreements	reverse-repurchase agreements
Due from banks	**0.0**	**823.1**	0.0	1,013.5
Due from customers	**0.0**	**0.0**	0.0	0.0
Total balance sheet position cash collateral	**0.0**	**823.1**	0.0	1,013.5
Other financial instruments at fair value	**0.0**	**0.0**	0.0	0.0
Total	**0.0**	**823.1**	0.0	1,013.5

Securities lending and borrowing operations and securities repurchase and reverse-repurchase transactions				
		31-12-16		31-12-15
		Cash collateral from		Cash collateral from
CHF mn	**securities lending agreements**	**repurchase agreements**	securities lending agreements	repurchase agreements
Due to banks	**0.0**	**0.0**	0.0	76.1
Due to customers	**0.0**	**0.0**	0.0	0.0
Total	**0.0**	**0.0**	0.0	76.1

23 Transferred and pledged assets

Transferred and pledged assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Securities lending, securities borrowing and repurchase transactions	**227.6**	275.0	(47.4)	(17)
Trading portfolio assets	**114.8**	57.6	57.2	99
Financial instruments at fair value	**112.8**	217.4	(104.6)	(48)
Financial assets	**0.0**	0.0	0.0	
Other transactions	**40.9**	45.6	(4.7)	(10)
Total transferred assets	**268.5**	320.6	(52.1)	(16)
Trading portfolio assets	**142.9**	77.8	65.1	84
Debt instruments	**41.4**	61.3	(19.9)	(32)
Equity instruments	**101.4**	16.5	84.9	515
Other	**0.1**	0.0	0.1	
Financial instruments at fair value	**112.8**	217.4	(104.6)	(48)
Debt instruments	**112.8**	216.8	(104.0)	(48)
Equity instruments	**0.0**	0.6	(0.6)	(100)
Financial assets	**0.0**	0.0	0.0	
Debt instruments	**0.0**	0.0	0.0	
Other assets	**12.8**	25.4	(12.6)	(50)
Total transferred assets	**268.5**	320.6	(52.1)	(16)
of which those where the right to sell or repledge the assets has been assigned without restriction	**227.6**	275.0	(47.4)	(17)
Pledged assets	**536.5**	245.0	291.5	119
Total pledged assets	**536.5**	245.0	291.5	119

The transferred or pledged assets mainly serve the contracting partners as collateral against Vontobel liabilities arising from securities borrowing, securities lending and repurchase transactions, or as collateral for settlement limits and margin accounts with central banks, clearing centres and stock exchanges, as well as for OTC contracts, collateral secured instruments (COSI) and due to customers. These assets remain on Vontobel's balance sheet because they do not fulfil the criteria for derecognition under IAS 39.20. The corresponding liabilities in the balance sheet amounted to CHF 1,054.9 mn (31-12-16) and CHF 930.8 mn (31-12-15).

In the case of transferred assets, the criteria for a transfer to the counterparty are fulfilled according to IAS 39.18. The counterparty generally has power of disposal over these assets, while Vontobel retains the associated risks and rewards. In the case of pledged assets, the criteria for a transfer to the counterparty are not fulfilled according to IAS 39.18. Vontobel retains power of disposal over these assets and retains the associated risks and rewards.

24 Saleable or pledgeable securities not recorded in the balance sheet

Saleable or pledgeable securities not recorded in the balance sheet				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Securities lending, securities borrowing and reverse-repurchase transactions	**1,330.6**	1,354.8	(24.2)	(2)
Other transactions	**51.8**	75.0	(23.2)	(31)
Total fair value of securities received that can be sold or repledged	**1,382.4**	1,429.8	(47.4)	(3)
of which securities sold or repledged	**780.3**	902.4	(122.1)	(14)

The table contains the fair value of the securities received, where the counterparty has assigned Vontobel the unrestricted right to sell or repledge them, and the fair value of those securities for which Vontobel has made use of this right.

25 Due to customers

Due to customers				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Other accounts due, on time and demand	**9,058.5**	8,775.8	282.7	3
Total	**9,058.5**	8,775.8	282.7	3

26 Other liabilities

Other liabilities					
		31-12-16	31-12-15	Change to 31-12-15	
	Note	**CHF mn**	CHF mn	CHF mn	in %
Accrued expenses and deferred income		**305.2**	349.7	(44.5)	(13)
Current tax liabilities		**13.2**	8.0	5.2	65
Deferred tax liabilities	11	**42.4**	50.4	(8.0)	(16)
Defined benefit pension liabilities	42	**2.1**	67.1	(65.0)	(97)
Value-added tax and other tax liabilities		**6.7**	10.5	(3.8)	(36)
Settlement and clearing accounts		**30.1**	4.3	25.8	600
Open settlement positions		**166.1**	189.8	(23.7)	(12)
Liability to purchase minority interests		**50.3**	55.4	(5.1)	(9)
Other liabilities		**54.6**	47.5	7.1	15
Others		**8.3**	8.0	0.3	4
Total		**679.0**	790.7	(111.7)	(14)

27 Provisions

Provisions			
		2016	2015
CHF mn	Other	**Total**	Total
Balance at the beginning of the year	18.4	**18.4**	22.1
Utilization in conformity with designated purpose	(1.4)	**(1.4)**	(5.9)
Increase in provisions recognized in the income statement	17.9	**17.9**	2.0
Release of provisions recognized in the income statement	(1.6)	**(1.6)**	(0.6)
Recoveries	0.1	**0.1**	0.0
Change in scope of consolidation	0.0	**0.0**	0.9
Translation differences	0.0	**0.0**	(0.1)
Provisions as at the balance sheet date	33.4	**33.4**	18.4
Short-term provisions	15.7	**15.7**	3.2
Long-term provisions	17.7	**17.7**	15.2
Total	33.4	**33.4**	18.4

Other provisions consist of provisions for process risks and other liabilities.

A provision is recorded if, as a result of a past event, the Group has a current liability as of the balance sheet date that will probably lead to an outflow of funds, the level of which can be reliably estimated. When determining whether a provision should be recorded and whether the amount of the provision is appropriate, the best possible estimates and assumptions as of the balance sheet date are used; these estimates and assumptions may be adapted at a later date if necessary, based on new findings and circumstances.

Vontobel is involved in various legal proceedings in the course of its normal business operations. A provision is recorded in respect of current and potential legal proceedings if the above recognition criteria are met. In certain cases, external legal specialists are consulted to determine whether this is the case. In the second half of 2016 a provision of CHF 13.4 mn relating to remaining litigation risks in Germany has been recorded.

28 Share capital

Share capital				
		Share capital		Authorized capital
	Number of shares	Par value CHF mn	Number of shares	Par value CHF mn
Balance as of 01-01-14	65,000,000	65.0	0	0.0
Balance as of 31-12-14	65,000,000	65.0	0	0.0
Balance as of 31-12-15	56,875,000	56.9	0	0.0
Balance as of 31-12-16	**56,875,000**	**56.9**	**0**	**0.0**

The share capital is fully paid in. In accordance with the resolution of the General Meeting of Shareholders of 28 April 2015 to carry out a capital reduction, 8,125,000 treasury shares were cancelled in the financial year 2015.

Authorized capital

In the financial years 2016 and 2015 the Board of Directors did not apply for the creation of authorized capital.

Contingent share capital

There is no contingent share capital.

Treasury shares		
	Number	CHF mn
Balance as of 01-01-15	9,971,931	337.0
Purchases	1,878,698	87.0
Decreases	(1,622,520)	(59.7)
Cancellation of shares	(8,125,000)	(269.7)
Balance as of 31-12-15	2,103,109	94.6
Purchases	1,344,070	60.9
Decreases	(1,340,812)	(61.7)
Balance as of 31-12-16	**2,106,367**	**93.8**

As of 31-12-16 Vontobel held 29,714 (previous year 49,091) treasury shares to secure options and structured products.
Own shares were offset against shareholders' equity in accordance with IAS 32.

29 Unrealized gains and losses on financial investments

Unrealized gains and losses on financial investments				
		31-12-16		31-12-15
CHF mn	**Unrealized gains**	**Unrealized losses**	Unrealized gains	Unrealized losses
Equity instruments and other participations	**1.5**	**0.0**	134.0	0.0
Units in investment funds	**0.2**	**(0.2)**	2.2	(0.1)
Debt instruments	**9.6**	**(6.3)**	8.9	(6.3)
Total before taxes	**11.3**	**(6.5)**	145.1	(6.4)
Taxes	**(2.1)**	**1.4**	(12.9)	1.4
Total net of tax[1]	**9.2**	**(5.1)**	132.2	(5.0)

[1] The total amount net of tax includes exchange differences in the amount of CHF –0.5 mn (previous year CHF –0.5 mn).

Transactions with related parties

30 Compensation and loans of governing bodies

Compensation of governing bodies
The governing bodies of Vontobel comprise the members of the Board of Directors of Vontobel Holding AG and the members of the Executive Board. Additional information about the current members of governing bodies can be found in the Corporate Governance section of this annual report. The compensation paid to this group of people is listed below. Further information can be found in the Vontobel Compensation Report commencing on page 57.

Compensation is recognized in the financial year in which it is accrued. It is thus reported according to the accrual principle, irrespective of cash flows. This does not include expense related to performance shares and other deferred compensation, which is recorded during the vesting period. However, once the vesting conditions have been met, the allocation of shares is shown at the point in time when the performance shares are transferred to employees.

Compensation of the members of the Board of Directors of Vontobel Holding AG and Bank Vontobel AG for the financial year

	31-12-16[1]	31-12-15[2]	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Short-term employee benefits	**2.4**	2.2	0.2	9
Post-employment benefits	**0.1**	0.1	0.0	0
Other long-term benefits	**0.0**	0.0	0.0	
Termination benefits	**0.0**	0.0	0.0	
Equity compensation benefits[3,4]	**1.6**	1.4	0.2	14
Total mandate-related compensation for the financial year[5]	**4.1**	3.7	0.4	11
Compensation for additional services	**0.0**	0.0	0.0	
Total compensation for the financial year[6]	**4.1**	3.7	0.4	11

1 Including compensation paid to one former member and three new members of the Board of Directors pro rata temporis.
2 Including compensation paid to one former member and one new member of the Board of Directors pro rata temporis.
3 The members of the Board of Directors received a total of 39,938 (previous year 38,739) shares of Vontobel Holding AG as part of their compensation for the year under review, of which 0 (previous year 7,564) shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
4 The cost of the performance shares is not included in the calculation of share-based compensation during the vesting period of the shares.
5 Excluding flat rate compensation for expenses and employer contribution to AHV/IV/ALV.
6 The expense relating to performance shares is not included in "Total compensation for the financial year". The allocation of performance shares is shown separately in the following table "Allocation of shares from the long-term employee share-based benefit program".

Allocation of shares from the long-term employee share-based benefit program

	31-12-16	31-12-15	Change to 31-12-15	
	number	number	number	in %
Number of performance shares allotted to Herbert J. Scheidt[1]	**30,144**	31,508	(1,364)	(4)

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.

1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 0.8 mn (previous year CHF 0.6 mn) and was included on a pro rata basis over the vesting period. The market value of the performance shares on the allocation date was CHF 1.3 mn (previous year CHF 1.4 mn).

Compensation of the members of the Executive Board for the financial year				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Base salary	**3.7**	3.7	0.0	0
Other short-term employee benefits[1]	**0.0**	0.0	0.0	
Cash component of bonus	**5.4**[2]	4.9	0.5	10
Post-employment benefits	**0.6**	0.6	0.0	0
Other long-term benefits	**0.0**	0.0	0.0	
Termination benefits	**0.0**	0.0	0.0	
Equity compensation benefits bonus shares[3]	**5.4**[2]	4.9	0.5	10
Total contract-related compensation for the financial year[4]	**15.1**	14.1	1.0	7
Compensation for additional services	**0.0**	0.0	0.0	
Total compensation for the financial year[5]	**15.1**	14.1	1.0	7
Number of persons receiving compensation	**6**	6	0	0

[1] Other short-term employee benefits comprise family allowance payments and preferential interest rates for mortgages.
[2] Subject to the approval of the General Meeting of Shareholders 2017.
[3] A total of 127,831 (previous year 134,079) Vontobel Holding AG shares were allocated to members of the Executive Board. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
[4] Excluding flat rate compensation for expenses and employer contribution to AHV/IV/ALV.
[5] The expense relating to performance shares is not included in “Total compensation for the financial year”. The allocation of performance shares is shown separately in the “Allocation of shares from the long-term employee share-based benefit program” table below.

Allocation of shares from the long-term employee share-based benefit program				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	
	or number	or number	or number	in %
Market value of performance shares at the date on which they were allotted in CHF mn[1]	**6.1**	5.6	0.5	9
Number of performance shares allotted	**146,700**	129,410	17,290	13
Number of persons receiving compensation	**6**	5	1	20

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table “Compensation for the financial year”. Instead, they are shown separately in this table.

[1] In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 3.9 mn (previous year CHF 2.3 mn) and was included on a pro rata basis over the vesting period.

Employee share-based benefit program and other deferred compensation

Under the current share participation plan, which was introduced in spring 2005, employees can opt to receive 25% of their bonus in the form of bonus shares of Vontobel Holding AG at preferential terms. For bonus amounts exceeding CHF 100,000, it is mandatory for employees to take 25% of the bonus in the form of shares. Employees who exercise roles that are defined by the Board of Directors as special positions are required to take 33% of their bonus in the form of shares. In the case of members of the Executive Board, this mandatory portion increases to 50% of their total bonus. These shares are awarded at a price corresponding to 80% of the relevant market price. The relevant market price is the average of the closing prices in the month of December of the year for which the bonus is paid. The bonus shares are blocked for three years and cannot be disposed of during that period. Employees who receive bonus shares automatically participate in the performance shares program. The right to receive performance shares depends on the performance of the business over the last three years, hence the name “performance shares”, as well as on the number of bonus shares received. The company’s average return on equity (ROE) and the average risk profile (BIS tier 1 capital ratio) are taken into account when determining its performance. A third requirement when receiving performance shares is that they are only paid to employees who remain in an employment relationship on which notice has not been served three years after they received the bonus shares.

Blocked shares				
		Employees		Members of the Board of Directors and the Executive Board
Number	**31-12-16**	31-12-15	**31-12-16**	31-12-15
Holdings of blocked shares at the beginning of the year	**1,163,294**	1,161,319	**534,331**	570,996
Allotted shares and transfers (addition)	**394,296**	445,484	**184,278**	163,594
Shares for which the holding period has lapsed	**(316,699)**	(383,072)	**(192,020)**	(194,915)
Shares of employees/members who have left the Group and transfers (reduction)	**(68,177)**	(60,437)	**(4,450)**	(5,344)
Holdings of blocked shares as at the balance sheet date	**1,172,714**	1,163,294	**522,139**	534,331
Charged as personnel expense in the year under review (CHF mn)	**0.1**	2.3	**0.4**	0.9
Charged as personnel expense in the preceding year (CHF mn)	**17.9**	16.2	**7.9**	6.0
Average price of shares upon allotment (CHF)	**45.70**	41.65	**44.63**	41.74
Fair value of blocked shares as at the balance sheet date (CHF mn)	**62.7**	55.3	**27.9**	25.4

Deferred compensation outstanding

Receive performance shares

Vontobel's compensation concept focuses on the achievement of sustained success. The awarding of performance shares is a long-term component of this compensation system. The number of shares allocated in the year under review is calculated on the basis of the number of bonus shares received for the financial year 2012 as well as the performance of the business in the years 2013 to 2015, measured in terms of the average return on equity (ROE) and the average risk profile (BIS tier 1 capital ratio). In accordance with the relevant IFRS rules, the cost per allocated share recorded as share-based compensation benefits was CHF 26.30 and was included on a pro rata temporis basis over the vesting period. The market price was CHF 41.75 on the allocation date in April 2016 and was CHF 53.45 as at the balance sheet date.

The expense relating to the performance share program is accrued over the respective vesting period and charged to personnel expense. The estimated cumulative charge to personnel expense for the remaining vesting periods takes account of expectations regarding the performance of the business (ROE and BIS tier 1 capital ratio) and the probability that employees will leave the company. In view of expectations regarding the performance of the business, the calculation of the number of rights is based on the assumption that between 113% and 133% (previous year between 89% and 115%) of the original number of bonus shares will be allocated as performance shares to eligible employees in connection with the individual programs.

If the ROE in 2017 and 2018 is 3 percentage points higher (lower) than expected due to an improvement (deterioration) in the performance of the business, between 113% and 143% (113% and 122%) of the original number of bonus shares will be granted as performance shares to eligible employees in connection with the individual programs. If the BIS tier 1 capital ratio in 2017 and 2018 is 2 percentage points higher (lower) than expected, these factors would be between 113% and 159% (113% and 133%). Further information is available at: www.vontobel.com/compensation-report (see stock ownership plan brochure). As a result, a reasonably possible deviation from the expected values would not have a significant impact on Vontobel's future personnel expense.

Performance shares				
		Employees		Chairman of the Board of Directors and members of the Executive Board
Number	**31-12-16**	31-12-15	**31-12-16**	31-12-15
Holdings of rights at the beginning of the year	**1,233,447**	1,106,522	**536,037**	522,273
Allotted rights and transfers (addition)	**394,296**	445,484	**141,643**	152,507
Recorded performance shares	**(297,088)**	(320,550)	**(176,844)**	(160,918)
Forfeited rights and transfers (reduction)	**(72,154)**	(56,078)	**0**	0
Change of rights due to modified parameters	**199,897**	58,069	**76,818**	22,175
Holdings of rights as at the balance sheet date	**1,458,398**	1,233,447	**577,654**	536,037

CHF mn				
Personnel expense recorded over the vesting period for recorded performance shares	**7.8**	5.8	**4.7**	2.9
Market value of recorded performance shares on the allocation date	**12.4**	13.9	**7.4**	7.0
Charged as personnel expense in the year under review	**17.1**	10.9	**6.9**	5.0
Cumulative charge to personnel expense for outstanding rights to performance shares as at the balance sheet date	**26.3**	17.3	**10.6**	8.2
Estimated personnel expense for the remaining vesting periods including future terminations	**19.3**	16.4	**7.3**	6.3
Estimated personnel expense for the remaining vesting periods excluding future terminations	**22.4**	19.1	**8.4**	7.3

Other deferred compensation as at the balance sheet date				
In cash	**3.2**	16.2	**–**	–
Share-based compensation benefits	**0.0**	9.0	**–**	–
Number of shares	**0.0**	358,200	**–**	–
Personnel expense recorded in the year under review for share-based compensation	**(8.9)**	3.1	**–**	–
Estimated personnel expense for share-based compensation for the remaining vesting periods	**0.0**	6.0	**–**	–

Governing body loans and employee terms and conditions

Loans to members of Vontobel's governing bodies and to significant shareholders and the persons and companies related to them may only be granted in accordance with the generally recognized principles of the banking industry. Governing body members are generally treated like employees, and that particularly in regard to lending terms. Governing body loans must be approved by the Board of Directors of Vontobel Holding AG in addition to the levels of authority applicable to employees.

As of 31 December 2016, fully secured loans and credits to members of Vontobel's governing bodies or related parties of CHF 1.9 mn were outstanding. As of 31 December 2015, margin calls fully secured against collateral and guarantees for members of governing bodies and significant shareholders totalled CHF 0.6 mn. No loans to former members of the Board of Directors or the members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Vontobel has granted mortgage loans to members of its governing bodies and to employees since 1 October 2016. It provides mortgage loans to them at a preferential interest rate of up to 1% below the usual interest rate up to a maximum loan amount of CHF 1 million per borrower. In addition, as part of a transitional arrangement, Vontobel provides the same terms and conditions in the case of existing mortgage loans of members of its governing bodies and employees from selected third-party banks until maturity. Vontobel does not assume any credit risks or other obligations in this context.

The members of the Board of Directors and the Executive Board conduct usual banking transactions with Vontobel at the same conditions as employees.

31 Transactions with related companies and persons

Companies and persons are deemed related if one side is able to control the other or exert a substantial influence on the other's financial or operational decisions.

Transactions with related companies and persons

	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Receivables	**2.1**	0.2	1.9	950
Liabilities	**231.9**	199.1	32.8	16

Vontobel Foundation and other members of the shareholder pool

The Vontobel Foundation conducts business with Bank Vontobel AG at the same terms and conditions offered to employees.

Pension funds of Vontobel

The assets of these pension funds are managed by Vontobel Asset Management AG.

Risk related to balance sheet positions

32 Risk related to balance sheet positions

Risk related to balance sheet positions							
CHF mn	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	**31-12-16 Total**
Liquidity risk							
Maturity structure of assets and liabilities							
Assets							
Cash	6,374.0						**6,374.0**
Due from banks	1,413.1		86.5	3.1			**1,502.7**
Cash collateral for reverse-repurchase agreements			823.1				**823.1**
Trading portfolio assets	2,515.8						**2,515.8**
Positive replacement values	172.3						**172.3**
Other financial assets at fair value	2,293.4						**2,293.4**
Loans	41.8	132.7	1,433.9	463.0	357.7	172.8	**2,601.9**
Financial investments	21.4		51.7	276.2	1,609.1	152.9	**2,111.3**
Investments in associates[1]						0.6	**0.6**
Property and equipment[1]						153.9	**153.9**
Goodwill and other intangible assets[1]						279.0	**279.0**
Other assets	565.9						**565.9**
Total	**13,397.7**	**132.7**	**2,395.2**	**742.3**	**1,966.8**	**759.2**	**19,393.9**
Liabilities							
Due to banks	1,139.0						**1,139.0**
Cash collateral from repurchase agreements							**0.0**
Trading portfolio liabilities	99.7						**99.7**
Negative replacement values	515.4						**515.4**
Other financial liabilities at fair value	6,354.8						**6,354.8**
Due to customers	9,058.5						**9,058.5**
Provisions	33.4						**33.4**
Other liabilities	628.7					50.3	**679.0**
Total liabilities	**17,829.5**	**0.0**	**0.0**	**0.0**	**0.0**	**50.3**	**17,879.8**
Off-balance sheet							
Contingent liabilities and irrevocable commitments	207.7	209.5	11.3	1.2	24.4	0.2	**454.3**

[1] Immobilized

Risk related to balance sheet positions							
CHF mn	Demand	Subject to notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	31-12-15 Total
Liquidity risk							
Maturity structure of assets and liabilities							
Assets							
Cash	5,355.5						5,355.5
Due from banks	928.2		69.2	9.9			1,007.3
Cash collateral for reverse-repurchase agreements			1,010.2	3.3			1,013.5
Trading portfolio assets	2,257.2						2,257.2
Positive replacement values	144.8						144.8
Other financial assets at fair value	2,569.6						2,569.6
Loans	47.1	91.8	1,467.3	463.1	224.6	71.2	2,365.1
Financial investments	255.6		27.3	45.1	1,727.3	95.1	2,150.4
Investments in associates[1]						0.5	0.5
Property and equipment[1]						165.9	165.9
Goodwill and other intangible assets[1]						219.8	219.8
Other assets	355.2						355.2
Total	**11,913.2**	**91.8**	**2,574.0**	**521.4**	**1,951.9**	**552.5**	**17,604.8**
Liabilities							
Due to banks	335.9			6.0			341.9
Cash collateral from repurchase agreements			76.1				76.1
Trading portfolio liabilities	100.3						100.3
Negative replacement values	645.5						645.5
Other financial liabilities at fair value	5,430.9						5,430.9
Due to customers	8,775.8						8,775.8
Provisions	18.4						18.4
Other liabilities	735.3					55.4	790.7
Total liabilities	**16,042.1**	**0.0**	**76.1**	**6.0**	**0.0**	**55.4**	**16,179.6**
Off-balance sheet							
Contingent liabilities and irrevocable commitments	309.8	275.6	0.3				585.7

[1] Immobilized

33 Fair value of financial instruments

a) 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				
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				
Equity instruments	0.0	–	0.0	**0.0**
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**
Units in investment funds	0.0	0.0	0.0	**0.0**
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.

Financial instruments measured at fair value				
CHF mn	Level 1	Level 2	Level 3	31-12-15 Total
Assets				
Trading portfolio assets				
Equity instruments	1,306.9	–	0.0	1,306.9
Units in investment funds	23.5	0.1	0.1	23.7
Debt instruments	478.1	155.0	–	633.1
Precious metals	293.5	–	–	293.5
Positive replacement values	25.8	119.0	0.0	144.8
Other financial assets at fair value				
Equity instruments	0.5	–	0.0	0.5
Units in investment funds	5.9	39.9	6.1	51.9
Debt instruments[1]	1,780.0	731.9	–	2,511.9
Structured products	–	5.3	–	5.3
Financial assets available-for-sale				
Equity instruments and other participations	225.3	–	6.7	232.0
Units in investment funds	23.5	0.0	0.0	23.5
Debt instruments	1,871.7	23.2	–	1,894.9
Other assets at fair value	0.0	0.0	0.5	0.5
Total financial assets at fair value	**6,034.7**	**1,074.4**	**13.4**	**7,122.5**
Liabilities				
Trading portfolio liabilities				
Equity instruments	26.6	–	0.0	26.6
Units in investment funds	0.0	0.0	0.0	0.0
Debt instruments	71.8	1.9	–	73.7
Negative replacement values	20.0	625.5	–	645.5
Other financial liabilities at fair value[2]	–	5,430.9	–	5,430.9
Other liabilities at fair value	–	0.0	60.7	60.7
Total financial liabilities at fair value	**118.4**	**6,058.3**	**60.7**	**6,237.4**

[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 29.5 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 3,823.6 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 minority interests in TwentyFour Asset Management LLP, assets or liabilities from earn-out agreements related to acquisitions, 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 assets or liabilities from earn-out agreements is dependent on individual contractually agreed key performance indicators of the acquired companies. The measurement of these assets or liabilities 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	Fair value financial instruments	Available-for-sale financial instruments	Other assets [1]	**Total financial assets**	Other liabilities [2]	**31-12-16 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 consolidation	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Investments	0.0	7.7	0.0	**7.7**	0.0	**0.0**
Disposals	0.0	0.0	0.0	**0.0**	6.3	**6.3**
Redemptions	(0.1)	0.0	0.0	**(0.1)**	0.0	**0.0**
Expense recognized in the income statement	(0.1)	(0.4)	0.0	**(0.5)**	(2.7)	**(2.7)**
Expense recognized in other comprehensive income	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Income recognized in the income statement	0.2	0.0	3.2	**3.4**	0.0	**0.0**
Income recognized in other comprehensive income	0.0	0.9	0.0	**0.9**	0.0	**0.0**
Change recognized in shareholders' equity	0.0	0.0	0.0	**0.0**	(2.6)	**(2.6)**
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**	9.4	**9.4**
Total book value at balance sheet date	6.2	14.9	3.7	**24.8**	(50.3)	**(50.3)**
Income in the financial year on holdings on balance sheet date						
Unrealized losses recognized in the trading income	0.0	0.0	0.0	**0.0**	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**	(0.8)	**(0.8)**
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	0.2	0.0	0.0	**0.2**	0.0	**0.0**
Unrealized gains recognized in other income	0.0	0.0	3.2	**3.2**	0.0	**0.0**
Unrealized gains recognized as other comprehensive income	0.0	0.9	0.0	**0.9**	0.0	**0.0**

Of the gains and losses recognized in the income statement, CHF 0.1 mn were included in trading income, CHF 0.9 mn in other income and CHF –0.8 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 that has been settled in the financial year 2016 as well as the liability to acquire the relevant minority interests.

Level 3 financial instruments						
CHF mn	Fair value financial instruments	Available-for-sale financial instruments	Other assets [1]	Total financial assets	Other liabilities [2]	31-12-15 Total financial liabilities
Balance sheet						
Holdings at the beginning of the year	8.6	1.9	0.0	10.5	0.0	0.0
Additions in scope of consolidation	0.0	4.9	0.0	4.9	(70.7)	(70.7)
Investments	0.0	0.0	0.5	0.5	0.0	0.0
Disposals	(0.1)	0.0	0.0	(0.1)	0.0	0.0
Redemptions	(3.0)	0.0	0.0	(3.0)	19.8	19.8
Expense recognized in the income statement	(0.6)	(0.5)	0.0	(1.1)	(3.2)	(3.2)
Expense recognized in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Income recognized in the income statement	0.4	0.0	0.0	0.4	0.0	0.0
Income recognized in other comprehensive income	0.0	0.4	0.0	0.4	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	(6.1)	(6.1)
Reclassifications to level 3	0.9	0.0	0.0	0.9	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	6.2	6.7	0.5	13.4	(60.7)	(60.7)
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	(0.5)	0.0	(0.5)	0.0	0.0
Expense recognized in operating expense	0.0	0.0	0.0	0.0	(0.6)	(0.6)
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	0.0	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	0.4	0.0	0.4	0.0	0.0

Of the gains and losses recognized in the income statement, CHF –0.2 mn were included in trading income, CHF –3.1 mn in other income and CHF –0.6 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 (CHF 5.3 mn) as well as the liability to acquire the relevant minority interests (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 that will be used to discount future cash flows, as well as the long-term growth of these cash flows. 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 31-12-16 in CHF mn**	Change in the fair value as of 31-12-15 in CHF mn
Discount rate	+1 percentage point	**(4.1)**	(4.5)
Discount rate	–1 percentage point	**4.9**	5.3
Long-term growth	+1 percentage point	**2.1**	2.2
Long-term growth	–1 percentage point	**(1.8)**	(1.8)

In the case of assets and liabilities from earn-out agreements related to acquisitions, 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 in the "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 2016, positions with a fair value of CHF 149.7 mn (previous year CHF 76.4 mn) were reclassified from level 1 to level 2, positions with a fair value of CHF 115.4 mn (previous year CHF 160.1 mn) were reclassified from level 2 to level 1, and positions with a fair value of CHF 0.0 mn (previous year CHF 0.9 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.

b) 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							
					31-12-16		31-12-15
				Fair value	**Book value**	Fair value	Book value
CHF mn	Level 1	Level 2	Level 3	**Total**	**Total**	Total	Total
Assets							
Cash	6,374.0	0.0	–	**6,374.0**	**6,374.0**	5,355.5	5,355.5
Due from banks	–	1,502.7	–	**1,502.7**	**1,502.7**	1,007.3	1,007.3
Cash collateral for reverse-repurchase agreements	–	823.1	–	**823.1**	**823.1**	1,013.5	1,013.5
Loans	–	2,626.1	–	**2,626.1**	**2,601.9**	2,378.7	2,365.1
Other financial assets[1]	38.1	267.0	–	**305.1**	**305.1**	170.9	170.9
Total	6,412.1	5,218.9	0.0	**11,631.0**	**11,606.8**	9,925.9	9,912.3
Liabilities							
Due to banks	–	1,139.0	–	**1,139.0**	**1,139.0**	341.9	341.9
Cash collateral from repurchase agreements	–	0.0	–	**0.0**	**0.0**	76.1	76.1
Due to customers	–	9,058.5	–	**9,058.5**	**9,058.5**	8,775.8	8,775.8
Other financial liabilities[1]	0.7	270.8	–	**271.5**	**271.5**	300.1	300.1
Total	0.7	10,468.3	0.0	**10,469.0**	**10,469.0**	9,493.9	9,493.9

[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.

34 Netting agreements

To reduce credit risks related to derivative contracts, repurchase and reverse-repurchase agreements and securities lending and borrowing agreements, Vontobel enters into master netting agreements or similar netting arrangements with its counterparties. These netting agreements include ISDA Master Netting Agreements, Global Master Securities Lending Agreements (GMSLA), Global Master Repo Agreements (GMRA) and derivatives market rules.

These netting agreements enable Vontobel to protect itself against loss in the event of a possible insolvency or other circumstances that result in a counterparty being unable to meet its obligations. In such cases, the netting agreements provide for the immediate net settlement of all financial instruments covered by the agreement. The right of set-off essentially only becomes enforceable following a default event or other circumstances not expected to arise in the normal course of business. The financial instruments covered by a netting agreement do therefore not meet the requirements for balance sheet offsetting, which is why the book values of the corresponding financial instruments are not offset on the balance sheet.

Financial assets						
CHF mn	Amount before balance sheet offsetting	Balance sheet offsetting	Book value	Financial instruments not offset	Collateral received	Unsecured amount
Positive replacement values	172.3	0.0	172.3	108.0	59.4	4.9
Cash collateral for reverse-repurchase agreements	823.1	0.0	823.1	0.0	823.1	0.0
Cash collateral for securities borrowing agreements	0.0	0.0	0.0	0.0	0.0	0.0
Total 31-12-16	**995.4**	**0.0**	**995.4**	**108.0**	**882.5**	**4.9**

Financial liabilities						
CHF mn	Amount before balance sheet offsetting	Balance sheet offsetting	Book value	Financial instruments not offset	Collateral provided	Unsecured amount
Negative replacement values[1]	287.2	0.0	287.2	108.0	148.6	30.6
Cash collateral from repurchase agreements	0.0	0.0	0.0	0.0	0.0	0.0
Cash collateral from securities lending agreements	0.0	0.0	0.0	0.0	0.0	0.0
Total 31-12-16	**287.2**	**0.0**	**287.2**	**108.0**	**148.6**	**30.6**

[1] Negative replacement values in the amount of CHF 228.2 mn are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Financial assets						
CHF mn	Amount before balance sheet offsetting	Balance sheet offsetting	Book value	Financial instruments not offset	Collateral received	Unsecured amount
Positive replacement values	144.8	0.0	144.8	86.5	54.4	3.9
Cash collateral for reverse-repurchase agreements	1,013.5	0.0	1,013.5	0.0	1,013.5	0.0
Cash collateral for securities borrowing agreements	0.0	0.0	0.0	0.0	0.0	0.0
Total 31-12-15	**1,158.3**	**0.0**	**1,158.3**	**86.5**	**1,067.9**	**3.9**

Financial liabilities						
CHF mn	Amount before balance sheet offsetting	Balance sheet offsetting	Book value	Financial instruments not offset	Collateral provided	Unsecured amount
Negative replacement values[1]	449.1	0.0	449.1	86.5	337.3	25.3
Cash collateral from repurchase agreements	76.1	0.0	76.1	0.0	76.1	0.0
Cash collateral from securities lending agreements	0.0	0.0	0.0	0.0	0.0	0.0
Total 31-12-15	**525.2**	**0.0**	**525.2**	**86.5**	**413.4**	**25.3**

[1] Negative replacement values in the amount of CHF 196.4 mn are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Off-balance sheet and other information

35 Off-balance sheet information

Off-balance sheet information				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Contingent liabilities				
Credit guarantees	**201.8**	210.9	(9.1)	(4)
Performance guarantees	**12.8**	5.0	7.8	156
Other contingent liabilities	**207.7**	352.5	(144.8)	(41)
Total	**422.3**	568.4	(146.1)	(26)
Irrevocable commitments				
Undrawn irrevocable credit facilities	**32.0**	17.3	14.7	85
of which payment obligation to client deposit protection	**15.8**	17.0	(1.2)	(7)

Of the aggregate sum of CHF 454.3 mn (previous year CHF 585.7 mn) comprising contingent liabilities and irrevocable commitments, a total of CHF 300.1 mn (CHF 276.5 mn) is secured by recognized collateral and CHF 154.2 mn (CHF 309.2 mn) are unsecured. These positions contain maximum credit risks of CHF 240.0 mn (CHF 221.1 mn), of which CHF 102.0 mn (CHF 97.3 mn) are secured.

Fiduciary transactions				
Other fiduciary placements	**1,046.8**	708.2	338.6	48
Total	**1,046.8**	708.2	338.6	48

Litigation

Vontobel Holding AG announced on 10 December 2013 that it had decided to categorize itself as one of the financial institutions that have not committed any offenses under applicable US tax law. Consequently, Vontobel proactively engaged in discussions with the US Department of Justice prior to the announcement of the US Program. The discussions with the US Department of Justice were concluded without Vontobel having to pay a financial penalty. In the case of Vontobel, a non-prosecution agreement or a non-target letter were not discussed.

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 recorded a provision in the second half of the year relating to remaining litigation risks in Germany that resulted in a charge of CHF 13.4 million.

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 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.

36 Open derivative instruments

Open derivative instruments											
									31-12-16		
	Term to maturity up to 3 months		Term to maturity 3 to 12 months		Term to maturity 1 to 5 years		Term to maturity more than 5 years		Total	Total	Total contract
CHF mn	PRV[1]	NRV[1]	PRV	NRV	PRV	NRV	PRV	NRV	**PRV**	**NRV**	volume
Debt instruments											
Forward contracts incl. FRAs									**–**	**–**	
Swaps	1.7	0.3	0.3	1.5	21.3	31.7	2.5	8.1	**25.8**	**41.6**	2,997.2
Futures	0.1								**0.1**	**0.0**	9.4
Options (OTC) and warrants		0.6		0.3	4.3			0.4	**4.3**	**1.3**	70.8
Options (exchange traded)									**–**	**–**	
Total	1.8	0.9	0.3	1.8	25.6	31.7	2.5	8.5	**30.2**	**42.9**	3,077.4
Foreign currency											
Forward contracts	5.9	8.4	2.4	1.9	0.0	0.0			**8.3**	**10.3**	829.3
Swaps	31.8	35.7	4.9	8.2	0.8	2.1			**37.5**	**46.0**	4,402.9
Futures									**–**	**–**	
Options (OTC) and warrants	2.1	5.1	2.2	2.6	0.1	0.1		3.6	**4.4**	**11.4**	879.4
Options (exchange traded)			0.1						**0.1**	**0.0**	12.6
Total	39.8	49.2	9.6	12.7	0.9	2.2	–	3.6	**50.3**	**67.7**	6,124.2
Precious metals											
Forward contracts	0.0	0.0							**0.0**	**0.0**	3.8
Swaps	10.5	9.8							**10.5**	**9.8**	187.8
Futures									**0.0**	**0.0**	68.0
Options (OTC) and warrants	1.7	4.6	1.6	2.7	1.1	2.1	0.0	9.9	**4.4**	**19.3**	940.8
Options (exchange traded)									**–**	**–**	
Total	12.2	14.4	1.6	2.7	1.1	2.1	0.0	9.9	**14.9**	**29.1**	1,200.4
Equities/indices											
Forward contracts									**–**	**–**	
Swaps	1.8	2.2	4.9	14.8	4.6	21.6	0.1	0.9	**11.4**	**39.5**	1,041.6
Futures									**0.0**	**0.0**	231.9
Options (OTC) and warrants	7.5	76.4	6.6	82.2	15.1	40.3	0.2	92.0	**29.4**	**290.9**	4,243.5
Options (exchange traded)	9.9	4.8	8.4	12.6	2.7	0.7			**21.0**	**18.1**	1,615.3
Total	19.2	83.4	19.9	109.6	22.4	62.6	0.3	92.9	**61.8**	**348.5**	7,132.3
Credit derivatives											
Credit default swaps	0.6	0.0	1.6	0.1	12.6	7.5	0.3	0.6	**15.1**	**8.2**	1,745.2
Total	0.6	0.0	1.6	0.1	12.6	7.5	0.3	0.6	**15.1**	**8.2**	1,745.2
Other											
Forward contracts									**–**	**–**	
Futures									**0.0**	**0.0**	90.4
Options (OTC) and warrants		2.1		0.5	0.0	2.5		13.9	**0.0**	**19.0**	166.2
Options (exchange traded)									**–**	**–**	
Total	–	2.1	–	0.5	0.0	2.5	–	13.9	**0.0**	**19.0**	256.6
Total	**73.6**	**150.0**	**33.0**	**127.4**	**62.6**	**108.6**	**3.1**	**129.4**	**172.3**	**515.4**	**19,536.1**

[1] PRV = Positive replacement values, NRV = Negative replacement values
The positive and negative replacement values relate to trading instruments with the exception of the instruments referred to in note 37 “Hedge accounting”.

Open derivative instruments											
										31-12-15	
CHF mn	Term to maturity up to 3 months PRV[1]	NRV[1]	Term to maturity 3 to 12 months PRV	NRV	Term to maturity 1 to 5 years PRV	NRV	Term to maturity more than 5 years PRV	NRV	Total PRV	Total NRV	Total contract volume
Debt instruments											
Forward contracts incl. FRAs									–	–	
Swaps	0.0	0.1	0.1	3.5	10.4	35.0	2.3	16.2	12.8	54.8	2,675.7
Futures									0.0	0.0	0.5
Options (OTC) and warrants		0.2	0.0	0.0	5.7			0.3	5.7	0.5	207.2
Options (exchange traded)									–	–	
Total	0.0	0.3	0.1	3.5	16.1	35.0	2.3	16.5	18.5	55.3	2,883.4
Foreign currency											
Forward contracts	10.6	6.4	3.1	3.2	0.1	0.0			13.8	9.6	983.7
Swaps	18.8	22.3	4.0	3.0	4.0	0.0			26.8	25.3	3,483.3
Futures									–	–	
Options (OTC) and warrants	1.8	5.8	6.6	7.2	2.3	2.3		3.4	10.7	18.7	1,142.7
Options (exchange traded)									–	–	
Total	31.2	34.5	13.7	13.4	6.4	2.3	–	3.4	51.3	53.6	5,609.7
Precious metals											
Forward contracts	0.0	0.0							0.0	0.0	12.5
Swaps	3.5	3.4	0.0	0.0					3.5	3.4	170.2
Futures			0.0						0.0	0.0	29.6
Options (OTC) and warrants	0.9	6.7	1.2	6.3	0.1	1.7		3.0	2.2	17.7	519.7
Options (exchange traded)	0.0								0.0	0.0	1.5
Total	4.4	10.1	1.2	6.3	0.1	1.7	–	3.0	5.7	21.1	733.5
Equities/indices											
Forward contracts									–	–	
Swaps	2.8	3.5	3.0	13.2	0.8	30.4	0.0	0.1	6.6	47.2	647.5
Futures									0.0	0.0	492.7
Options (OTC) and warrants	2.4	94.9	2.3	147.5	18.5	65.0		76.2	23.2	383.6	4,546.9
Options (exchange traded)	13.0	11.0	10.7	8.6	1.9	0.4			25.6	20.0	1,471.6
Total	18.2	109.4	16.0	169.3	21.2	95.8	0.0	76.3	55.4	450.8	7,158.7
Credit derivatives											
Credit default swaps	0.0		1.2	0.1	12.0	44.3	0.4	6.1	13.6	50.5	1,787.5
Total	0.0	–	1.2	0.1	12.0	44.3	0.4	6.1	13.6	50.5	1,787.5
Other											
Forward contracts									–	–	
Futures	0.2	0.0							0.2	0.0	56.4
Options (OTC) and warrants		1.3	0.1	1.7	0.0	2.0		9.2	0.1	14.2	120.8
Options (exchange traded)									–	–	
Total	0.2	1.3	0.1	1.7	0.0	2.0	–	9.2	0.3	14.2	177.2
Total	**54.0**	**155.6**	**32.3**	**194.3**	**55.8**	**181.1**	**2.7**	**114.5**	144.8	645.5	**18,350.0**

[1] PRV = Positive replacement values, NRV = Negative replacement values
The positive and negative replacement values relate to trading instruments with the exception of the instruments referred to in note 37 “Hedge accounting”.

37 Hedge Accounting

Cash flow hedges

Vontobel is exposed to volatility in future interest income (or cash flows) on secured loans (lombard loans), the majority of which bear short-term interest and are likely to be reinvested. Vontobel hedges part of this interest income using multi-year receiver interest rate swaps. The amount and the timing of future interest income is forecast, taking account of the contractual terms of the secured loans and other relevant factors.

The change in fair value of the effective portion of the interest rate swaps is recognized in other comprehensive income and is shown in the statement of equity in the column ''Cash flow hedges", while the change in fair value of the ineffective portion of the interest rate swaps is recognized in trading income. When the hedged interest income affects profit or loss, the related income from hedges is transferred from shareholders' equity to net interest income.

In the case of interest rate swaps used as hedging instruments, positive and negative replacement values of CHF 0.0 mn and CHF 0.8 mn, respectively, were recorded as of 31 December 2016 (31 December 2015: CHF 0.0 mn and CHF 0.5 mn). In the year under review, income from effective hedges of CHF –0.3 mn (31 December 2015: CHF –0.4 mn) was recognized in other comprehensive income and CHF 0.0 mn (31 December 2015: CHF 0.0 mn) was transferred from other comprehensive income to net interest income. Income from non-effective hedges of CHF –0.0 mn (31 December 2015: CHF –0.1 mn) was recorded in the income statement in the period under review.

Hedges of net investments in foreign operations

Vontobel hedges part of its net investments in foreign operations. The spot components of foreign currency forwards and the foreign currency components of financial liabilities serve as hedging instruments in this context. The change in fair value of the effective portion of the forwards and of the foreign currency components of financial liabilities is recognized in other comprehensive income and is shown in the statement of equity in the column ''Currency translation adjustments", while the change in fair value of the ineffective and/or non-designated portion (interest component) of the forwards is recognized in trading income. If a realization event occurs (e.g. if control over a Group company is lost), the related income from hedges is transferred from shareholders' equity to the income statement.

In the case of forwards used as hedging instruments, positive and negative replacement values of CHF 0.2 mn and CHF 0.0 mn, respectively, were recorded as of 31 December 2016 (31 December 2015: CHF 0.0 mn and CHF 0.2 mn). In the case of financial liabilities used as hedging instruments, a fair value of CHF 41.4 mn (31 December 2015: CHF 48.7 mn) was recorded as of 31 December 2016. In the period under review, income from effective hedges of CHF 8.1 mn (31 December 2015: CHF –1.0 mn) was recognized in other comprehensive income. Income from non-effective hedges of CHF 0.0 mn (31 December 2015: CHF 0.0 mn) was recorded in the income statement during the period under review.

38 Client assets

Client assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF bn	CHF bn	CHF bn	in %
Assets under management	**138.5**	136.3	2.2	2
Other advised client assets	**10.4**	6.0	4.4	73
Structured products outstanding	**6.4**	5.5	0.9	16
Total advised client assets	**155.3**	147.8	7.5	5
Custody assets	**40.1**	39.4	0.7	2
Total client assets	**195.4**	187.2	8.2	4

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				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF bn	CHF bn	CHF bn	in %
Assets in self-managed collective investment instruments	**37.4**	35.7	1.7	5
Assets with management mandate	**57.5**	62.6	(5.1)	(8)
Other assets under management	**43.6**	38.0	5.6	15
Total assets under management (including double counts)	**138.5**	136.3	2.2	2
of which double counts	**3.7**	3.4	0.3	9

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	**31-12-16**	31-12-15
Total assets under management (incl. double counts) at the beginning of the year	**136.3**	123.8
Change attributable to net new money	**5.1**[1]	8.0
Change attributable to net new money Quality Growth boutique	**(15.7)**	
Change attributable to market value	**4.9**	(3.4)
Change attributable to other effects	**7.9**[2]	7.9[3]
Total assets under management (incl. double counts) at the balance sheet date	**138.5**	136.3

[1] Excluding Quality Growth boutique
[2] Acquisition of Vescore AG as per 20 September 2016
[3] Acquisition of TwentyFour Asset Management LLP as per 1 May 2015 and Finter Bank Zurich AG as per 1 October 2015

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.

39 Collective investment instruments

As an active asset manager, Vontobel manages a wide range of collective investment instruments. Vontobel's investment funds are classed as structured entities according to IFRS 12. Since Vontobel – as agent – acts primarily in the interests of investors, the investment funds are not consolidated. Shares of its proprietary investment funds are treated as financial instruments. There are no contractual or constructive obligations to provide financial or other forms of support for the investment funds.

Under the terms of the relevant investment regulations, Vontobel manages the fund assets on behalf of the investors who invested capital in the respective investment funds. Vontobel also performs various administrative functions for the investment funds. Vontobel receives fees for providing these services; the level of fees is in line with normal market rates. As of 31 December 2016, the volume of assets under management in Vontobel investment funds totalled CHF 37.4 bn (previous year CHF 35.7 bn). In the financial year 2016, Vontobel generated gross income of CHF 262.1 mn (previous year CHF 286.0 mn) from the provision of services to these investment funds.

The following table shows the book value of the shares of these investment funds held by Vontobel. The book value corresponds to the maximum risk of loss.

Collective investment instruments

CHF mn	Trading portfolio assets	Other financial assets at fair value	Financial investments	Total
Book value as of 31-12-15	0.1	43.9	0.3	44.3
Book value as of 31-12-16	**0.1**	**47.9**	**0.3**	**48.3**

40 Future liabilities for finance lease, operating lease and the acquisition of fixed assets and intangible assets

Future liabilities for finance lease, operating lease and the acquisition of fixed assets and intangible assets			
CHF mn	Operating Lease	**31-12-16 Total**	31-12-15 Total
Due within 1 year	26.3	**26.3**	28.1
Due within 1 to 2 years	25.2	**25.2**	24.9
Due within 2 to 3 years	22.9	**22.9**	24.5
Due within 3 to 4 years	22.8	**22.8**	21.1
Due within 4 to 5 years	22.5	**22.5**	20.0
Due in more than 5 years	69.9	**69.9**	82.6
Total minimum obligation	189.6	**189.6**	201.2

In the year under review, general expense include CHF 29.7 mn (previous year CHF 28.7 mn) from operating lease. The future liabilities from operating leases mainly comprise lease agreements for premises occupied by Vontobel.

As of 31-12-16 and 31-12-15 there was no future income from minimum lease payments from non-terminable sub-tenancies.

41 Acquisition of Vescore AG

In September 2016, the agreement on the deepening of the partnership between Vontobel and Raiffeisen was signed and the acquisition of the former Raiffeisen subsidiary Vescore AG was completed. Vescore complements Vontobel Asset Management's boutique model and will enable it to further expand its investment capabilities in the areas of sustainable investing and quantitative investing in particular. Furthermore, Vontobel Asset Management is thus strengthening its overall presence in Switzerland and in the institutional business in Germany.

In the course of the integration of Vescore, its former subsidiaries CEAMS Holding AG, Vescore Fondsleitung AG and 1741 Fund Management AG were sold. These disposals had no significant impact on Vontobel's consolidated accounts.

The assets and liabilities of Vescore were included in Vontobel's consolidated accounts as follows:

Balance sheet	
CHF mn	20-09-16
Assets	
Due from banks	28.6
Goodwill	52.9
Intangible assets (excluding goodwill)	35.6
Deferred tax assets	18.3
Other assets	11.0
Total assets	**146.4**
Liabilities	
Due to banks	42.5
Defined benefit pension liabilities	10.1
Deferred tax liabilities	7.7
Other liabilities	12.4
Equity	73.7
Total liabilities	**146.4**
Acquisition costs	73.7
of which paid in cash in 2016	45.0
of which recognized as a liability	28.7
Acquired cash and cash equivalents	28.6
Net outflow of cash and cash equivalents	16.4

Intangible assets (without goodwill) comprise the cooperation agreement with Raiffeisen (CHF 28.5 mn), client relationships (CHF 6.6 mn) and brands (CHF 0.5 mn). The corresponding fair values were determined using the multi-period excess earnings method for the cooperation agreement with Raiffeisen and for client relationships and using the relief from royalty method for brands. These are level 3 valuations in the fair value hierarchy since various unobservable input parameters were used (e.g. future income and costs based on the business plan, attrition rate of acquired clients, royalty rate). The cooperation agreement with Raiffeisen is amortized over 10 years and the client relationships and brands over five years. With the exception of goodwill (residual amount), all other assets and liabilities consist almost exclusively of level 1 or level 2 valuations in the fair value hierarchy.

Acquired goodwill is mainly attributable to anticipated synergies on the cost side and – after the deduction of CHF 6.0 mn of goodwill relating to the units sold – was allocated to the following cash-generating units for impairment testing: CHF 8.7 mn to the Quantitative Investing business unit and CHF 38.2 mn to the Asset Management division. These cash-generating units represent the lowest level at which goodwill is monitored for internal management purposes. An impairment test was carried out for the first time in the second half of 2016 (see note 20 "Goodwill and other intangible assets" for details).

The inclusion of Vescore in Vontobel's consolidated accounts – taking account of the depreciation of intangible assets in the financial year 2016 and excluding the below integration costs – resulted in an increase in operating income of CHF 6.2 mn and in net profit of CHF 0.7 mn. If the transaction had been completed on 1 January 2016, this would – all other things being equal – have resulted in operating income of CHF 1,105.0 mn and net profit of CHF 239.1 mn. Costs of CHF 12.4 mn for the integration of Vescore were charged to the 2016 income statement. These integration costs mainly comprise expenses relating to the adjustment of headcount, consulting and IT costs, accelerated depreciation due to a reduction in the useful life of property and equipment, and provisions for onerous lease agreements. The following charges were recorded: CHF 8.0 mn in personnel expense, CHF 4.2 mn in general expense, CHF 0.1 mn in the position "Depreciation of property, equipment and intangible assets" and CHF 0.1 mn in the position "Valuation adjustments, provisions and losses". The transaction costs of CHF 0.2 mn were charged to the income statement.

42 Employee benefit plans

In Switzerland, Vontobel insures its employees against the financial consequences of old age, disability and death primarily through two autonomous occupational pension funds (basic fund and management fund). It also operates an employee welfare fund.

The Board of Trustees is the most senior governing body of the pension funds and is composed of employee and employer representatives. Pension benefits are funded through employer and employee contributions, which amount to between 2.5% and 17% or between 1.5% and 12.5% of the insured salary, depending on the age group. Upon reaching the ordinary retirement age of 64 years for women or 65 years for men, the pension funds give the insured the choice between receiving a lifelong pension and drawing part or all of their pension benefits in the form of a lump-sum payment. The annual pension is calculated on the basis of the pension assets available at the retirement date, multiplied by the applicable conversion rate. Depending on the age of the insured, the conversion rate at the ordinary retirement age is between 6.1% and 6.6%. The insured can take early retirement from the age of 58. Disability pensions and pensions for surviving spouses are defined as a percentage of the insured salary. The benefits and contributions are set out in the pension fund regulations, with the minimum benefits being prescribed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). In the event of a funding deficit according to the BVG, the employer can be required to pay contributions towards the restructuring of the pension fund. At the end of 2016, both pension funds had a funded status – as defined by the BVG – of over 100%.

The Board of Trustees of each pension fund is responsible for investing its assets. The investment strategy is defined in such a way as to enable pension benefits to be paid when they fall due.

The Swiss pension funds are classed as defined benefit plans under IAS 19 because both the actuarial risks and the investment risks are borne not only by the insured but also by the company.

The most recent actuarial calculation according to IAS 19 was carried out for these pension plans by independent experts as of 1 May 2016. Past service costs in the year under review and in the previous year include the impacts of changes to the regulations governing pension funds in Switzerland. The impact in the year under review is primarily attributable to the reduction of conversion rates, which will take effect on 1 January 2017. The gain from the plan settlement in the year under review and in the previous year is attributable to the reduction of headcount in connection with the integration of the Vescore Group and the integration of Finter Bank Zurich AG. There were no plan curtailments in the year under review or in the previous year.

Vontobel has foreign pension plans in Liechtenstein, the UK, Italy, Hong Kong, Luxembourg, Singapore, Spain, Dubai, Australia and the US that are classed as defined contribution plans under IAS 19. Vontobel has individual pension commitments in Germany, for which the corresponding provisions have been recognized.

Defined benefit pension plans in Switzerland				
CHF mn	Pension obligations	Plan assets	Asset ceiling	**Total**
Total at 01-01-16	**(862.8)**	**796.1**	**0.0**	**(66.7)**
Current service cost	(33.5)			**(33.5)**
Past service cost	12.3			**12.3**
Gain/losses on settlement	3.9	0.0		**3.9**
Interest income/(interest expense)	(6.9)	6.4	–	**(0.5)**
Administration cost	(0.4)			**(0.4)**
Others	0.0	0.0		**0.0**
Total cost recognized in personnel expense	**(24.6)**	**6.4**	**–**	**(18.2)**
Actuarial gains/losses on obligations				
of which changes in financial assumptions	61.1			**61.1**
of which changes in demographic assumptions	12.8			**12.8**
of which experience adjustments	(15.3)			**(15.3)**
Return on plan assets excluding interest income		19.5		**19.5**
Change in effect of asset ceiling excluding interest			–	**–**
Total cost recognized in other comprehensive income	**58.6**	**19.5**	**–**	**78.1**
Employee contributions	(16.5)	16.5		**–**
Employer contributions		36.4		**36.4**
Benefits paid resp. deposited	9.6	(9.6)		**–**
Business combination	(47.7)	37.6		**(10.1)**
Others	2.0	(1.5)		**0.5**
Total at 31-12-16	**(881.4)**	**901.4**	**0.0**	**20.0**
of which active members	635.7			
of which pensioners	245.7			
of which reported in Other assets				**22.1**
of which reported in Other liabilities				**(2.1)**

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 22.2 mn, consisting of CHF 18.2 mn for defined benefit pension plans and CHF 4.0 mn for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

Defined benefit pension plans in Switzerland				
CHF mn	Pension obligations	Plan assets	Asset ceiling	Total
Total at 01-01-15	**(772.7)**	**760.2**	**0.0**	**(12.5)**
Current service cost	(27.9)			(27.9)
Past service cost	(0.5)			(0.5)
Gain/losses on settlement	11.9	(9.5)		2.4
Interest income/(interest expense)	(11.8)	11.6	–	(0.2)
Administration cost	(0.4)			(0.4)
Others	41.8	(42.2)		(0.4)
Total cost recognized in personnel expense	**13.1**	**(40.1)**	**–**	**(27.0)**
Actuarial gains/losses on obligations				
of which changes in financial assumptions	(59.6)			(59.6)
of which changes in demographic assumptions	30.9			30.9
of which experience adjustments	5.9			5.9
Return on plan assets excluding interest income		(21.8)		(21.8)
Change in effect of asset ceiling excluding interest			–	–
Total cost recognized in other comprehensive income	**(22.8)**	**(21.8)**	**–**	**(44.6)**
Employee contributions	(14.0)	14.0		–
Employer contributions		21.1		21.1
Benefits paid resp. deposited	2.7	(2.7)		–
Business combination	(69.1)	65.4		(3.7)
Others	–	–		–
Total at 31-12-15	**(862.8)**	**796.1**	**0.0**	**(66.7)**
of which active members	619.4			
of which pensioners	243.4			
of which reported in Other assets				0.4
of which reported in Other liabilities				(67.1)

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 30.6 mn, consisting of CHF 27.0 mn for defined benefit pension plans and CHF 3.6 mn for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

Composition of plan assets		
CHF mn	**31-12-16**	31-12-15
Quoted market price		
Cash and cash equivalents	**87.4**	48.4
Equity instruments	**176.4**	173.7
Debt instruments	**242.1**	232.1
Real estate	**41.1**	36.2
Derivatives	**0.2**	0.5
Equity funds	**120.2**	86.5
Bond funds	**100.4**	125.1
Real estate funds	**55.1**	35.9
Commodities funds	**30.6**	24.1
Other funds	**25.9**	6.7
Others	**12.4**	16.0
Total fair value	**891.8**	785.2
Non-quoted market price		
Debt instruments	**1.8**	0.0
Real estate	**7.8**	0.0
Others	**0.0**	10.9
Total fair value	**9.6**	10.9
Total plan assets at fair value	**901.4**	796.1
of which registered shares of Vontobel Holding AG	**0.0**	0.0
of which debt instruments of Vontobel	**0.0**	0.0
of which credit balances with Vontobel companies	**86.8**	41.9
of which securities lent to Vontobel	**0.0**	0.0

Maturity profile of defined benefit obligation		
in years	**31-12-16**	31-12-15
Weighted average duration of defined benefit obligation	**10.8**	15.8

Actuarial assumptions

Demographic assumptions (e.g. probability of death, disability or termination) are based on the technical principles set out in the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) 2015 (cohort life tables), which draw on observations of large insurance portfolios in Switzerland over a period of several years, and are adapted to reflect conditions specific to Vontobel or empirical values where necessary.

Actuarial assumptions		
in %	**31-12-16**	31-12-15
Discount rate	**0.5**	0.8
Expected rate of salary increases	**1.0**	1.0
Expected rate of pension increases	**0.0**	0.0

Estimate of contributions of next year		
CHF mn	**31-12-16**	31-12-15
Employer contributions	**26.3**	20.7
Employee contributions	**16.6**	14.3

Plan-specific sensitivities

The following overview shows the impacts of an isolated change in the main actuarial assumptions on the present value of pension liabilities as of 31 December 2016 and 31 December 2015. The discount rate was reduced/increased by 0.25 percentage points and the expected rate of salary increases was reduced/increased by 0.5 percentage points. The sensitivity relating to mortality was calculated using a method where mortality was reduced or increased by a set factor so that life expectancy for most age categories was increased or reduced by approximately one year. The sensitivity analyses were produced in the same way as in the previous year.

Plan-specific sensitivities		
CHF mn	**Defined benefit obligation 31-12-16**	Defined benefit obligation 31-12-15
Current actuarial assumptions	**881.4**	862.8
Discount rate		
Reduction of 25 basis points	**906.2**	898.4
Increase of 25 basis points	**858.1**	829.5
Salary increases		
Reduction of 50 basis points	**875.3**	854.0
Increase of 50 basis points	**887.7**	871.8
Life expectancy		
Reduction in longevity by one year	**867.0**	844.1
Increase in longevity by one additional year	**895.6**	881.2

43 Other employee benefits payable in the long term

Other employee benefits payable in the long term exist in the form of long service awards and sabbatical leaves. Analogously to the defined benefit pension plans, actuarial calculations have been performed and an accrued expense recognized for these benefits.

Other employee benefits payable in the long term		
CHF mn	**31-12-16**	31-12-15
Accrued expense for long service awards and sabbatical leaves	**1.4**	1.6

44 Significant foreign currency rates

For the significant currencies, the following rates were used:

Significant foreign currency rates				
	year end rates		average rates	
	31-12-16	31-12-15	**2016**	2015
1 EUR	**1.07200**	1.08739	**1.08904**	1.07466
1 GBP	**1.25585**	1.47537	**1.33938**	1.47688
1 USD	**1.01635**	1.00100	**0.98835**	0.96675

45 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 year 2016 financial statements and would therefore need to be disclosed.

46 Dividend payment

The Board of Directors will propose the payment of a dividend of CHF 2.00, 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 to the General Meeting of Shareholders of Vontobel Holding AG on 4 April 2017. This corresponds to a total payment of CHF 111.4 mn.[1]

[1] Shares entitled to a dividend as of 31-12-16

47 Authorization of the consolidated accounts

The Board of Directors discussed and approved the present annual report during the board meeting on 2 February 2017. It will be submitted for approval at the General Meeting on 4 April 2017.

Segment reporting

48 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 business units 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").

Segment reporting					
CHF mn	Private Banking	Asset Management	Investment Banking	Corporate Center	**31-12-16 Total**
Net interest income	25.3	0.3	5.1	37.0	**67.7**
Other operating income	219.0	414.4	272.2	107.8	**1,013.4**
Operating income	**244.3**	**414.7**	**277.3**	**144.8**	**1,081.1**
Personnel expense[1]	104.1	158.2	99.8	122.7	**484.8**
General expense	13.6	41.9	45.3	88.9	**189.7**
Services from/to other segment(s)	75.4	46.5	42.9	(164.8)	**0.0**
Depreciation of property, equipment and intangible assets	3.1	4.2	4.6	50.4	**62.3**
Valuation adjustments, provisions and losses	0.9	0.4	0.1	21.6	**23.0**
Operating expense	**197.1**	**251.2**	**192.7**	**118.8**	**759.8**
Segment profit before taxes	**47.2**	**163.5**	**84.6**	**26.0**	**321.3**
Taxes					**56.9**
Net profit					**264.4**
of which minority interests					**4.6**
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[2]	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)	2.0	2.5[3]	0.6	0.0	**5.1**
Net new money Quality Growth boutique (CHF bn)		(15.7)			**(15.7)**
Capital expenditure	0.1	2.7	0.0	39.3	**42.1**
Employees (full-time equivalents)	387.0	397.5	372.8	517.1	**1,674.4**

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 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.
3 Excluding Quality Growth boutique

Information on regions[1]						
CHF mn	Switzerland	Europe excl. Switzerland	Americas	Other Countries[2]	Consolidation	**31-12-16 Total**
Operating income related to external customers	590.1	213.2	154.2	123.6		**1,081.1**
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	38.5	2.1	0.8	0.7		**42.1**

1 Reporting is based on operating locations.
2 Mainly U.A.E.

Segment reporting					
CHF mn	Private Banking	Asset Management	Investment Banking	Corporate Center	31-12-15 Total
Net interest income	17.2	0.2	2.0	47.7	67.1
Other operating income	216.0	453.7	258.0	(6.2)	921.5
Operating income	**233.2**	**453.9**	**260.0**	**41.5**	**988.6**
Personnel expense	95.0	225.1	95.7	112.6	528.4
General expense	12.1	34.9	39.0	81.1	167.1
Services from/to other segment(s)	75.8	46.3	42.9	(165.0)	0.0
Depreciation of property, equipment and intangible assets	2.7	8.5	5.1	49.8	66.1
Valuation adjustments, provisions and losses	1.5	0.6	0.3	0.7	3.1
Operating expense	**187.1**	**315.4**	**183.0**	**79.2**	**764.7**
Segment profit before taxes	**46.1**	**138.5**	**77.0**	**(37.7)**	**223.9**
Taxes					43.8
Net profit					**180.1**
of which minority interests					2.9

Additional information					
Segment assets	2,206.9	267.6	5,361.2	9,769.1	17,604.8
Segment liabilities	6,419.0	955.5	7,887.3	917.8	16,179.6
Allocated equity according to BIS[1]	145.7	194.3	177.8	100.5	618.3
Client assets (CHF bn)	35.1	100.8	55.0	(3.7)	187.2
Net new money (CHF bn)	1.3	7.9	(0.8)	(0.4)	8.0
Capital expenditure	0.3	0.0	0.0	35.0	35.3
Employees (full-time equivalents)	364.9	308.4	355.4	465.2	1,493.9

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 219.8 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 94.6 mn from core capital for treasury shares is not included in the figures above.

Information on regions[1]						
CHF mn	Switzerland	Europe excl. Switzerland	Americas	Other Countries[2]	Consolidation	31-12-15 Total
Operating income related to external customers	499.6	209.8	205.6	73.6		988.6
Assets	12,540.9	611.9	180.3	5,957.2	(1,685.5)	17,604.8
Property, equipment and intangible assets	283.9	96.1	4.6	1.1		385.7
Capital expenditure	33.1	0.1	2.1	0.0		35.3

1 Reporting is based on operating locations.
2 Mainly U.A.E.

Subsidiaries and participations

Major fully consolidated companies	Registered office	Business activity	Currency	Paid-up share capital mn	Share of votes and capital in %
Vontobel Holding AG	Zurich	Holding	CHF	56.9	Parent company
Bank Vontobel AG	Zurich/Basel/Berne/ Geneva/Lucerne/Lugano	Bank	CHF	149.0	100
Bank Vontobel Europe AG	Munich/Frankfurt/ Hamburg/Cologne	Bank	EUR	40.5	100
Bank Vontobel (Liechtenstein) AG	Vaduz	Bank	CHF	20.0	100
Vontobel Asset Management AG	Zurich	Portfolio management	CHF	20.0	100
Vontobel Asset Management UK Holdings Ltd.	London	Holding	GBP	26.0	100
Vontobel Asset Management, Inc.	New York	Portfolio management	USD	6.5	100
Vontobel Asset Management Australia Pty. Ltd.	Sydney	Portfolio management	AUD	1.0	100
Vontobel Beteiligungen AG	Zurich	Holding	CHF	10.0	100
Vontobel Fonds Services AG	Zurich	Fund management	CHF	4.0	100
Vontobel Asset Management S.A.	Luxembourg/London/ Madrid/Milan/Vienna	Portfolio management	EUR	2.2	100
Vontobel Swiss Wealth Advisors AG	Zurich/Geneva/ Dallas/ New York	Wealth management	CHF	0.5	100
Vontobel Securities AG	Zurich/New York	Brokerage	CHF	2.0	100
Vontobel Financial Products GmbH	Frankfurt	Issues	EUR	0.05	100
Vontobel Financial Products Ltd.	Dubai	Issues	USD	2.0	100
Vontobel Financial Products (Asia Pacific) Pte. Ltd.	Singapore	Distribution deritrade®	SGD	0.3	100
Vontobel Asset Management Asia Pacific Limited	Hong Kong	Financial Advisor	HKD	7.0	100
Vontobel Wealth Management (Hong Kong) Ltd.	Hong Kong	Wealth management	HKD	200.0	100
TwentyFour Asset Management LLP	London	Portfolio management	GBP	1.2	60
Vontobel Limited	Hong Kong	Brokerage	HKD	25.0	100
Vescore AG	St. Gallen	Portfolio management	CHF	10.0	100
Vescore Deutschland GmbH	Munich	Portfolio management	EUR	0.5	100
Vescore Indices GmbH	St. Gallen	Portfolio management	CHF	0.04	100

The share of voting rights held corresponds to the equity interest held.
Only the shares of Vontobel Holding AG are listed on the Swiss Exchange (SIX). Please see pages 6 and 235 for more detailed information.
In the case of regulated subsidiaries, part of the capital is not available for dividends or transfers due to regulatory requirements (e.g. Basel III). These restrictions do not have any material impact on Vontobel's activities.

Associated companies	Registered office	Business activity	Currency	Paid-up share capital mn	Share of votes and capital in %
Deutsche Börse Commodities GmbH	Frankfurt	Issues	EUR	1.0	16.2

Changes in the scope of consolidation

Companies fully consolidated for the first time					
Company	Registered office	Business activity	Currency	Paid-up share capital mn	Share of votes and capital in %
Vescore AG	St. Gallen	Portfolio management	CHF	10.0	100
Vescore Fondsleitung AG	St. Gallen	Fund management	CHF	5.0	100
1741 Fund Managment AG	Vaduz	Fund management	CHF	2.8	100
Vescore Deutschland GmbH	Munich	Portfolio management	EUR	0.5	100
CEAMS Holding AG	Meilen	Portfolio management	CHF	0.12	100
Vescore Indices GmbH	St. Gallen	Portfolio management	CHF	0.04	100
Vontobel Limited	Hong Kong	Brokerage	HKD	25.0	100

Participations removed from the scope of consolidation		
Participation	Registered office	Reason for removal
Vescore Fondsleitung AG	St. Gallen	Disposal
1741 Fund Managment AG	Vaduz	Disposal
CEAMS Holding AG	Meilen	Disposal

Statutory Banking Regulations

Vontobel's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance and FINMA Circular 2015/1, referred to hereinafter as "Swiss GAAP") and the reporting standard used. The most significant differences between IFRS and Swiss GAAP that are of relevance to Vontobel are as follows:

Financial assets available-for-sale
Under IFRS, financial assets available-for-sale will be measured at the fair value. Changes in the fair value will be recognized in other comprehensive income, until the financial asset is disposed of, or its value is deemed to be impaired. On the disposal of an available-for-sale financial asset, the income previously recognized in other comprehensive income is transferred to the income statement. As soon as a financial asset available-for-sale is deemed to be impaired, the cumulative unrealized loss previously entered in other comprehensive income will be reclassified to the income statement in the reporting period. Under Swiss GAAP, these kinds of financial assets are recorded at the lower of amortized cost or market. Impairment losses, any reversals of previously recognized impairment losses as well as profits and losses from disposals are recognized as "Other ordinary income".

Other financial assets and liabilities measured at fair value through profit and loss (Fair Value Option)
According to IFRS, under certain conditions financial instruments can be assigned to the Other financial assets or liabilities category measured at fair value through profit and loss. These financial assets and liabilities are carried at fair value in the balance sheet, and income from the financial instruments is recognized in the income statement. Swiss GAAP prescribes a narrower interpretation of the fair value option. It is intended primarily to prevent an accounting mismatch when recognizing structured products issued by the company itself. Changes in fair value due to a change in the Group's own credit risk are not recorded in the income statement.

Goodwill
IFRS stipulates that goodwill cannot be amortized and must, instead, be tested for impairment at least once annually. Under Swiss GAAP, goodwill is amortized on a straight-line basis over five years. In justified cases, the amortization period can be a maximum of 10 years.

Cash flow hedges
As part of its hedge accounting, Vontobel uses interest rate swaps as cash flow hedges. Under IFRS, the change in fair value of the effective portion of interest rate swaps is recognized in other comprehensive income. As soon as the hedged cash flows occur, cumulative unrealized income is transferred to the income statement. Under Swiss GAAP, the change in fair value of the effective portion of interest rate swaps is recognized in the compensation account. As soon as hedged cash flows occur, cumulative unrealized income is transferred to the income statement.

Pension funds
In principle, Swiss GAAP allows the relevant IFRS standard (IAS 19) to be applied. Unlike IAS 19, however, Swiss GAAP disallows entries not affecting the income statement.

Extraordinary profit
Under IFRS, all items of income and expense are allocated to ordinary operating activities. Under Swiss GAAP, items of income and expense are classified as extraordinary if they are not recurring and are not related to operating activities.

Other differences in presentation
Under IFRS, the consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of equity, the statement of cash flows and the notes. Under Swiss GAAP, there is no requirement to present a statement of comprehensive income. In addition, numerous other differences in presentation exist.

Report of the statutory auditor

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To the General Meeting of
Vontobel Holding AG, Zurich

Statutory auditor's report on the audit of the consolidated financial statements

Zurich, 2 February 2017

Opinion

We have audited the consolidated financial statements of Vontobel Holding AG and its subsidiaries (the Group), which comprise the income statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes (pages 121 to 216) for the year ended 31 December 2016, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 112 to 216) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Fair value of financial instruments

Area of focus

Fair value is defined as the amount 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. Fair values can be based on quoted prices in active markets (level 1) or on a valuation model where significant input parameters can be observed directly or indirectly in the market (level 2), or on a valuation model where significant input parameters cannot be observed in the market (level 3).

The use of valuation models is influenced to a significant extent by the assumptions applied, including interest rates, forward rates and swap rates, spread curves, volatility and estimates of future cash flows. The determination of these assumptions involves the exercise of significant judgment.

In its consolidated balance sheet as of 31 December 2016, Vontobel Holding AG reports total financial assets at fair value of CHF 7.1 bn and financial liabilities at fair value of CHF 7.0 bn. In view of the inherent exercise of judgment and the significance of these balance sheet items in the financial statements of Vontobel Holding AG, their valuation is of particular importance from an audit perspective.

The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 123 to 124 and 186 to 194 of the Annual Report. Please also refer to notes 14, 16, 33 and 36 of the Notes to the consolidated financial statements

Our audit response

Our audit procedures included an evaluation of the design and the operational effectiveness of relevant key controls. In particular, they comprised the approval processes for products and valuation models, as well as the independent price verification.

Furthermore, we performed procedures to evaluate the assumptions used and tested the valuation of financial instruments using independent valuation models. Based on a sample and using comparisons with third-party sources, we tested the fair values that were used and that were directly available in an active market.

Goodwill and other intangible assets

Area of focus

Vontobel Holding AG accounts for the acquisition of subsidiaries using the acquisition method, whereby the acquisition costs are measured at the fair value of the consideration at the acquisition date. If the fair value of the consideration exceeds the fair value of the net assets acquired, goodwill is recognized and assigned to one or more cash-generating units. Goodwill is subject to an annual impairment test. The valuation of net assets acquired that is carried out in connection with the acquisition of a subsidiary, the allocation of goodwill acquired to cash-generating units, and the recoverable value that is determined as part of the impairment test, are influenced to a significant extent by the assumptions that are used, the determination of which involves the exercise of significant judgment.

The client relationships and brands acquired during business combinations are recognized as other intangible assets and depreciated over their estimated useful life. If events or circumstances indicate that the carrying amount may be impaired, an impairment test is carried out. The fair values of these intangible assets are determined on the basis of valuation methods that use various input parameters that cannot be observed. The determination of these input parameters and the estimation of useful life involve the exercise of significant judgment.

In its consolidated balance sheet as of 31 December 2016, Vontobel Holding AG reports goodwill totaling CHF 223.3 mn and other intangible assets totaling CHF 55.7 mn. In the financial year 2016, Vontobel Holding AG acquired Vescore AG. Due to the acquisition and the inherent exercise of judgment, the identification and the valuations of goodwill and other intangible assets are of particular importance from an audit perspective.

The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 121 to 122 and 126 to 127 of the Annual Report. Please also refer to notes 20 and 41 of the Notes to the consolidated financial statements.

Our audit response

In the course of our audit, we examined the valuation models used as well as significant assumptions. In particular, they comprised valuation multipliers related to assets under management, gross margins, cash flow projections, discount rates, useful life, etc. We assessed these assumptions on the basis of current market conditions.

With regard to the acquisition of Vescore AG, we examined the reported amount and the valuations of the identified intangible assets and goodwill. In addition, we assessed the disclosure of the acquisition in the notes to the consolidated financial statements.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Patrick Schwaller
Licensed audit expert
(Auditor in charge)

Stefan Lutz
Licensed audit expert

Review of business activities

Vontobel Holding AG, which is headquartered in Zurich, generated a net profit of CHF 156.2 million in the financial year 2016, compared to a net profit of CHF 175.3 million in the previous year. This 11% decrease was mainly due to lower income from participations. The holding company's income mainly stems from prior year profits, i.e. dividends distributed by its operational subsidiaries in Switzerland and abroad.

Operating income declined by 11% to CHF 189.3 million, since several foreign subsidiaries paid lower dividends to Vontobel Holding AG in the year under review. Operating expense (personnel expense and general expense) rose by 24% to CHF 27.3 million due to higher administration, marketing and communication expenses. On the other hand, the net amount of impairments and reversals of impairments on participations of CHF –2.5 million was significantly lower than in the previous year, when the revised Swiss law on accounting and reporting resulted in net impairments on participations of CHF –10.7 million.

The Board of Directors of Vontobel Holding AG will propose the distribution of a dividend of CHF 2.00 (thereof an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10) per registered share to the General Meeting of Shareholders of 4 April 2017. This represents an increase of 8% compared to the dividend of CHF 1.85 per registered share in the previous year. As of 31 December 2016, the company's share capital totalled CHF 56.875 million, consisting of 56,875,000 registered shares with a par value of CHF 1.00 each. Of this total, 55,682,285 shares were entitled to a dividend as of the balance sheet date.

Key figures

Key figures				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Net profit	**156.2**	175.3	(19.1)	(11)
per registered share in CHF[1]	**2.81**	3.15	(0.34)	(11)
Dividend in percent of share capital	**200**[2]	185		
per registered share in CHF	**2.00**[2]	1.85	0.15	8
Shareholders' equity (before distribution of profits)	**824.7**	769.2	55.5	7
per registered share in CHF[1]	**14.81**	13.82	0.99	7
Operating income	**189.3**	213.8	(24.5)	(11)
Dividend income from participations	**164.8**	190.9	(26.1)	(14)
Personnel and general expense	**27.3**	22.1	5.2	24
Depreciation and valuation adjustments	**2.5**	10.7	(8.2)	(77)
Financial expense	**1.6**	1.4	0.2	14
Operating income before taxes	**159.3**	177.6	(18.3)	(10)
Total assets	**1,291.8**	1,130.7	161.1	14
Share capital	**56.9**	56.9	0.0	0
Participations	**1,156.8**	1,072.6	84.2	8
Average return on equity in %	**21.0**	25.4		

1 Basis: dividend-bearing shares as per end of year
2 As per the proposal submitted to the General Meeting, consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10

Income statement

Income statement				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Dividend income from participations	**164.8**	190.9	(26.1)	(14)
Securities income, fee and commission income and trading income	**21.2**	20.7	0.5	2
Other ordinary income	**3.2**	0.0	3.2	
Gains on the sale of financial investments	**0.1**	2.2	(2.1)	(95)
Operating income	**189.3**	213.8	(24.5)	(11)
Securities and fee and commission expense	**0.1**	0.1	0.0	0
Other ordinary expense	**0.6**	3.0	(2.4)	(80)
Operating expense	**0.7**	3.1	(2.4)	(77)
Net operating income	**188.6**	210.7	(22.1)	(10)
Personnel costs	**6.9**	7.2	(0.3)	(4)
Employee benefits and pension fund	**0.7**	0.7	0.0	0
Personnel expense	**7.6**	7.9	(0.3)	(4)
Occupancy expense, furniture and equipment	**0.3**	0.3	0.0	0
PR, marketing, annual report, consulting and audit fees	**18.6**	12.2	6.4	52
Other business and office expenses	**0.8**	1.7	(0.9)	(53)
General expense	**19.7**	14.2	5.5	39
Operating income before financial income, taxes, depreciation and valuation adjustments	**161.3**	188.6	(27.3)	(14)
Impairments on participations	**3.5**	47.9	(44.4)	(93)
Reversal of impairments on participations	**(1.0)**	(37.2)	36.2	
Depreciation and valuation adjustments	**2.5**	10.7	(8.2)	(77)
Operating income before financial income and taxes	**158.8**	177.9	(19.1)	(11)

Income statement				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Operating income before financial income and taxes	**158.8**	177.9	(19.1)	(11)
Interest income, Group companies	**1.4**	0.9	0.5	56
Interest income	**1.4**	0.9	0.5	56
Foreign exchange income	**0.7**	0.2	0.5	250
Financial income	**2.1**	1.1	1.0	91
Interest expense, Group companies	**1.6**	1.4	0.2	14
Interest expense	**1.6**	1.4	0.2	14
Financial expense	**1.6**	1.4	0.2	14
Operating income before taxes	**159.3**	177.6	(18.3)	(10)
Ordinary income before taxes	**159.3**	177.6	(18.3)	(10)
Extraordinary/one-off income or income unrelated to the reporting period	**0.0**	1.1	(1.1)	(100)
Extraordinary/one-off income and income unrelated to the reporting period	**0.0**	1.1	(1.1)	(100)
Net profit for the year before taxes	**159.3**	178.7	(19.4)	(11)
Direct taxes	**3.1**	3.4	(0.3)	(9)
Net profit for the year	**156.2**	175.3	(19.1)	(11)

Balance sheet

Assets				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Current assets				
Current accounts banks, Group companies	**2.3**	4.9	(2.6)	(53)
Total cash and short-term holdings of assets with a market price	**2.3**	4.9	(2.6)	(53)
Due from banks, Group companies	**6.3**	0.0	6.3	
Other short-term receivables	**37.8**	0.2	37.6	
Other short-term receivables	**44.1**	0.2	43.9	
Accrued income and prepaid expenses	**0.6**	0.3	0.3	100
Total current assets	**47.0**	5.4	41.6	770
Non-current assets				
Financial assets, Group companies	**88.0**	52.7	35.3	67
Participations	**1,156.8**	1,072.6	84.2	8
Total non-current assets	**1,244.8**	1,125.3	119.5	11
Total assets	**1,291.8**	1,130.7	161.1	14
of which subordinated assets due from Group companies	**46.5**	4.0	42.5	

Liabilities and Shareholders' equity				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Liabilities				
Current liabilities				
Due to banks, Group companies	**388.7**	315.7	73.0	23
Due to banks	**28.7**	0.0	28.7	
Short-term interest-bearing liabilities	**417.4**	315.7	101.7	32
Other short-term liabilities	**24.1**	6.7	17.4	260
Accrued expenses and deferred income	**0.6**	1.4	(0.8)	(57)
Total current liabilities	**442.1**	323.8	118.3	37
Long-term liabilities				
Long-term interest-bearing liabilities	**0.0**	0.0	0.0	
Other long-term liabilities	**0.0**	12.7	(12.7)	(100)
Provisions	**25.0**	25.0	0.0	0
Total long-term liabilities	**25.0**	37.7	(12.7)	(34)
Total liabilities	**467.1**	361.5	105.6	29
Shareholders' equity				
Share capital	**56.9**	56.9	0.0	0
Reserves from capital contributions	**0.8**	0.8	0.0	0
Statutory capital reserve	**0.8**	0.8	0.0	0
General statutory retained earnings	**32.2**	32.2	0.0	0
Reserves for treasury shares	**43.1**	41.5	1.6	4
Statutory retained earnings	**75.3**	73.7	1.6	2
Retained earnings, statutory and approved by resolution	**6.9**	0.0	6.9	
Retained earnings brought forward	**579.7**	516.0	63.7	12
Net profit for the year	**156.2**	175.3	(19.1)	(11)
Voluntary retained earnings	**742.8**	691.3	51.5	7
Own shares of capital	**(51.1)**	(53.5)	2.4	
Total shareholders' equity	**824.7**	769.2	55.5	7
Total liabilities and shareholders' equity	**1,291.8**	1,130.7	161.1	14

Notes to the financial statements

Name, legal form and domicile of the company
Vontobel Holding AG, Zurich

The nominal capital amounts to CHF 56.875 mn, consisting of 56.875 mn registered shares with a par value of CHF 1.00 each (previous year: nominal capital of CHF 56.875 mn, 56.875 mn registered shares).

Easing of requirements for the notes to the separate financial statements of Vontobel Holding AG
Vontobel prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). Consequently, Vontobel Holding AG is exempt from numerous disclosure requirements in the statutory separate financial statements.

Applied accounting principles

General principles
The accounting principles are based on the requirements set out in the Swiss Code of Obligations.

Transactions concluded as of the balance sheet date are recorded on a daily basis. Spot transactions concluded but not yet settled as of the balance sheet date are recognized according to the trade date principle. To ensure that the principle of substance over form is applied, all expenses and income are recognized on an accrual basis up to the balance sheet date.

In valuations, the more prudent of two available values is always taken into account. Valuations are performed based on the assumption that the company will continue to operate as a going concern.

In principle, the offsetting of assets and liabilities or of expense and income is not carried out (except in the case of transactions of the same type with the same counterparty, the same maturity and the same currency that cannot lead to a counterparty risk).

Foreign currency transactions during the year are converted at the applicable exchange rate on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the closing exchange rates, and unrealized exchange differences are recognized in the income statement. Non-monetary items carried at historical cost in a foreign currency are translated at the historical exchange rate.

Other principles
Securities in current assets are valued at the current market value.

The item “Other short-term receivables” includes all receivables from Vontobel companies and third parties. It is valued at nominal value less any valuation adjustments for identified risks.

The item “Non-current assets” includes all participations, property and equipment, and intangible assets, as well as financial assets with a residual term of over one year. Property and equipment as well as intangible assets are valued at acquisition costs less any depreciation. They are depreciated on a straight-line basis over their estimated useful life. Financial assets are valued at nominal value less any valuation adjustments for identified risks. Participations are valued according to the individual valuation principle. The value of participations is determined based in particular on calculations of the net asset value and income value, while also taking account of fluctuations in exchange rates. If the calculated value is lower than the previously stated value, an impairment is recognized in the income statement. A reversal of the impairment up to the acquisition cost is also recognized in the income statement.

The item “Short-term liabilities” includes all liabilities on demand and fixed-term liabilities at Swiss and foreign banks and non-banks. The items “Accrued income and deferred expenses” and “Accrued expenses and deferred income” include all assets and liabilities resulting from the accrual of interest and other income and expenses. Amounts not due for payment until the following year, such as taxes, performance-based compensation components or audit fees, are charged to the year in which they originated in accordance with the accrual principle.

The item “Long-term liabilities” includes liabilities with a residual term of over one year as well as provisions.

The company's nominal share capital is recognized in "Share capital". The item "Statutory capital reserves" comprises capital paid in by shareholders as well as premiums. The item "Statutory retained earnings" includes capital generated by the company and that is increased annually in accordance with legislative and regulatory requirements. The item "Reserves for treasury shares" corresponds to the registered shares of Vontobel Holding AG held by subsidiaries, which are valued at the acquisition price. In the item "Own shares of capital", registered shares held by Vontobel Holding AG as treasury shares are deducted from shareholders' equity at the acquisition price. Income from the sale of treasury shares is recognized in the income statement.

The expense for shares of Vontobel Holding AG that are allotted to employees as part of the annual bonus (bonus shares) are charged to personnel expense in the year in which the relevant performance was delivered. The expense for shares of Vontobel Holding AG that are allotted to employees as part of the long-term share participation plan (performance shares) are charged to personnel expense on a pro rata temporis basis over the vesting period. Liabilities arising from shares that have not yet been allotted are recognized at market value in the item "Other short-term liabilities". Refer to the Compensation Report, page 57ff. for further information regarding the share participation plan.

Net release of hidden reserves and replacement reserves
No significant amount of hidden reserves was released. There are no replacement reserves.

Due from and to governing bodies				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Due from governing bodies	**0.0**	0.0	0.0	
Due to governing bodies	**4.4**	4.3	0.1	2

For information on compensation awarded to members of the Board of Directors and the Executive Board as well as their shareholdings, refer to the Compensation Report, page 57ff.
For information on loans to governing bodies, refer to the consolidated financial statements, note 30

Direct taxes				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Income tax	**2.5**	3.0	(0.5)	(17)
Tax on capital	**0.4**	0.4	0.0	0
Total	**2.9**	3.4	(0.5)	(15)
Status of tax assessment	**2012**	2012		

Bonds
In the financial years 2016 and 2015, there were no bonds or convertible bonds outstanding.

Collateral provided for liabilities of third parties and contingent liabilities				
	31-12-16	31-12-15	Change to 31-12-15	
	CHF mn	CHF mn	CHF mn	in %
Guarantees	**0.0**	0.0	0.0	
Pledges	**0.0**	0.0	0.0	
Collateral assignments	**0.0**	0.0	0.0	
Guarantee commitments	**6,108.7**	5,266.6	842.1	16
Total	**6,108.7**	5,266.6	842.1	16
of which guarantee commitments for Group companies	**5,976.2**	4,912.3	1,063.9	22

Guarantee commitments mainly encompass guarantees for certificates issued as well as letters of comfort in favour of Group companies.

The company forms part of Vontobel's Swiss value added tax (VAT) group and has a joint liability to the tax authorities for the VAT liabilities of the entire Group.

Assets used as collateral for own liabilities and assets to which title has been reserved
As of 31-12-2016, assets totalling CHF 2.7 mn (31-12-15: CHF 4.9 mn) were used as collateral to secure own liabilities to subsidiaries.

Liabilities under employee benefit schemes
Insurance contributions that have not yet been settled totalled CHF 0 as of 31-12-16 (31-12-15: CHF 91,832).

Vontobel Holding AG did not draw any credits from employee benefit schemes.

Participations
For information on the principal participations, refer to the consolidated financial statements on page 214.

Major shareholders and participations held by governing bodies
For information on shareholders pursuant to Art. 663c of the Swiss Code of Obligations, refer to the consolidated financial statements, page 33, and the Compensation Report, page 57ff.

Participation rights and options
For information on allotted participation rights from the share participation plan, refer to the Compensation Report, page 57ff. and page 181f. of the consolidated financial statements.

Full-time equivalents
In the year under review and the previous year, the annual average number of full-time positions was less than 10 FTEs (full-time equivalents). For further information, refer to the Sustainability Report, page 81ff.

Acquisition, sale and holdings of treasury shares
For information on the acquisition, sale and holdings of treasury shares, including transactions and holdings in the case of subsidiaries, refer to the consolidated financial statements, note 28.

In accordance with the resolution of the General Meeting of Shareholders of 28 April 2015 to carry out a capital reduction, 8,125,000 treasury shares were cancelled in the financial year 2015.

No repurchase agreements for registered shares of Vontobel Holding AG were in place as of the balance sheet date (previous year: 5,000 registered shares).

Amount of the authorized or conditional capital increase
See the consolidated financial statements, note 28.

Further details
See the consolidated financial statements, pages 111 to 216.

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 year 2016 financial statements and would therefore need to be disclosed.

Proposal of the Board of Directors

The Board of Directors is submitting the following proposal for the distribution of profit at the annual General Meeting of Shareholders on 4 April 2017:

Proposal of the Board of Directors	
CHF mn	
Net profit for the year	156.2
Retained earnings prior year	579.7
Retained earnings, statutory and approved by resolution	6.9
Total retained earnings	**742.8**
Dividend 200%[1] (share capital ranking for dividend CHF 55.7 mn)[2]	**111.4**
Allocation to general statutory retained earnings	0.0
Allocation to retained earnings, statutory and approved by resolution	0.0
Carried forward to the new accounting period	631.4
Total retained earnings	**742.8**

[1] Consisting of an ordinary dividend of 190% and a special dividend of 10%
[2] As at 31-12-16. The exact amount will be determined at the dividend payment date in April 2017.

Dividend payment

If the proposal is approved, the dividend will be distributed as follows:

Dividend payment	
Dividend per registered share with a par value of CHF 1.00 (in CHF)	2.00[1]
Coupon no.	17
Ex-dividend date	6 April 2017
Record date	7 April 2017
Payment date	10 April 2017

[1] Consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10

Report of the statutory auditor

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To the General Meeting of
Vontobel Holding AG, Zürich

Report of the statutory auditor on the financial statements

Zurich, 2 February 2017

As statutory auditor, we have audited the financial statements of Vontobel Holding AG, which comprise the balance sheet, income statement and notes (pages 33, 67, 73 to 74, 214 and 224 to 231), for the year ended 31 December 2016.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2016 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of Participations

Area of focus

Vontobel Holding AG values participations individually at the greater of historical cost or at its impaired value determined. In subsequent valuations, impairments are recognized for any loss in value. Vontobel Holding AG identifies impairment by comparing the carrying amount of the participation with the recoverable amount, which is calculated based on the net asset value or income value. This calculation is based on assumptions (e.g. future income streams, discount rates), the determination of which involves the exercise of significant judgment.

In its financial statements as of 31 December 2016, Vontobel Holding AG reports the carrying amount of participations of CHF 1.2 bn, corresponding to 89.5% of total assets. Due to the assumptions used in the impairment assessment and the significance of the balance sheet item in the financial statements of Vontobel Holding AG, its valuation is of particular importance from an audit perspective.

The accounting principles applied are explained by Vontobel Holding AG on page 228 of the Annual Report.

Our audit response

We assessed the valuation methods used and analyzed the calculations made by management. We did so with a focus on the assumptions made by the company in the context of the valuations and thus evaluated management's assessment of impairment. Furthermore, we assessed the presentation and disclosures in the accounting statements as of 31 December 2016.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Patrick Schwaller
Licensed audit expert
(Auditor in charge)

Stefan Lutz
Licensed audit expert

Investors' information

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	
Annual General Meeting 2017	4 April 2017
Publication half-year results 2017	27 July 2017
Investor Day 2017	31 August 2017
Annual General Meeting 2018	18 April 2018

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