Vontobel

Annual Report

2017

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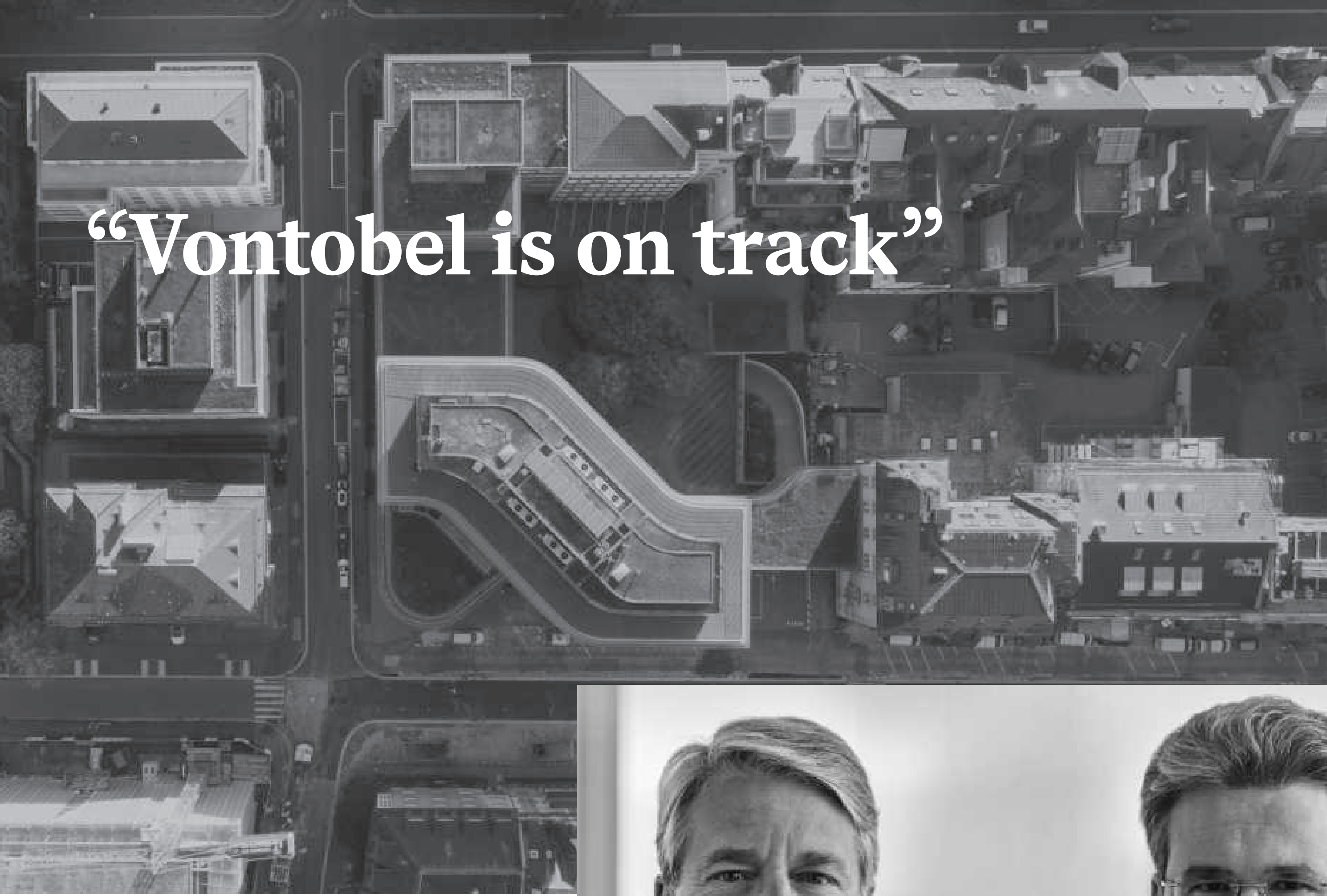
Further information:
vontobel.com/sustainability



“Vontobel is on track”

Herbert J. Scheidt
Chairman of the Board of Directors

Dr Zeno Staub
Chief Executive Officer

“Our attention is focused on our clients. As a specialist in all that we do, we offer them a seamless Vontobel-specific client experience – across all our markets and with all our services – whether we are engaging with them in person or via digital channels.”

Shareholders' letter

Dear shareholders and clients

Vontobel remained on track in 2017. We fully achieved our targets for the last financial year. Vontobel delivered further growth across all business areas, both in our strong Swiss home market and in international focus markets, and we made strategic investments in the future.

Vontobel is operating in an environment characterized by increasing competition and permanent change. However, we remain well positioned thanks to our clear strategy as a globally active financial expert with Swiss roots. We are specialists: We master what we do and we only do what we master. Our attention is focused on our clients. We offer them a seamless Vontobel-specific client experience – across all our markets and with all our services – whether we are engaging with them in person or via digital channels.

Based on this approach, we have defined five strategic priorities as part of our "Vontobel 2020" strategy process. The first priority is "Deliver the unique Vontobel experience". In this way, Vontobel can generate superior value for clients and create a stronger emotional connection to the brand. With the second priority "Empower people", we are emphasizing that we want to give our employees responsibility within their respective areas and foster entrepreneurship in order to reinforce our long-established culture, which is a key success factor for Vontobel. The third strategic priority "Create brand excitement" is designed to increase client enthusiasm about the Vontobel brand. In September 2017, we introduced a new corporate design to strengthen our positioning and further increase confidence in our brand. After years of strong growth, we have ensured that our company's DNA is clearly visible once again and have adapted it for the future. In essence, Vontobel is about taking ownership, acting with foresight to seize the opportunities available to us in the future, and thinking independently for the benefit of our clients. Our sharper identity sends out a clear signal and is an expression of what motivates us and how we create value for our clients. This is the prerequisite for our fourth strategic priority "Boost growth and market share". Vontobel wants to outgrow the market as a whole by 2020. To achieve this, we will continue to prioritize organic growth and will drive growth initiatives across all business units in Switzerland and internationally. At the same time, a disciplined M&A approach will complement our organic growth. "Driving efficiency" is the fifth strategic priority. Through strict cost management, efficient processes and economies of scale, we not only want to grow our business but to also further strengthen profitability.

These are ambitious targets but we are confident that we will meet them in view of our performance in recent years – including in 2017: On an adjusted basis excluding acquisition costs and one-off tax effects, net profit for 2017 of CHF 217.9 million exceeded the adjusted net profit for the previous year by 12%. This result was once again driven by strong growth, which we achieved while making significant investments in new markets, talent, technology and our brand. Advised client assets reached a new record level of CHF 186.6 billion (CHF 155.3 billion). This corresponds to an average annual increase of 12.5% over the last four years. The net inflow of new money at Group level was CHF 5.9 billion (CHF –10.6 billion), reflecting contributions across all businesses. Irrespective of the targeted global diversification of the business, Switzerland remains Vontobel's most important market, accounting for 40% of advised client assets. Switzerland is and will continue to be our main production center from where we export our expertise and products to our target markets – ensuring the highest quality and a high level of efficiency, as we make use of digital channels in particular.

Asset Management generates strong net new money
Asset Management remains Vontobel's strongest earnings driver. The second half of 2017 was the most profitable six-month period in the history of Asset Management. For the full year 2017, pre-tax profit totaled CHF 162.8 million. Vontobel successfully pursued its diversification strategy, delivering disproportionately strong growth in Fixed Income and Quantitative Investments – businesses that traditionally generate lower margins than Equities. Vontobel Asset Management once again achieved a pleasing gross margin of 44 basis points. The Quality Growth boutique remained highly profitable.

Our Quantitative Investment boutique Vescore, whose integration was successfully completed in the year under review, already made a positive contribution to net new money and profits – earlier than planned. In total, Asset Management grew its assets under management to CHF 110.3 billion, an increase of 20% compared to the previous year. An important driver of this increase was the CHF 3.6 billion net inflow of new money, which remained positive from the second quarter and has since even exceeded our target range of 4–6%. In particular, our Fixed Income boutiques – including TwentyFour Asset Management whose products have also been distributed in the US since 2017, as well as Vescore and Sustainable & Thematic Investing, produced strong net inflows of new money.

Very good investment performance as well as currency effects also had a positive impact on assets under management. During the year under review, 73% of all our products outperformed their benchmark once again. This successful result confirms our belief that as a high-conviction active asset manager, we can create real added value compared to purely passive offerings. In Asset Management, like in other areas, Vontobel will continue to focus on achieving organic growth through performance and diversification. In addition, Asset Management will invest selectively in the potential of digitization to deliver an enhanced client experience and develop innovative decision-making tools.

Combined Wealth Management with 34% growth in pre-tax profit

Wealth Management and the External Asset Managers business, which we have grouped within "Combined Wealth Management", also achieved a pleasing performance. Pre-tax profit in Combined Wealth Management grew 34% to CHF 83.5 million (CHF 62.5 million). This good result also shows that contrary to the general trend in prior years, Vontobel was able to maintain a margin of 66 basis points. In the second half of 2017, the margin was even higher than in the same period of 2016.

The growth achieved in previous years continued in 2017. Managed client assets in Combined Wealth Management totaled CHF 54.0 billion at the end of 2017 (CHF 46.8 billion), which represents a new record level. In total, Vontobel attracted CHF 2.2 billion of net new money, corresponding to a growth rate of 4.7%, which is within the defined target range of 4–6%.

In Wealth Management we attracted CHF 2.6 billion of net new money in our higher-margin products, i.e. portfolio management mandates and advisory mandates, thus exceeding our target range of 4–6%. We experienced outflows in lower-margin products, i.e. securities trading and custody. The acquisition of the Eastern European client portfolio of Notenstein La Roche generated additional growth momentum, providing Vontobel with around CHF 2 billion of assets under management. In addition, we now also have a team in New York to serve our US clients. As part of our strategy to focus on Switzerland as a production center, we announced at the end of 2017 that we had decided to sell our Liechtenstein subsidiary to a renowned local private bank. We can continue to access markets in the European Union through Vontobel in Germany.

The positive developments in Combined Wealth Management already reflect the high level of satisfaction among our clients. Going forward, Vontobel will align its advisory and product offering even more closely to the needs and expectations of clients in order to further enhance client satisfaction. As our first step, we will harness the potential of digitization to help achieve this. We already offer our clients a leading wealth management app and digital platforms with smart data to optimize their decision-making process. Second, in addition to technology, we will continue to invest in new talents. The number of relationship managers in Wealth Management rose to 202 in 2017. Third, we will use forthcoming changes to improve our offering. As a future-oriented company, we not only promptly implement new regulations such as MiFID II but we also use them as an opportunity to enhance the client experience. In preparation for MiFID II, for example, we implemented a more transparent pricing model in Wealth Management based on the services provided and introduced a more flexible structure for clients.

Financial Products achieves growth through international expansion and innovation

With a 29% increase in pre-tax profit to CHF 89.1 million (CHF 69.3 million), Financial Products confirmed the international growth potential of the investment and leverage products business. Financial Products has systematically grown its client business through international expansion and innovation.

Its market entry in France and the Netherlands was followed by its successful debut in Hong Kong in the second half of the year. Hong Kong is the world's largest market for leverage products and it is especially pleasing that only two months after entering this market, the business was already generating a positive profit contribution. Overall, Vontobel is one of the world's leading providers of investment and leverage products, with a market share of over 10% in Europe and 27% in our Swiss home market, measured in terms of the exchange-traded volume in the target segment. The aim is to now further expand our position in the various markets. Our innovative strength and state-of-the-art digital ecosystem allow us to rapidly enter new markets and serve new target groups. In 2016, Vontobel became the first provider to initiate the transition from a supplier's market to a buyer's market for structured products in Germany with the launch of "mein-zertifikat.de".

This was followed in 2017 by the launch of the "Investment Scout" app – the first of its kind – allowing private investors in Switzerland to select a structured product tailored to their individual preferences and have it issued immediately via their smartphone. After Vontobel became the first provider to launch a tracker certificate on bitcoin for Swiss investors in 2016 – thus making it a bankable asset – it launched the first short mini future on bitcoin on the market in November 2017. Vontobel wants to continue pursuing this innovative path. We are using the new opportunities created by digitization to achieve further growth, and we are generating economies of scale and further strengthening our cost leadership.

Robust capital position provides solid basis for our business

In their relationship with Vontobel, our clients can have confidence in our solid capital position. We have a tradition of substantially exceeding the regulatory minimum requirement with our robust BIS common equity tier 1 (CET1) ratio, which stood at 18.4% at the end of 2017. The return on equity was 13.1% for 2017, significantly exceeding the cost of capital and our own target return of over 12%.

Based on our very solid financial result for 2017, which represents another satisfactory performance compared to the prior year, the Board of Directors will propose an ordinary dividend of CHF 2.10 per share to the General Meeting of Shareholders. This represents an increase of CHF 0.20 compared to the ordinary dividend for 2016.

Vontobel remains on track

As in previous years, Vontobel demonstrated once again in 2017 that we can successfully shape the changes in our industry and – importantly – can do so according to the needs of our clients and our company. We will continue to follow this path. We are investing in our future, are focused on sustained growth and are committed to delivering profitability. We have underscored these ambitions with the targets we defined for 2020. Vontobel remains on track.

To achieve this, we must work as a team: We wish to thank our clients, our employees and our shareholders for their loyalty and for their trust in our promise and in Vontobel.

Herbert J. Scheidt
Chairman of the
Board of Directors

Dr Zeno Staub
Chief Executive Officer

Ratios

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Return on shareholders' equity (ROE) (%)[1]	13.1	18.0	12.4	8.7	7.6
Cost[2] / income ratio (%)	75.3	68.2	77.0	80.3	80.8
Equity ratio (%)	7.1	7.8	8.1	7.6	8.3
Basel III leverage ratio (%)	4.7	5.2	5.1	6.0	n/a

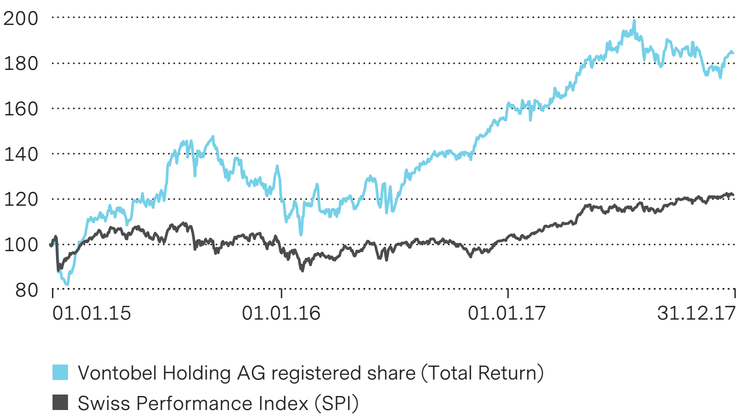
1 Group net profit as a percentage of average equity based on monthly figures, both without minority interests
2 Operating expense, excl. valuation adjustments, provisions and losses

Share data

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Basic earnings per share (CHF)[1]	3.65	4.72	3.20	2.24	1.92
Diluted earnings per share (CHF)[1]	3.56	4.59	3.11	2.19	1.89
Equity per share outstanding at balance sheet date (CHF)	29.31	27.65	26.02	25.65	25.67
Dividend per share (CHF)[2,3]	2.10	2.00	1.85	1.55	1.30
Price / book value per share	2.1	1.9	1.8	1.5	1.4
Price / earnings per share	16.8	11.3	14.8	16.7	19.3
Share price at balance sheet date (CHF)	61.50	53.45	47.50	37.50	36.95
High (CHF)	66.35	54.15	53.45	37.50	37.20
Low (CHF)	53.25	36.90	30.25	30.10	27.25
Market capitalization nominal capital (CHF mn)	3,497.8	3,040.0	2,701.6	2,437.5	2,401.8
Market capitalization less treasury shares (CHF mn)	3,400.1	2,927.4	2,601.7	2,063.6	2,340.1
Undiluted weighted average number of shares	55,376,259	55,082,263	55,375,938	60,042,271	63,726,002

1 Basis: weighted average number of shares
2 Financial year 2017: As per proposal submitted to the General Meeting
3 Financial year 2016: Consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10

Performance of Vontobel Holding AG registerde share (indexed)



Source: Bloomberg

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

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
CET1 capital ratio (%)	18.4	19.0	17.9	21.3	25.5
CET1 capital (CHF mn)	1,098.6	1,018.4	895.1	1,117.3	1,348.2
Risk weighted positions (CHF mn)	5,955.6	5,360.8	5,001.9	5,236.1	5,294.1

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	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Average Value at Risk market risk	2.5	2.7	3.0	5.9	8.0

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.

Rating

	31.12.2017	31.12.2016	31.12.2015
Moody's Rating Bank Vontobel AG (long-term deposit rating)	Aa3	Aa3	Aa3

Consolidated income statement

CHF MN	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Operating income	1,060.3	1,081.1	988.6	884.4	849.3
Operating expense	801.0	759.8	764.7	711.6	695.9
Group net profit	209.0	264.4	180.1	134.5	122.3
of which allocated to minority interests	*6.6*	*4.6*	*2.9*	*0.0*	*0.0*
of which allocated to the shareholders of Vontobel Holding AG	*202.4*	*259.8*	*177.2*	*134.5*	*122.3*

Segment profits before taxes

CHF MN	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Wealth Management	60.5	47.2	46.1	57.1	59.4
Asset Management	162.8	163.5	138.5	108.2	103.3
Investment Banking	112.1	84.6	77.0	66.1	56.6
Corporate Center	–76.1	26.0	–37.7	–58.6	–65.9

Consolidated balance sheet

CHF MN	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Total assets	22,903.7	19,393.9	17,604.8	18,472.8	19,643.2
Shareholders' equity (excl. minority interests)	1,620.5	1,514.1	1,425.2	1,411.5	1,626.0
Loans	3,310.5	2,601.9	2,365.1	2,116.2	1,839.7
Due to customers	9,758.2	9,058.5	8,775.8	8,960.6	9,303.8

Client assets

CHF BN	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Assets under management	165.3	138.5	136.3	123.8	109.6
of which under discretionary management	*107.1*	*90.2*	*93.9*	*82.3*	*70.6*
of which under non-discretionary management	*58.2*	*48.3*	*42.4*	*41.5*	*39.0*
Other advised client assets	12.8	10.4	6.0	6.6	-
Structured products outstanding	8.5	6.4	5.5	6.5	7.0
Total advised client assets	**186.6**	**155.3**	**147.8**	**136.9**	**116.6**
Custody assets	59.9	40.1	39.4	53.8	46.5
Total client assets	**246.5**	**195.4**	**187.2**	**190.7**	**163.1**

Net new money

CHF BN	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Net new money	5.9	–10.6	8.0	6.2	9.1

Personnel (full-time equivalents)

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
Number of employees Switzerland	1,353.8	1,347.0	1,201.2	1,135.5	1,097.2
Number of employees abroad	334.4	327.4	292.7	242.1	240.6
Total number of employees	**1,688.2**	**1,674.4**	**1,493.9**	**1,377.6**	**1,337.8**

Review of business activities

Corporate Governance

Compensation report

Corporate Responsibility & Sustainability

Consolidated financial statements

Notes to the financial statements

Vontobel Holding AG

Additional information

Our brand

Our Beliefs and Behaviors

This serves as a frame of reference for everything we do at Vontobel. It emphasizes what drives us, the values we believe in and how we envision our future. It gives us clear guidance on how to behave and run our daily business – and how not to. That is because there are ways of doing business – and there is the Vontobel way. Protect and build wealth.

We live up to our ownership mindsets
Vontobel's competitive strengths and success are rooted in our ownership mindset: we believe in the talent of our people, give them room to maneuver and empower them in every position to take personal responsibility. We actively recognize and cultivate their competencies. We encourage them to meet extremely high standards – both as specialists and as human beings – and to take ownership of their business and realize their full potential.

We consider that entrepreneurial freedom and personal responsibility go hand in hand. By empowering people to take ownership, we place our trust in them. Empowerment and trust are essential to create value for our clients, for Vontobel and for our shareholders. We earn empowerment and trust by delivering results, while being transparent and reliable. We are trustworthy because we deliver on our promises, believe in what we do and stand up for our actions. We lead by example, showing respect and recognition. We act as one team, across functions and geographies. We cherish diversity and we support different personalities and styles but we expect all our people to display mutual respect, integrity and the capacity to be a team player.

By living up to our ownership mindset, which is the backbone of our culture, we also recognize our corporate social responsibility to promote the stability, cohesion and cultural diversity of the communities where we live and work. As part of this engagement, we comply with the applicable laws, regulations and leading standards in all the countries where we operate. Our Code of Conduct sets out our commitment to respecting confidentiality and ethical principles, as well as to promoting sustainable development.

We actively shape our future
At Vontobel, we have an unwavering confidence in the future. We are convinced that successful entrepreneurship starts with the ability to transform change and possibility into opportunities. It is up to us to create and actively pursue investment opportunities that get our clients ahead. It is up to us to constantly challenge what we have achieved, to never rest on our laurels, and to relentlessly strive for improvement. We do this to capture the full potential of the future for our clients, for Vontobel, and for the communities where we live and work.

This is why we embrace independent thinking and promote creativity to develop original solutions that make the difference. This is why we are committed to a long-term approach in everything we do. This is why we follow our own path in periods of change and passing trends, and act with foresight and determination.

Our curiosity and ingenuity lead to new perspectives. We generate distinct, actionable insights and develop future-focused solutions in order to realize our clients' ambitions, as well as our own. As individuals and as a team, we will inspire investors to consider the new perspectives we believe in – however simple or radical they may be.

We make an impact
We are highly qualified professionals. We are specialists. We master what we do, and only do what we master. We always strive for perfection to achieve leading-edge results.

We are small enough to personally engage with our clients when it matters. And we are not afraid to address uncomfortable issues.

At the same time, we are big enough to mobilize the necessary resources to meet the requirements of our private and institutional clients on a global scale, while offering them the stability and independence of a Swiss company backed up by the Vontobel families as controlling shareholders and listed on the Swiss Stock Exchange.

We use our expertise to anticipate future developments and to deliver solutions that help our clients to realize and exceed their goals and expectations. We compete for clients, talent and success. We take controlled risks and dare to innovate. We are determined to overcome hurdles and remove obstacles to ensure first-class service, seamless execution and timely delivery.

We never stop and always go the extra mile. We constantly improve and learn to work ever smarter while remaining true to our values and beliefs in order to stay on course in a changing world.

We put our clients first and take pride in ensuring that each individual client benefits from a unique Vontobel Experience. We take every possible diligence to protect their interests.

Each client contact is an opportunity to deliver the Vontobel Experience – through our products, our services, our investment strategies and our behavior. We do so because we want to set ourselves apart from competition and to be our clients' preferred choice.

By taking ownership of each and every client experience, we inspire trust in our clients and confidence in our business partners, team members and shareholders. In this way, we earn the respect of the communities where we live and work, and grow Vontobel's reputation.

Award-winning businesses

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

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

Vontobel Wealth (formerly known as Vontobel Mobile Private Banking) rated among the top 3 leading online wealth management solutions worldwide by MyPrivate-Banking in their study "Behind the Log-in 2017".

Lipper named Vontobel Asset Management, in five European countries, the leading provider in the categories Emerging Markets Equity and Commodities. Our mtx Sustainable Leaders strategies, including Asia ex-Japan, Emerging Markets and Chinese equities, received several accolades in Europe and Asia.

Investment Week named TwentyFour Asset Management "Specialist Fixed Income Group of the Year" and best manager in the category "Multi-Asset Fixed Income Strategy" for the third and second time in a row respectively. The publication also selected TwentyFour as best provider in the category "Absolute Return Bond".

In the sustainable investment category, Investment Week selected Vontobel Asset Management the best provider for its Clean Technology strategy. Our investment capabilities in emerging markets debt and corporate bonds were also recognized in Europe and Asia.

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

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

Vontobel

Further growth and solid net profit in 2017

Operating conditions for globally active financial institutions remained challenging in 2017 despite the good global economic environment and positive market sentiment. The European banking landscape is continuing to undergo structural changes and is faced with ever fiercer competition. The low interest rate environment and the trend towards passive investing are generally putting margins under pressure. In addition, providers operating in the area of wealth and asset management are having to make significant investments in client and compliance processes, in their product offering and in automation in response to the introduction of the new global standard for the Automatic Exchange of Information (AEOI) on financial accounts as well as the rules set out in the Markets in Financial Instruments Directive (MiFID) II that apply within the EU from 3 January, 2018.

For Vontobel as a globally active financial expert with Swiss roots that specializes in wealth management, active asset management and investment solutions, our forward-looking business model and our focus on our own strengths proved effective once again. During the year under review, we systematically pursued our growth strategy, successfully expanded our client base across all divisions in our Swiss home market and internationally, and further developed our range of products and services. We have defined ambitious growth targets and increased profitability targets for 2020 and we have sharpened our identity with a fresh new brand presence.

The high level of trust that clients place in Vontobel and our successful positioning in the market are reflected by our strong net inflow of new money, which totaled CHF 5.9 billion, and by our pleasing net profit of CHF 209.0 million for 2017 (CHF 3.65 per share). The previous year's net profit (CHF 264.4 million) included a gain from the sale of the 4% equity participation in Helvetia (CHF 91.0 million after taxes), among other items. On a comparable basis, i.e. excluding the above-mentioned gain on the sale of the participation as well as the Helvetia dividend of CHF 7.0 million after taxes last received by Vontobel in the first half of 2016 and other exceptional items, the adjusted net profit for 2017 increased by 12% to CHF 217.9 million. The return on equity was 13.1% for 2017, thus exceeding our target return of 12% and our cost of capital, which is currently around 9%. Vontobel remains very well capitalized.

Our BIS capital ratio, which consists exclusively of Common Equity Tier 1 capital, remained extremely solid at 18.4% at the end of 2017, substantially exceeding the regulatory minimum requirement of 12% prescribed by FINMA.

The Board of Directors' confidence in Vontobel's strategy and its active capital management are demonstrated by the dividend of CHF 2.10 per share proposed for the financial year 2017, compared to an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10 per registered share for the financial year 2016. This represents a generous payout ratio of 58% based on the 2017 net profit allocated to shareholders.

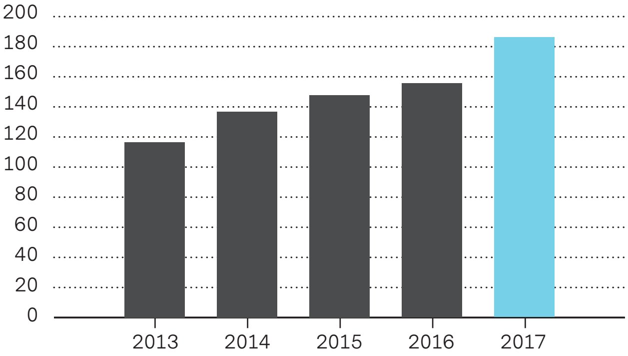
Client assets grow strongly to a new record level

The successful expansion of the business and the associated net inflow of new money, the net positive impact of performance and currency effects, the acquisition of the Eastern European client portfolio of Notenstein La Roche and the new partnership with Entris Banking led to a CHF 51.1 billion increase in total client assets to a new record level of CHF 246.5 billion in 2017.

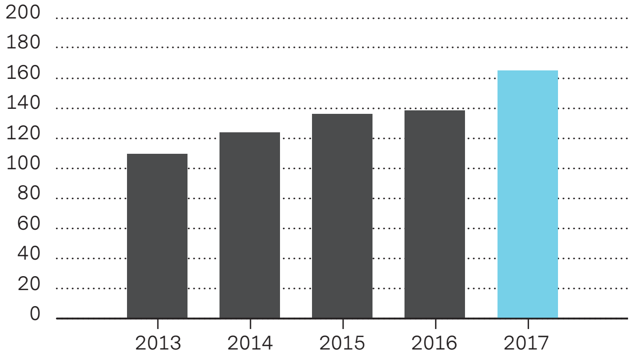
Total advised client assets – which consist of assets under management, other advised client assets and structured products – grew by 20% to CHF 186.6 billion. Advised client assets are an important indicator for Vontobel in view of the significant value generated by these assets; Vontobel provides advisory services and/or has portfolio management agreements in place for these assets. Other advised client assets also comprise assets acquired in the context of the cooperation with the Australian banking group ANZ; Vontobel provides advice on asset allocation to ANZ in respect of these assets. The volume of structured products outstanding rose by 33% to CHF 8.5 billion, reflecting the further strengthening of Vontobel Financial Products' position in its Swiss home market and in European markets, as well as the successful establishment of the business in Hong Kong.

Under the terms of the cooperation agreement with Entris Banking announced in fall 2017, the securities business of around 40 client banks was migrated from Entris Banking to the Vontobel Transaction Banking platform. As a result, custody assets increased by 49% to CHF 59.9 billion.

Advised client assets
in CHF bn



Assets under management
in CHF bn



Client assets

CHF BN	31.12.2017	31.12.2016
Assets under management	165.3	138.5
Other advised client assets	12.8	10.4
Structured products outstanding	8.5	6.4
Total advised client assets	**186.6**	**155.3**
Custody assets	59.9	40.1
Total client assets	**246.5**	**195.4**

At the end of 2017, the volume of assets under management entrusted to Vontobel was higher than ever before at CHF 165.3 billion. This also reflects a 15% increase in assets in Combined Wealth Management (i.e. Wealth Management, formerly Private Banking, and the External Asset Managers business) to CHF 54.0 billion due to the continued inflow of new money, positive investment performance and the first-time consolidation of the Eastern European client portfolio of Notenstein La Roche with a volume of around CHF 2 billion of assets.

On the institutional side, assets under management rose by 20% to CHF 114.1 billion, as impressive performance and a very strong inflow of new money had a positive impact from the second quarter of 2017.

Development of assets under management

CHF BN	31.12.2017	31.12.2016
Combined Wealth Management	**54.0**	**46.8**
Wealth Management	*44.0*	*39.0*
External Asset Managers	*10.0*	*7.8*
Institutional clients	**114.1**	**95.4**
Asset Management[1]	*110.3*	*92.3*
Investment Banking[2]	*3.8*	*3.1*
Corporate Center[3]	**–2.8**	**–3.7**
Total assets under management	**165.3**	**138.5**

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

Broad-based growth in new money

The needs of all our clients are at the center 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 in an efficient sales structure at a global and product-oriented level are bearing fruit. As a result, Vontobel once again delivered very respectable growth in new money of 4.3% in the financial year 2017.

Building on its existing activities, Combined Wealth Management (Wealth Management and the External Asset Managers business) acquired CHF 2.2 billion of net new money. This corresponds to 4.7% growth in net new money and is therefore within the target range of 4–6%. The net inflow of new money in Wealth Management totaled CHF 1.0 billion – corresponding to growth in net new money of 2.6%. It should be noted in this context that we generated CHF 2.6 billion of net new money in our higher-margin products, i.e. portfolio management mandates and advisory mandates, both in our Swiss home market and across all our core markets, thus exceeding our target range of 4–6%. We experienced outflows in lower-margin products, i.e. securities trading and custody. With CHF 1.2 billion of new assets, the External Asset Managers business delivered growth in net new money of 15.4%.

After a sluggish start to the year, Asset Management saw the growth in new money accelerate significantly from April 2017 and it achieved an annualized growth rate of 8.9% for the period from April to December, exceeding our target range of 4–6% and far surpassing market growth. Significant inflows were generated in particular by fixed income products and the successful products of TwentyFour Asset Management, as well as by the Vescore and Sustainable & Thematic Investing boutiques. The investment business with Raiffeisen also made a positive contribution to the acquisition of new money.

Development of net new money

CHF BN	31.12.2017	31.12.2016
Combined Wealth Management	**2.2**	**2.2**
Wealth Management	*1.0*	*2.0*
External Asset Managers	*1.2*	*0.2*
Institutional clients	**3.8**	**–12.8**
Asset Management [1]	*3.6*	*–13.2*
Investment Banking [2]	*0.2*	*0.4*
Corporate Center [3]	**–0.1**	**0.0**
Total net new money	**5.9**	**–10.6**

1 Including intermediaries
2 Excluding External Asset Managers
3 Net new money from assets that are managed on behalf of other segments

During the year under review, all asset classes increased in value in absolute figures as a result of strong organic growth. The changes in the structure of assets by investment category observed in recent years reflect the systematic diversification of the boutiques within Asset Management. The successful international expansion of the Fixed Income business is reflected by the growing proportion of fixed income securities, which increased by a further three percentage points during the year under review, while the weighting of foreign equities and alternative investments declined slightly. The proportion of liquid assets and fiduciary investments totaled a good 10% of assets under management.

Assets under management by investment category

IN %	31.12.2017	31.12.2016
Swiss equities	13	13
Foreign equities	37	39
Bonds	33	30
Alternative investments	2	3
Liquid assets, fiduciary investments	10	11
Other [1]	5	4

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 the year under review, the proportion of investments in Swiss francs declined slightly to 25%, while the proportion of investments in euro, US dollars and British pounds increased. In contrast, the proportion of investments in other currencies (mainly the Indian rupee and the Hong Kong dollar) decreased slightly.

Assets under management by currency

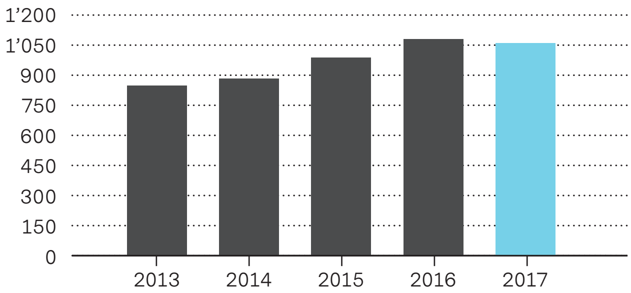
IN %	31.12.2017	31.12.2016
CHF	25	27
EUR	24	22
USD	29	28
GBP	8	7
Other	14	16

Higher investments in future growth – robust profitability

In 2017, Vontobel made significant investments in new markets, talent, technologies and its brand presence and delivered a very solid result despite these growth measures. The reported net profit according to IFRS totaled CHF 209.0 million in 2017. The previous year's result of CHF 264.4 million included significant exceptional items. On a comparable basis, i.e. excluding one-off effects in 2016 as well as the Helvetia dividend of CHF 7.0 million after taxes last received by Vontobel in 2016, adjusted net profit grew by 12% to CHF 217.9 million. The result was adjusted for the following exceptional items:

- The integration of Vescore and the acquisition and integration of the Eastern European client portfolio of Notenstein La Roche were fully completed in 2017, resulting in a charge of CHF 7.9 million after taxes.
- As a result of changes in the US tax system, a one-off charge of CHF 1.0 million was recorded.

Operating income
in CHF mn



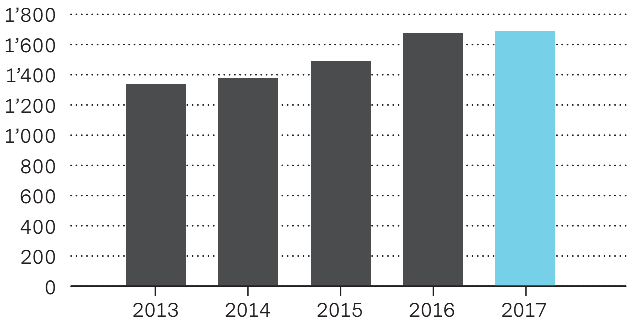
In recent years, Vontobel has successfully transformed itself from a financial institution that focused predominantly on the Swiss market into an established and globally active wealth and asset manager. This is demonstrated not only by our international client base and the balanced structure of assets under management in terms of currencies but also by the significant contribution from fee and commission income, which accounted for 66% of operating income of CHF 1,060.3 million in the year under review (–2% due to significant one-off effects in the financial year 2016). On an adjusted basis, operating income increased by 9%. Commission income grew by 7% to CHF 692.9 million due to higher average assets under management in the year under review. Advisory and management fees rose by 5% to CHF 575.1 million, while custody fees grew by 10% to CHF 164.8 million. The continued wait-and-see attitude among many investors was reflected by the moderate increase in brokerage fees – also part of net commission income – which rose by only 2% to CHF 111.8 million.

In a generally more positive market environment for structured products than in previous years, the 16% increase in trading income to CHF 288.8 million was attributable to a further improvement in market positioning in Switzerland and internationally, 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 261.9 million (+24%) to trading income. In contrast, income from forex and precious metals trading declined by 30% to CHF 26.9 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 (non-recurrence of the Helvetia dividend of CHF 7.0 million after taxes received in the previous year), net interest income increased slightly (+1%) to CHF 68.7 million. Other income declined significantly (–91%) to CHF 9.9 million. In the previous year, income from the sale of treasury assets (available-for-sale financial assets) totaled CHF 110.8 million, mainly reflecting the sale of the 4% equity participation in Helvetia in the second half of 2016.

Operating expense rose slightly (+5%) to CHF 801.0 million as a result of the expansion of the business. Personnel expense – which is the largest cost component – increased by 10% to CHF 532.6 million. At the end of 2017, Vontobel employed 1,688 full-time equivalents, an increase of 14 from the end of 2016.

Headcount
full-time equivalents



Operating expense includes one-off expenses for the integration of Vescore and for the acquisition and integration of the Eastern European client portfolio of Notenstein La Roche totaling CHF 7.9 million after taxes.

General expense rose 8% to CHF 205.0 million, mainly reflecting higher expenses for IT and telecommunications, as well as for travel and representation, public relations and marketing.

Depreciation of property, equipment and intangible assets decreased by 2% to CHF 61.0 million, as planned. However, the volume of capital expenditure on property, equipment and intangible assets rose significantly during the year under review. The increase of 79% or CHF 33.2 million was mainly related to the acquisition of the Eastern European client base of Notenstein La Roche, various digitization projects, investments for MiFID II and the new brand presence.

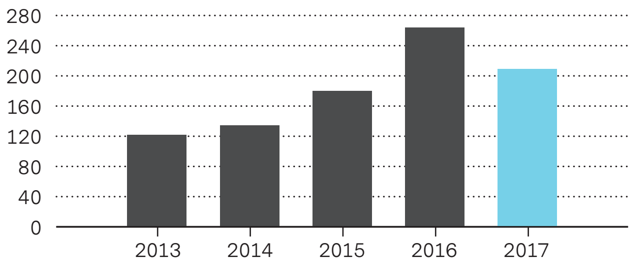
Capital expenditure and depreciation of property, equipment and intangible assets

CHF MN	31.12.2017	31.12.2016
Capital expenditure	75.3	42.1
Depreciation	61.0	62.3

The broadening of the operating income base combined with rigorous cost management resulted in a further increase in operating efficiency in 2017 on a comparable basis, resulting in an improvement of 1.3 percentage points in the cost / income ratio to 74.5% (excluding one-off impacts). IFRS net profit before taxes declined by 19% to CHF 259.3 million. The tax charge decreased by 12% to CHF 50.3 million and includes a one-off charge of CHF 1.0 million due to the US tax reform. This results in a slightly higher tax rate of 19.4%, compared to 17.7% in the previous year. Since Vontobel operates profitably in the US – due in particular to the successful Quality Growth boutique that is based in New York – the US tax reform is likely to have a favorable overall impact on the tax change in the future.

IFRS net profit after taxes decreased by 21% to CHF 209.0 million. Due to a slight increase in the average number of shares outstanding, there was a slightly larger reduction in earnings per share (–23%) to CHF 3.65. Adjusted for the above-mentioned one-off impacts, net profit totaled CHF 217.9 million, an increase of 12% compared to the previous year.

Group net profit
in CHF mn



Structure of the income statement

	31.12.2017 CHF MN	31.12.2017 IN %[1]	31.12.2016 CHF MN	31.12.2016 IN %[1]
Net interest income	68.7	6	67.7	6
Net fee and commission income	692.9	66	648.7	60
Trading income	288.8	27	250.0	23
Other income	9.9	1	114.7	11
Total operating income	**1,060.3**	**100**	**1,081.1**	**100**
Personnel expense	532.6	50	484.8	45
General expense	205.0	19	189.7	18
Depreciation of property, equipment and intangible assets	61.0	6	62.3	6
Valuation adjustments, provisions and losses	2.4	0	23.0	2
Total operating expense	**801.0**	**75**	**759.8**	**71**
Taxes	50.3	5	56.9	5
Group net profit	**209.0**	**20**	**264.4**	**24**

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.

Due to the strengthening of the euro, a greater proportion of income in particular was generated in this currency, while the proportion of income in Swiss francs declined during the financial year 2017. On the cost side, there was a slight decline in the proportion of costs generated in US dollars. As a result, 44% of income and 77% of operating expense at Vontobel were generated in Swiss francs. The US dollar continued to represent the second most important currency, accounting for 29% of income and 10% of operating expense. This was followed by the euro, with 17% of income and 8% of costs.

Structure of income statement by currency

IN %	31.12.2017	31.12.2016
Total operating income		
CHF	44	49
EUR	17	13
USD	29	29
GBP	5	4
Other	5	5
Total operating expense		
CHF	77	77
EUR	8	7
USD	10	12
GBP	3	3
Other	2	1

Asset Management is main earnings driver once again – Combined Wealth Management and Financial Products deliver increased profit contribution

In Wealth Management, the business model has been selectively expanded in recent years and its focus has been sharpened. In the second half of 2017, the Eastern European client portfolio of Notenstein La Roche was therefore acquired with a volume of around CHF 2 billion of assets and a contractual agreement was reached for the transfer of our Liechtenstein operation, together with the local booking platform and CHF 1.4 billion of clients assets, to Kaiser Partner Privatbank. The systematic client focus and ongoing enhancement of the advisory process in Vontobel Wealth Management are reflected by the continued growth in advised client assets over recent years. In addition, operating income rose by 12% and pre-tax profit increased by 28% in the year under review.

The positioning of Asset Management as a high-conviction manager and the diversification strategy introduced some time ago are continuing to prove successful. The achievement of impressive investment performance shows that we are on the right path. During the year under review, 73% of our products outperformed their benchmark. Assets under management grew organically across all our boutiques and the division was once again the main earnings driver at Vontobel, with a pre-tax profit contribution of CHF 162.8 million, almost unchanged compared to the previous year.

The Financial Products business in Investment Banking has, for years, displayed a high level of innovation while maintaining its close proximity to clients. It has successfully established itself as one of the leading providers of structured products and derivatives in Europe. In 2017, Financial Products entered the market in France and the Netherlands, followed by its debut in Hong Kong – the world's largest market for leverage products – during the fall. In 2017, Investment Banking delivered a significant increase in pre-tax profit of 33% to CHF 112.1 million as a result of the successful international expansion of the business and further gains in market share in Financial Products, as well as the exploitation of economies of scale and the successful performance of the External Asset Managers business, Brokerage, Corporate Finance and Transaction Banking.

Wealth & Asset Management (Wealth Management, Asset Management, External Asset Managers business accounted for 73% of the pre-tax profit generated by the divisions. This large proportion reflects Vontobel's clear positioning as a wealth and asset manager. Financial Products (Investment Banking excluding the External Asset Managers business) contributed 27% of Vontobel's pre-tax profit (excluding the Corporate Center).

The result for the Corporate Center was significantly lower, since the previous year included a gain from the sale of the participation in Helvetia. In addition, the 2017 result includes one-off expenses of CHF 9.8 million before taxes related to the acquisition of Vescore and the acquisition of the Eastern European client portfolio of Notenstein La Roche.

Segment profits before taxed

CHF MN	31.12.2017	31.12.2016
Wealth Management	60.5	47.2
Asset Management	162.8	163.5
Investment Banking	112.1	84.6
of which External Asset Managers business	*23.0*	*15.3*
Corporate Center	–76.1	26.0
Total	**259.3**	**321.3**

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 2.7 million in the financial year 2016 to CHF 2.5 million in the year under review. In 2017, Value at Risk was divided equally across equities, interest rates and currency components due in particular to low levels of volatility and declining credit spreads.

Value at Risk (VaR) for the positions of Financial Products

CHF MN (AVERAGE 12 MONTHS ENDING)	31.12.2017	31.12.2016
Equities	1.4	1.4
Interest rates	1.2	2.1
Currencies	1.2	0.5
Commodities	0.9	1.2
Diversification effect	–2.2	–2.5
Total	**2.5**	**2.7**

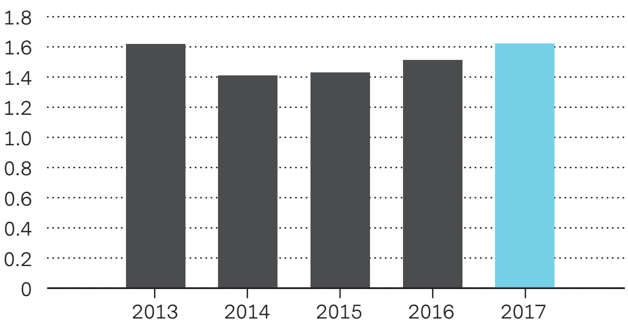
Average Value at Risk 12 months for positions in the Financial Products division of the Investment Banking business unit. Historical simulation Value at Risk; 99% confidence level; 1-day holding period; 4-year historical observation period.

Continued comfortable capital position

Vontobel has maintained its comfortable equity position. At the end of 2017, the BIS common equity tier 1 ratio (CET1 ratio) was 18.4%. This represents a very good level in an industry comparison and substantially exceeds the regulatory minimum requirement. The change in the CET1 ratio of −0.6 percentage points compared to the end of 2016 is mainly attributable to the successful expansion of the business and the acquisition of the Eastern European client portfolio of Notenstein La Roche.

Shareholders' equity

in CHF bn



Consolidated shareholders' equity was CHF 1.62 billion at the end of 2017, an increase of 7% compared to the end of 2016. Vontobel's very solid capital position is also reflected by its equity ratio of 7.1% and a leverage ratio under Basel III of 4.7%. Furthermore, Vontobel's balance sheet can be described as highly liquid, since its Liquidity Coverage Ratio averaged 181.7% for the year under review and thus significantly exceeded the minimum requirement of 80% defined by FINMA for 2017.

Total assets grew by 18% to CHF 22.9 billion in the year under review. On the liabilities side of the balance sheet, client deposits rose again by 8% from CHF 9.1 billion to CHF 9.8 billion. Liabilities arising from the structured products business increased by 33% from CHF 6.4 billion to CHF 8.5 billion due to the successful expansion of the business. As a result, hedging positions for this business increased on the asset side of the balance sheet. This was reflected among other things by an increase in trading portfolio assets and in the item "Other financial assets at fair value". Loans to clients rose by around CHF 709 million or 27% to CHF 3.3 billion.

Of the total regulatory capital of CHF 766.9 million required under BIS rules (31 December 2016: CHF 703.9 million), 36% was allocated to Asset Management, 30% to Investment Banking and 23% to Wealth Management.

Allocation of regulatory capital required (BIS) as of 31 December 2017

CHF MN	CREDIT RISKS	MARKET RISKS	OPERATIONAL RISKS	GOODWILL ETC.	TOTAL
Wealth Management	44.3	0.0	36.2	92.2	172.7
Asset Management	10.0	0.0	63.7	198.9	272.6
Investment Banking	38.6	149.0	40.8	–0.6	227.8
Corporate Center	31.7	56.8	5.3	0.0	93.8
Total	**124.6**	**205.8**	**146.0**	**290.5**	**766.9**

95% of client assets come from Swiss home market and international focus markets

In recent years, Vontobel has become an established global wealth and asset manager. Between 2002 and the end of 2017, there was a more than four-fold increase in advised client assets. Today, 60% of advised client assets comprise the assets of clients domiciled outside Vontobel's Swiss home market – primarily in target markets comprising Emerging Markets, Germany, the US, the UK and Italy. However, Vontobel is also well established in its home market, with clients domiciled in Switzerland accounting for CHF 75.4 billion of advised client assets. This underscores the high level of confidence that clients in our home market have in Vontobel's expertise and financial solidity.

Client assets by client domicile as of 31 December 2017

CHF BN	ASSETS UNDER MANAGEMENT	OTHER ADVISED CLIENT ASSETS	STRUCTURED PRODUCTS OUTSTANDING	TOTAL ADVISED CLIENT ASSETS	CUSTODY ASSETS	TOTAL CLIENT ASSETS
Home market	**68.4**	**0.4**	**6.6**	**75.4**	**59.4**	**134.8**
Switzerland[1]	*68.4*	*0.4*	*6.6*	*75.4*	*59.4*	*134.8*
Target markets	**85.2**	**12.1**	**1.9**	**99.2**	**0.0**	**99.2**
Germany	*15.6*	*4.4*	*1.9*	*21.9*	*0.0*	*21.9*
Italy	*10.6*	*0.0*	*0.0*	*10.6*	*0.0*	*10.6*
UK	*18.1*	*0.0*	*0.0*	*18.1*	*0.0*	*18.1*
US	*20.7*	*0.0*	*0.0*	*20.7*	*0.0*	*20.7*
Emerging Markets[2]	*20.2*	*7.7*	*0.0*	*27.9*	*0.0*	*27.9*
Other markets	11.7	0.3	0.0	12.0	0.5	12.5
Total client assets	**165.3**	**12.8**	**8.5**	**186.6**	**59.9**	**246.5**

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

New growth targets

Based on Vontobel's client-driven and long-term oriented strategy as an internationally active specialist in wealth and asset management that is dedicated to growth and innovation, the Board of Directors and Executive Board of Vontobel defined five strategic priorities in 2017 for the next three years:

– A great client experience has become essential to meet the expectations of clients. The first strategic priority is therefore to **deliver the unique Vontobel experience.** In this way, we will generate superior value for clients and create a stronger emotional connection to the brand.

– **Empower people** is the second strategic priority that has been defined. An ownership mindset forms the backbone of Vontobel's culture. Through various initiatives, we want to empower and foster entrepreneurship among our employees.

– Our third strategic priority is to **create brand excitement** among our clients. We have sharpened our corporate profile and we introduced a new corporate design in September 2017 to strengthen our positioning and further increase the attractiveness of the Vontobel brand.

– Our fourth strategic priority is to **boost growth and market share**. We are thus remaining true to the principle of pursuing an organic growth strategy, driving growth initiatives across all business units in Switzerland and internationally. At the same time, a disciplined M&A approach will complement our targeted organic growth.

– **Driving efficiency** is the fifth strategic priority. We want to transform top-line growth into superior bottom-line growth through tight cost management and by streamlining processes to achieve economies of scale. Vontobel operates in international markets, where we are subject to increasing regulations and where products are growing more complex in response to rising client expectations. Our global platform strategy is the key to efficiently managing this complexity: With our state-of-the-art infrastructure, we create high-quality products and services centrally in Switzerland and distribute them globally. Vontobel's efficient IT infrastructure allows for a high degree of automation that exceeds 99%. Since we completely renewed our core banking platform system in the last decade, our resources can now be allocated to digital innovation in order to deliver greater benefits for clients as well as further efficiency gains.

Ambitious mid-term targets for 2020

Building on these strategic priorities, the Board of Directors and Executive Board have defined ambitious targets for growth, profitability, capital and dividends for 2020. For Vontobel, this means we want to:

– **Outgrow the market** in all core activities with top-line growth and net new money growth of 4–6% (2017 target: 3–5%), excluding market performance effects

– Generate a higher **return on equity** of more than 12% (2017 target: more than 10%), clearly exceeding the cost of capital; achieve a **cost/income ratio** of less than 75%

– Maintain a very strong **capital position** with a CET1 capital ratio of more than 12% and a total capital ratio of more than 16%

– Distribute profits not used for organic growth and M&A to shareholders, with a target **payout ratio** of more than 50% for shareholders

– **Wealth Management:** Capture high-growth markets, drive innovation through technology and further enhance the client experience with investment-led content and client-specific solutions

  2020 targets: Outgrow the market with net new money growth of 4–6%; protect a gross margin of more than 65 basis points; ensure profitable growth with a cost/income ratio of less than 75%

– **Asset Management:** High-conviction asset management translates into an outstanding product offering. Leverage market trends such as innovative investment solutions and digitization as well as our own global distribution network to reach all relevant client segments

  2020 targets: Continue to outgrow the market with 4–6% net new money growth, protect a gross margin of more than 40 basis points; ensure profitable growth with a cost/income ratio of less than 65%

– **Financial Products:** Drive future growth through international expansion, with entry into new markets in APAC and growth of existing market share in Europe, and continue state-of-the-art digital innovation to become a leading provider of structured products and derivatives globally

  2020 targets: Grow operating income to more than CHF 300 million; ensure profitable growth with a cost/income ratio of less than 65%

Targets 2020

Top-line growth [1]	
Total operating income	4–6%
Net new money generation	
Net new money growth	4–6%
Earnings power	
Return on equity (ROE)	>12%
Efficiency	
Cost/income ratio	<75%
Capital strength	
Tier 1 capital ratio (CET1)	>12%
Total capital ratio	>16%
Dividend	
Payout ratio	>50%

1 Excluding market performance

Wealth Management

We took our profitability to a new level in 2013 by focusing our activities. We have since made effective use of our new earning power in order to grow our business organically. In 2017, the continued increase in advised client assets was reflected by a 12% rise in operating income and a marked improvement in profitability. We delivered a significant increase in pre-tax profit of 28% in the year under review. As in previous years, Wealth Management acquired additional client assets in 2017. We attracted CHF 2.6 billion of net new money in our higher-margin products, i.e. portfolio management mandates and advisory mandates, thus exceeding our target range of 4–6%. In lower-margin products, i.e. securities trading and custody, we recorded net outflows of CHF 1.6 billion. During the year under review, Vontobel generated net inflows of new money totaling CHF 1.0 billion. In addition, we carried out two transactions during the year to systemically expand our business model while also sharpening its focus: We acquired the Eastern European client portfolio of Notenstein La Roche with a volume of around CHF 2 billion and a contractual agreement was reached for the transfer of our Liechtenstein operation, together with the local booking platform and CHF 1.4 billion of clients assets as of end-October, to the established local wealth manager Kaiser Partner Privatbank.

At Vontobel, we see change as a source of opportunity and use it in the interests of our clients wherever possible. In 2017, we fully implemented wide-ranging regulatory requirements such as MiFID II and the Automatic Exchange of Information. Based on these regulatory developments as well as the ongoing digital transformation, we sought to further enhance our client services and to implement a more future-oriented approach. These efforts center on an advisory process that is based more strongly on a personal dialogue with clients and allows us to address their individual needs and specific goals more effectively. To support this approach, we also completely revised our product and service offering. The development of our innovative and proprietary Vontobel 3α-Investment Philosophy® in the area of Wealth Management is one of the core components of these measures. The focus here is on delivering greater client benefits, on streamlining and making more flexible use of the product range, and on increasing transparency – especially with regard to fees. With these new products, we are of course meeting current and emerging regulatory requirements. As part of our digitization strategy, we also further developed our “Vontobel Wealth” platform with the aim of providing digital services to ideally complement our personal advice for clients.

We measure the quality of our services from various perspectives. For example, an external study indicated that Vontobel achieves a very high level of client satisfaction. At 41%, our “net promoter score” – which measures the proportion of clients who recommend our company to others – was excellent in comparison with our competitors. Our high level of investment expertise was reflected by the impressive performance of client portfolios with management mandates, of which 94% exceeded their benchmarks during the year under review. In addition, our client focus and the attractiveness of our offering in Wealth Management were demonstrated again this year when we achieved a top ranking in the “Bilanz Private Banking Rating” published by the business magazine Bilanz for the fourth time in succession. Our digital solution “Vontobel Wealth” is today a pioneering offering in a peer group comparison. As a result, the renowned research institute MyPrivateBanking ranked our digital solution as number three globally among online wealth management solutions for wealthy private clients. We want to defend this competitive advantage and will therefore continue to develop our digital channel in the future.

The acquisition of new money and our record client assets allowed us to grow our operating income in 2017 by 12% to CHF 272.6 million. Despite making significant investments in the implementation of regulatory requirements, costs increased at a slower pace (+8%) thanks to our strict cost discipline and the use of economies of scale. As a result, we generated significantly higher pre-tax profit of CHF 60.5 million in the year under review.

Vontobel Wealth Management has been actively managing client assets with foresight for almost 100 years and aspires to be the leading Swiss wealth manager. We pursue a holistic approach that centers on our clients and their assets. We consider it important to ensure continuity in our advisory services. This forms the foundations for a long-term business relationship with our clients. Our offering encompasses a wide variety of services – from portfolio management and active investment advisory to integrated financial advice, financial planning and financing solutions. Vontobel’s business model also allows our private clients to access the proven expertise of our Asset Management and Investment Banking divisions. Vontobel Wealth Management has a presence in Zurich, Basel, Berne, Geneva, Lugano, Lucerne, 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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Net interest income	38.7	25.3	13.4	53
Other operating income	233.9	219.0	14.9	7
Total operating income	**272.6**	**244.3**	**28.3**	**12**
Personnel expense	113.1	104.1	9.0	9
General expense	17.1	13.6	3.5	26
Services from / to other segment(s)	77.9	75.4	2.5	3
Depreciation of property, equipment and intangible assets	3.2	3.1	0.1	3
Valuation adjustments, provisions and losses	0.8	0.9	–0.1	–11
Total operating expense	**212.1**	**197.1**	**15.0**	**8**
Segment profit before taxes	**60.5**	**47.2**	**13.3**	**28**

Key figures

IN %	31.12.2017	31.12.2016
Cost[1] / income ratio	77.5	80.3
Change of assets under management	12.8	14.0
of which net new money	*2.6*	*5.8*
of which change in market value	*6.5*	*8.2*
of which through acquisition[2]	*5.0*	*0.0*
of which other effects[3]	*–1.3*	*0.0*
Operating income / average assets under management[4] (bp)	67	69
Profit before taxes / average assets under management[4] (bp)	15	13

Client assets

	31.12.2017 CHF BN	31.12.2016 CHF BN	CHANGE TO 31.12.2016 CHF BN	CHANGE TO 31.12.2016 IN %
Assets under management	44.0	39.0	5.0	13
Other advised client assets	1.8	1.0	0.8	80
Total advised client assets	**45.8**	**40.0**	**5.8**	**15**
Average assets under management[4]	40.6	35.5	5.1	14

Net new money

CHF BN	31.12.2017	31.12.2016
Net new money	1.0	2.0

Personnel

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	CHANGE TO 31.12.2016 IN %
Employees (full-time equivalents)	408.2	387.0	21.2	5
of which relationship managers	*202.4*	*199.0*	*3.4*	*2*

1 Operating expense excl. valuation adjustments, provisions and losses
2 Acquisition of the Eastern European client portfolio of Notenstein La Roche in December 2017
3 The decrease in assets under management reflects the reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.
4 Calculation based on average values for individual months

Asset Management

The growth achieved by Vontobel Asset Management in recent years has far exceeded the market average. Income more than doubled from CHF 202.1 million in 2011 to CHF 434.9 million in 2017. Over the same period, Asset Management generated a four-fold increase in pre-tax profit from CHF 36.7 million to CHF 162.8 million. The second half of 2017 was the most profitable six-month period in the history of Asset Management. The disproportionately large rise in profit is the result of our successful global growth strategy and a simultaneous increase in operating efficiency, with the cost / income ratio improving from 81.4% to 62.5%.

Our positioning as a high-conviction manager and our diversification strategy are continuing to prove successful. Assets under management grew organically across all our boutiques during the year under review. The growth in net new money accelerated considerably during the last nine months in particular and reached a growth rate of 6.8% during that period, exceeding our target range of 4–6% and far exceeding market growth. Significant inflows were generated in particular by fixed income products and by the Vescore and Sustainable & Thematic Investing boutiques. The successful TwentyFour Asset Management boutique, which is continuing to achieve strong growth and is now present not only in the UK but also in Continental Europe and the US, also generated strong inflows. Raiffeisen's investment business made a positive contribution to the acquisition of new money. Asset growth was also driven by the impressive quality of our products. In 2017, 73% of our products outperformed their benchmark. As a result, our advised client assets have risen by an impressive 19% to a record CHF 121.3 billion since the end of 2016. That includes 13 investment funds with a volume of over CHF 1 billion. We want to pursue our successful growth strategy as a high-conviction manager in the future. Consequently, we retain our portfolio managers through our long-term compensation system that was introduced in 2004. To further strengthen their loyalty to their own products and to ensure an even closer alignment with the interests of our clients, we have concluded variable compensation agreements with additional portfolio managers. Under the terms of those agreements, a proportion of compensation is linked to the investment performance of the funds managed by the portfolio managers and is only paid out after a period of three years.

As part of the redefinition of the collaboration between Vontobel and Raiffeisen in the area of asset management, Vontobel acquired Raiffeisen's asset management subsidiary Vescore in 2016.

Vescore's expertise in the area of Sustainable Investing and Quantitative Investments has strengthened our successful international boutique model and contributed to its further diversification. The Vescore integration was completed in the year under review. Its contribution to net new money and to profit growth has far exceeded our own expectations, with the business already making a positive contribution to the division's pre-tax income in 2017.

The impressive investment performance and quality of our products were once again recognized by renowned rating agencies, which presented us with numerous awards. At the end of 2017, many of our investment funds had a 4- or 5-star rating from Morningstar. This is especially important for future growth, since experience has shown that funds with 4 or 5 stars attract the most new money. Alongside Morningstar, our investment funds were also recognized by other rating agencies, with Lipper naming Vontobel the leading provider in five European countries in the categories "Emerging Market Equity" and "Commodities". In addition, three of our mtx Sustainable Leaders strategies – Asia ex-Japan, Emerging Markets and China – received multiple awards in Europe and Asia. Our TwentyFour Asset Management boutique in London was named "Specialist Fixed Income Group of the Year" for the third time in succession.

The gross margin in Asset Management declined slightly to 44 basis points, mainly reflecting the more diversified business model and the resulting changes in the composition of assets. Thanks to the systematic execution of our growth strategy, operating income increased to CHF 434.9 million despite the reduction of the gross margin. Pre-tax profit grew significantly in the second half of 2017 compared to the first half and totaled CHF 162.8 million for the full year. With this substantial profit contribution, Asset Management was once again the main earnings driver at Vontobel.

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

Segment results

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Net interest income	0.1	0.3	–0.2	–67
Other operating income	434.8	414.4	20.4	5
Total operating income	**434.9**	**414.7**	**20.2**	**5**
Personnel expense	172.2	158.2	14.0	9
General expense	43.6	41.9	1.7	4
Services from / to other segment(s)	49.5	46.5	3.0	6
Depreciation of property, equipment and intangible assets	6.5	4.2	2.3	55
Valuation adjustments, provisions and losses	0.3	0.4	–0.1	–25
Total operating expense	**272.1**	**251.2**	**20.9**	**8**
Segment profit before taxes	**162.8**	**163.5**	**–0.7**	**0**

Key figures

IN %	31.12.2017	31.12.2016
Cost[1] / income ratio	62.5	60.5
Change of assets under management[2]	21.1	–3.7
of which net new money[2]	*4.0*	*–14.3*
of which change in market value[2]	*17.1*	*2.0*
of which other effects[2,3]	*0.0*	*8.6*
Operating income / average assets under management[4] (bp)	44	46
Profit before taxes / average assets under management[4] (bp)	16	18

Client assets

	31.12.2017 CHF BN	31.12.2016 CHF BN	CHANGE TO 31.12.2016 CHF BN	IN %
Assets under management	110.3	92.3	18.0	20
of which Vontobel funds	*28.7*	*20.6*	*8.1*	*39*
of which private label funds	*16.4*	*16.7*	*–0.3*	*–2*
of which managed on behalf of other segments	*2.8*	*3.7*	*–0.9*	*–24*
Other advised client assets	11.0	9.4	1.6	17
Total advised client assets	**121.3**	**101.7**	**19.6**	**19**
Average assets under management[4]	99.9	90.7	9.2	10

Net new money

CHF BN	31.12.2017	31.12.2016
Net new money	3.6	–13.2

Personnel

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	IN %
Employees (full-time equivalents)	404.9	397.5	7.4	2

1 Operating expense excl. valuation adjustments, provisions and losses
2 Adjusted for assets that are managed on behalf of other segments
3 Financial year 2016: Acquisition of Vescore AG as per 20 September 2016
4 Calculation based on average values for individual months

Investment Banking

Vontobel is one of the world's leading providers of structured investment products and leverage products, with a market share of over 10% in Europe and 27% in our Swiss home market, measured in terms of the exchange-traded volume in the target segment. As a forward-looking issuer that is close to its clients, Vontobel offers investors a broad investment universe with more than 380,000 issued products spanning all geographical regions and risk classes. The international expansion of Financial Products is advancing rapidly. We have been operating successfully in Germany and the Nordic market for a number of years. We entered the Italian market in 2016 and we made our market debut in the Netherlands, France and on the stock exchange in Hong Kong – one of the world's largest markets in terms of trading volumes – in 2017. In the year under review, clients around the world traded a total of CHF 25.5 billion of Vontobel products, an increase of 31% compared to 2016. Of this sum, CHF 5.7 billion was traded in Asia. Our market entry in Hong Kong was very successful and our business was already profitable in November, two months after our market debut. We also further strengthened our position in our Swiss home market and have been offering selected products on SwissDOTS since March 2017.

Thanks to our client proximity and our state-of-the-art digital ecosystem, we can now rapidly enter new markets and serve new target groups. With our unique and leading multi issuer platform Vontobel deritrade® MIP, we enable asset managers and banks to independently compare, create and manage structured products from different issuers for their clients. In 2017, a total of CHF 4.6 billion of products were purchased on our platform – a significant increase of 35% 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". In Switzerland, private investors have been able to use a new type of app, "Vontobel Investment Scout", since the end of March 2017 in order to select a structured product tailored to their individual preferences and have it issued immediately via their iPhone or iPad. In Vontobel Financial Products, business processes have been fully automated as a result of digitization, resulting in a significant reduction in unit costs, which have fallen by 96% since 2009.

Vontobel's External Asset Managers (EAM) business provides support and advice to external asset managers. As a globally active financial specialist, we also give our EAMs access to our investment expertise.

During the year under review, we further expanded our investment advisory offering and generated value for the end-clients served by EAMs through our investment recommendations, thus contributing to the growth of their assets. In addition, we now provide portfolio management mandates as well as comprehensive regulatory knowhow for our clients. We are continuing to develop our digital platform Vontobel EAMNet. We provide a pioneering solution with a very user-friendly design compared to the offerings of our peers. Overall, our efforts were rewarded by our clients with impressive net new money growth of 15%. As a result, assets under management rose to a record CHF 10.0 billion.

Vontobel Corporate Finance has succeeded in expanding its leading position in the Swiss equity capital market, in the area of public takeover bids and as a lead manager for bond issues. In 2017, the team advised 15 companies on corporate finance transactions with a volume of between CHF 20 million and CHF 30 billion.

In 2017, Investment Banking delivered a significant increase in operating income of 19% to CHF 328.8 million as a result of the successful international expansion of the business and further gains in market share in Financial Products, as well as the successful performance of the EAM business, Brokerage, Corporate Finance and Transaction Banking. At the same time, operating expense rose by only 12% despite the expansion of our offering and our international growth, reflecting the scalability of the platform and our cost discipline. This resulted in a 33% increase in pre-tax profit to CHF 112.1 million.

Investment Banking creates customized investment solutions for our clients. Vontobel is today one of the leading issuers of structured products and derivatives in Europe and is established 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 digitization of investment solutions. Investment Banking has operations in Zurich, Basel, Geneva, Lugano, Cologne, Frankfurt, Dubai, London, New York, Hong Kong and Singapore.

Segment results

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Net interest income	10.0	5.1	4.9	96
Other operating income	318.8	272.2	46.6	17
Total operating income	**328.8**	**277.3**	**51.5**	**19**
Personnel expense	115.3	99.8	15.5	16
General expense	54.1	45.3	8.8	19
Services from / to other segment(s)	41.6	42.9	–1.3	–3
Depreciation of property, equipment and intangible assets	5.5	4.6	0.9	20
Valuation adjustments, provisions and losses	0.2	0.1	0.1	100
Total operating expense	**216.7**	**192.7**	**24.0**	**12**
Segment profit before taxes	**112.1**	**84.6**	**27.5**	**33**

Key figures

IN %	31.12.2017	31.12.2016
Cost[1] / income ratio	65.8	69.5
Change of assets under management	26.6	7.9
of which net new money	*12.8*	*5.9*
of which change in market value	*13.8*	*2.0*

Client assets

	31.12.2017 CHF BN	31.12.2016 CHF BN	CHANGE TO 31.12.2016 CHF BN	CHANGE TO 31.12.2016 IN %
Assets under management	13.8	10.9	2.9	27
Structured products outstanding	8.5	6.4	2.1	33
Total advised client assets	**22.3**	**17.3**	**5.0**	**29**
Custody assets	59.9	40.1	19.8	49
Total client assets	**82.2**	**57.4**	**24.8**	**43**

Net new money

CHF BN	31.12.2017	31.12.2016
Net new money	1.4	0.6

Personnel

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	CHANGE TO 31.12.2016 IN %
Employees (full-time equivalents)	383.1	372.8	10.3	3

Of which External Asset Managers

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	CHANGE TO 31.12.2016 IN %
Operating income (CHF mn)	52.6	43.4	9.2	21
Profit before taxes (CHF mn)	23.0	15.3	7.7	50
Cost[1] / income ratio (%)	56.1	64.5		
Assets under management (CHF bn)	10.0	7.8		
Net new money (CHF bn)	1.2	0.2		
Operating income / average assets under management[2] (bp)	59	59		

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

Corporate Center

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

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

Vontobel has long adopted a future-oriented approach in its business – especially with German clients. Some time ago, it therefore carried out a systematic review of 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 held talks with the relevant German authorities to obtain transparency and legal certainty for the bank, its clients and its employees.

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

Operating income decreased significantly compared to the previous year's result, which included a gain from the sale of the participation in Helvetia. In addition, negative interest rates and the non-recurrence of the dividend from Helvetia further impacted operating income. Furthermore, operating costs in the year under review included one-off expenses of CHF 9.8 million related to the acquisition of Vescore and the acquisition of the Eastern European client portfolio of Notenstein La Roche. Consequently, the Corporate Center's pre-tax result was CHF –76.1 million.

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

Segment results

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Net interest income	19.9	37.0	–17.1	–46
Other operating income	4.1	107.8	–103.7	–96
Total operating income	**24.0**	**144.8**	**–120.8**	**–83**
Personnel expense	132.0	122.7	9.3	8
General expense	90.2	88.9	1.3	1
Services from / to other segment(s)	–169.0	–164.8	–4.2	
Depreciation of property, equipment and intangible assets	45.8	50.4	–4.6	–9
Valuation adjustments, provisions and losses	1.1	21.6	–20.5	–95
Total operating expense	**100.1**	**118.8**	**–18.7**	**–16**
Segment profit before taxes	**–76.1**	**26.0**	**–102.1**	**–393**

Personnel

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	IN %
Employees (full-time equivalents)	492.0	517.1	–25.1	–5

Corporate Governance

Corporate Governance

Vontobel is committed to responsible, value-oriented company leadership and management. Corporate governance is a central factor in our business success. It is an essential prerequisite in attaining our strategic corporate goals and creating lasting value for our shareholders and for all our stakeholders. The core elements of our corporate governance are:

1 Clearly defined, well-balanced division of responsibilities between the Board of Directors and group management

2 Protecting shareholder interests

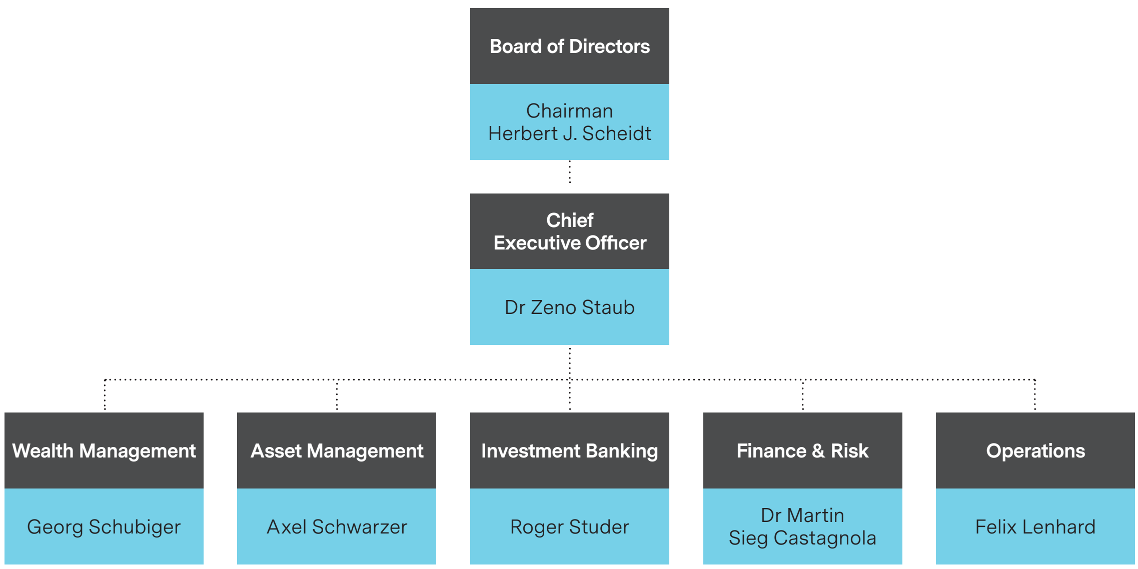
3 Providing transparent public information

The Articles of Association of Vontobel Holding AG, the Organizational Regulations and the Minutes of the Annual General Meeting 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 into account the SIX commentary last updated on 10 April 2017. 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 2017



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 205 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)

	31.12.2017		31.12.2016	
	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				
Advontes AG	5.7	10.0	-	-
Community of heirs of Dr Hans J. Vontobel	-	-	11.8	20.7
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
Vontobel Foundation	8.5	14.9	7.1	12.5
Pellegrinus Holding AG (public utility foundation Corvus)[1]	2.7	4.7	2.7	4.7
Extended Pool	3.9	6.8	-	-
Vontobel Holding AG including subsidiaries (own shares without voting rights)[2]	-	-	2.1	3.7
Executive members	-	-	0.1	0.1
Total voting rights on share capital	**28.9**	**50.7**	**36.0**	**63.2**
of which members of the pool (with and without voting rights)	*28.9*	*50.7*	*36.0*	*63.2*
of which members of the pool (with voting rights)	*28.9*	*50.7*	*33.8*	*59.5*
of which pooled shares	*28.9*	*50.7*	*26.0*	*45.8*

1 Usufruct including voting right by Pellegrinus Holding AG, ownership by Vontobel Foundation
2 31.12.2016: Excluding option rights amounting to 0.1% 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
Until August 2017, the major shareholders (community of heirs of Dr Hans J. Vontobel, comprising: Hans Dieter Vontobel, Regula Brunner-Vontobel, Kathrin Kobel-Vontobel), Vontrust AG, other family shareholders, the Vontobel Foundation, Pellegrinus Holding AG, Vontobel Holding AG and the pool of executive members) were parties to a pooling agreement. This agreement encompassed specific Vontobel Holding AG shares defined in the agreement. As of 31 July 2017, 45.8% of all shares issued were bound by the pooling agreement. The members of the pool were able to freely dispose those of their shares not specifically mentioned in the pooling agreement. This shareholder pooling agreement imposed restrictions on the transfer of shares and granted pre-emptive rights to acquire shares held in the pool. It also stated that votes should be pooled. In the course of the succession to the estate of Dr Hans J. Vontobel, the existing shareholder pool was transferred to a successor pool – consisting of a core pool and an extended pool – which holds a total of 50.7% of the voting shares. The agreements on the transfer of shares to the successor pool were signed on 21 November 2016. The agreements were implemented after all regulatory approvals were obtained in August 2017.

A total of 43.9% of votes are controlled through the core pool, comprising the existing pool members, i.e. the Vontobel Foundation and Pellegrinus Holding (total of 19.6% of votes), as well as the family holding company Vontrust AG (14.3% of votes), and the new family holding company Advontes AG (10% of votes). The remaining 6.8% of votes are bound through the extended pool with one family member (Kathrin Kobel-Vontobel). The core pool imposes restrictions on the transfer of shares and grants pre-emptive rights in favour of the members of the core pool. The shares bound in the core pool are subject to a vote pooling requirement and votes have to be cast at the Annual General Meeting of Vontobel Holding AG in accordance with the preceding resolutions of the core pool or, for its duration, of the extended pool. 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 bound in the extended pool. Pool shares acquired in this way become part of the core pool. Shares bound in the extended pool, together with shares bound in the core pool, are subject to a joint vote pooling requirement, and votes have to be cast at the Annual General Meeting of Vontobel Holding AG in accordance with the preceding resolutions of the extended pool. Vontobel Holding AG and its executives are no longer members of the successor pool.

Registered shareholders as of 31 December 2017

	NUMBER OF SHAREHOLDERS	IN %	NUMBER OF SHARES	IN %
Natural persons	5,410	93.9	13,859,326	24.4
Legal persons	353	6.1	32,951,672	57.9
Unregistered shares [1]	–	–	10,064,002	17.7
Total	**5,763**	**100.0**	**56,875,000**	**100.0**

1 Of which 1.6 million shares (2.8%) owned by Vontobel Holding AG and its subsidiaries

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

Capital structure

Capital
The share capital of Vontobel Holding AG amounted to CHF 56,875,000 as of 31 December 2017. The registered shares of Vontobel Holding AG (security no. 1 233 554, ISIN CH001 233 554 0) 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 27.

Details of contingent and authorized capital
Details of contingent and authorized capital can be found in the Notes to the consolidated financial statements, note 27.

Changes in capital
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 Annual General Meeting 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).

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 27. For information on earlier periods, please refer to the relevant Annual Reports (2015: note 28 and 2016: note 28, https://www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-reporting/).

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 outstanding participation certificates.

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

Restrictions on transferability and nominee registrations in the share register
This information is provided in the "Shareholders' participatory rights" section, page 52.

Convertible bonds and options
There were no bonds or convertible bonds outstanding as of 31 December 2017. The volume of the entire share capital recorded for outstanding structured products and options amounts to a net 19,605 shares (previous year: 31,107 shares). This means that option rights issued by Vontobel amounting to 0.0% (previous year: 0.1%) of share capital were outstanding on 31 December 2017. No conditional capital is used to hedge these option rights as they are hedged through market transactions.

Board of Directors

Members of the Board of Directors as of 31 December 2017

NAME	FUNCTION	NATIONALITY	COMMITTEE MEMBERSHIP[1]	INITIAL ELECTION	TERM EXPIRES
Herbert J. Scheidt	Chairman	CH/D		2011	2018
Dr Frank Schnewlin	Vice-Chairman	CH	RAC[2]	2009	2018
Bruno Basler	Member	CH	NCC[2]	2005	2018
Dr Maja Baumann	Member	CH	RAC	2016	2018
Dr Elisabeth Bourqui	Member	CH/F/CA	RAC	2015	2018
David Cole	Member	US/NL	NCC	2016	2018
Nicolas Oltramare	Member	CH	RAC	2013	2018
Clara C. Streit	Member	D/US	NCC	2011	2018
Björn Wettergren	Member	CH/S	NCC	2016	2018

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 any 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 had a seat on the Board of Directors of Helvetia Holding AG until 28 April 2017 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 thereof until that date. As of 31 December 2017, the majority of members of the Board of Directors of Vontobel Holding AG met the independence criteria prescribed in the FINMA Circular 2017/1 “Corporate governance – banks” margin no. 17–22. 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 who serve on the governing bodies of certain entities, representing the interests of majority shareholders thereof. They also participate in family holdings.

Other activities and functions
See curricula vitae of the Members of the Board of Directors, page 38.

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 provisions set out in the applicable Organizational Regulations also apply (please refer to www.vontobel.com/agm).

Herbert J. Scheidt
Chairman of the Board of Directors

born 1951,
Swiss and German citizen

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

Professional background

Since 2002	Vontobel, Zurich, Switzerland	
	Since 2011	Chairman of the Board of Directors
	2002–2011	Chief Executive Officer
1982–2002	Deutsche Bank	
	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, Switzerland
– Vice-Chairman of the Board of Directors of Hero AG, Lenzburg, Switzerland
– Member of the Board of Directors of SIX Group AG, Zurich, Switzerland
– Member of the Board of Economiesuisse, Zurich, Switzerland
– Member of the Board of European Banking Federation, Brussels, Belgium

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., Basel Switzerland Group CEO, Head of the Group Corporate Executive Committee and CEO of the International businss 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 NorthStar Holding AG, Schindellegi, 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, University of Zurich, Switzerland
LL.M. in Corporate Law, New York University, USA
Certified Specialist SBA in Real Estate and Construction Law
CAS in Banking, Capital Markets and Insurance Law, University of Zurich, Switzerland

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
– Member of the Board of Directors of Swisspearl Group AG, Niederurnen, 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 at the Swiss Federal Institute of Technology (ETH), Switzerland
Dipl. Math at the Swiss Federal Institute of Technology (ETH), Switzerland

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

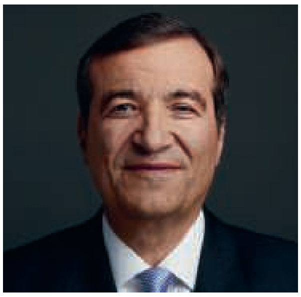
born 1961,
US and Dutch citizen

Education
Bachelor of Business Administration, University of Georgia, USA
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	PPBS 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 Trustees of Fondation Alfred et Eugénie Baur-Duret (Collections)
- 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 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 NN Group, 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

2012–2017	etventure Zurich, Switzerland Associate & Partner	
2007–2012	Bank Vontobel AG, Zurich, Switzerland	
	2012	Project Manager, Human Resources
	2010–2011	Project Leader, Group Services
	2009–2011	Portfolio Management, AM&PB
	2007–2009	Structured Products, Investment Banking

Mandates
– Chairman of the Board of Directors of Cagson AG, Baar, Switzerland
– Member of the Board of Directors of Vontrust AG, Zurich, Switzerland
– Member of the Board of Directors of StartupInvest AG, Altendorf, Switzerland
– Member of the Board of Directors of Portfolio Helvetia AG, Altendorf, Switzerland

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 Annual General Meeting.

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 Annual 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 Annual General Meeting from among the members of the Board of Directors, each for a term of one year ending at the conclusion of the next Annual 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 shall be 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 Annual General Meeting 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 2017" on page 37.

The Annual General Meeting elects the independent proxy for a term that ends at the conclusion of the next Ordinary General Meeting. The independent proxy may be reelected. 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 five meetings were held during the year under review (in February, April, July, October 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 resolutions on capital increase reports or for those that require official authentication. Board resolutions and appointments are decided by the absolute majority of the mem-

bers 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 2017” on page 37. 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 mergers and acquisitions projects. During the year under review, an ad hoc meeting was held in which certain members of the Board of Directors, the Executive Board and technical specialists discussed a complex loan application.

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 is comprised of 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 for approval by resolution;
(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 Annual General Meeting 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 motions to be proposed to the Annual General Meeting 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 for approval by resolution;
(f) Within the framework of and as required by 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 of the CEO and other members of the Executive Board (within the scope of – or subject to – the approval of aggregate compensation by the Annual General Meeting 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 a 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 representing 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 Annual General Meeting.
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 adjusted 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; assurance and 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 beyond financial reporting, such as Compliance 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), len-ding, operational risks, management transactions, ad-hoc 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 together with the scenarios used and the relevant methods, as well as the approval of their detailed results.
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..

Within this context regular contact is maintained with representatives of the Group's management, Group Internal Audit, external auditors and relevant specialist units within the Group. 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 Vontobel Holding AG. 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 eight hours. A total of six meetings were held during the year under review (in January, June, July, November and December).

As of 31 December 2017, 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 Finance & Risk support unit (CFO) and representatives of Group Internal Audit and the external auditors. Furthermore, specialists from within Vontobel – particularly the Head of Risk Control, the Head of Legal, Compliance and Tax and the Head of Finance – are regularly invited to attend meetings when specific topics concerning their areas of responsibility are discussed.

Attendance of meetings of the Board of Directors and the Committees 2017

	BOARD OF DIRECTORS	RISK AND AUDIT COMMITTEE (RAC)	NOMINATION AND COMPENSATION COMMITTEE (NCC)
Number of meetings	**5**	**6**	**4**
Herbert J. Scheidt	5	Guest	Guest
Dr Frank Schnewlin	5	6	
Bruno Basler	5		4
Dr Maja Baumann	5	6	
Dr Elisabeth Bourqui	5	6	
David Cole	4		4
Nicolas Oltramare	5	6	
Clara C. Streit	5		4
Björn Wettergren	4		4

In addition, in 2017 training was provided in the course of, and supplementary to, the ordinary meetings of the Board of Directors.

Group Internal Audit

Group Internal Audit (GIA) assists 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 standards and guidelines.

Powers of authorization

Board of Directors

The Board of Directors of Vontobel Holding AG is responsible for the overall direction of the Company and supervision and control over its executive body unless prescribed otherwise by legislation, the Articles of Association or internal Organizational Regulations. The delegation of powers and responsibilities to 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 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 authority;
3. Determining the principles for accounting, financial control and financial planning for the holding company and the Group to the extent required for the management of the Company. This includes the approval of the annual budget, annual targets, capital planning and medium-term planning as well as the multi-year income and capital expenditure planning for various scenarios within the operating environment. As part of Capital planning 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;
4. Appointing or removing the CEO and other members of the Executive Board as well as the Head of Group Internal Audit. When discharging this duty the Board of Directors bases its decision on the recommendations of the Nomination and Compensation Committee;
5. Appointing or removing individuals entrusted with representing the holding company (and particularly its management) and determining their signatory powers. The principle of joint signatory powers (dual authorization) shall apply;
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 Annual General Meeting and implementing the motions approved by shareholders;
9. Defining the Group's risk policy and periodically analysing 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 (IB), 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 with the conclusion of the next Annual General Meeting if the position 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 falls within the remit of the Board of Directors of the holding company according to applicable 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 recognition 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 (concessionary 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 Vontobel Holding AG 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 involving 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 Vontobel Holding AG 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.

In particular, the Executive Board is responsible for the following duties:
a) Developing a Group-wide business strategy for presentation to the Board of Directors;
(b) Implementing decisions within the Group reached by the Board of Directors of the holding company;
(c) Monitoring the implementation 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 well as the multi-year income and capital expenditure planning for various scenarios within the operating environment and the risk policy, all of which 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 authority 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 Annual General Meeting 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 five 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 135 to 147). 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 Vontobel Holding AG 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 2017

NAME	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, page 49.

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 provisions set out in the applicable Organizational Regulations also apply.
(please refer to www.vontobel.com/agm).

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 (Controlling 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 Society of Financial Market Research, St. Gallen, Switzerland
- Member of the Advisory Board of the Society of Investment Professionals in Germany (DVFA), Frankfurt, Germany
- Member of the Board of the Association of Swiss Asset and Wealth Management Banks (VAV), Zurich, Switzerland

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 Lecturer in empirical economic research / 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

Georg Schubiger
Head of Wealth Management

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 Wealth Management 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 Management Committee

1996–2002 McKinsey & Company Zurich, Schweiz und Helsinki, Finnland
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 Deutsche Asset Management DeAM und Global Head of Relationship Management 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 institutional 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

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	
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	

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.

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 Annual General Meeting.

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.

In the year under review there were no exceptions granted according to the statutory quorums (please refer to next paragraph).

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 Annual General Meeting 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 Ge- neral Meeting of Shareholders.

Statutory quorums
To be valid, resolutions and elections by the Annual General Meeting require an absolute majority of the votes cast, excluding blank and invalid votes, unless bin- ding legal provisions stipulate otherwise. Resolutions by the Annual General Meeting 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 purpose 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 Annual General Meeting

Legal regulations apply to the convening of the Annual General Meeting.

Invitations to attend the Annual General Meeting 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. The Annual General Meeting 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 Annual General Meeting are sent until one day after the Annual General Meeting.

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. 125 of the Swiss Financial Market Infrastructure 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, 50.7% 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", page 35).
- 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", page 52).
- 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", page 52).

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 Annual General Meeting. 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.

Fees paid to the auditor

1,000 CHF	31.12.2017	31.12.2016
Auditing fees billed by Ernst & Young	3,072.8	2,790.5
Additional fees billed by Ernst & Young for audit-related services	565.2	475.9
of which tax advice	*522.9*	*410.6*
of which legal advice	*0.0*	*0.0*
of which advice on international accounting	*0.0*	*0.0*
of which other consulting services	*42.3*	*65.3*

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. Tax advice comprises services related to the tax returns of subsidiaries, work related to the confirmation of Qualified Intermediary status and clarifications related to transfer pricing in Asset Management. Other consulting services provided during the year under review consisted primarily of benchmarking services in Asset Management. 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 on 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 re-election of the audit company EY at the forthcoming Annual General Meeting. The main reasons for this decision are: On the one hand, EY fulfills the defined requirements and has now developed 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 Annual General Meeting. When important events occur, the above-mentioned stakeholders are informed simultaneously via press releases, distributed to newspapers of national and international importance (for example NZZ, Handelszeitung, Le Temps, Financial Times and FAZ) and to electronic information systems (e.g. Bloomberg, Reuters, AWP). To subscribe to our financial news and press releases including ad hoc releases, please refer to https://www.vontobel.com/en-ch/services/newsletter/ as well as https://www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-news/. Official notices relating to the Company shall be published in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) unless some other manner of publication is prescribed by law.

Details of the financial calendar and contact addresses are listed on page 227 of the Annual Report and on https://www.vontobel.com/de-ch/ueber-vontobel/investor-relations/finanzkalender/.

For our financial reporting please refer to https://www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-reporting/.

Compensation report

"Driven by the power of possibility. Delivering the edge"

Bruno Basler
Chairman of the Nomination and Compensation Committee

This newly defined corporate essence translates into the values "Ownership – Foresight – Tenacity". Since 2004, our compensation system has supported employees who take responsibility and display entrepreneurship and foresight while placing clients at the center of all that they do.

Shareholders' letter

Dear shareholders

At Vontobel, we actively shape the future. We create and pursue opportunities with determination. We master what we do – and we only do what we master. This is how we get our clients ahead.

As a globally operating financial expert with Swiss roots, we specialize in wealth management, active asset management and investment solutions. We empower our colleagues to take ownership of their work and bring opportunities to life. We do so based on our belief that successful investing starts with assuming personal responsibility. We relentlessly question the achieved, striving to exceed the goals and expectations of our clients.

Dialogue with our investors
We have always considered it important to engage in a regular dialogue with our investors. 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 2017, they held an average of 10.2 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 Vontobel's 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 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 2017. Group net profit totaled CHF 209.0 million. On an adjusted basis, i.e. excluding significant one-off impacts, the increase was 12%. Earnings per share reached CHF 3.65. This will allow Vontobel to propose an attractive dividend to shareholders. The ordinary dividend shall increase by CHF 0.20 to CHF 2.10. Our successful performance in the financial year 2017 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 5% compared to the previous year, reflecting the successful performance of the company. On an adjusted basis, this increase is 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 2.10 represents an increase of 10.5% in comparison to the previous year. 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 2015 to 2017. The average return on equity in these three years was 14.5%, significantly exceeding the target return of 12% and the equity capital costs of about 9%. The average BIS tier 1 capital ratio was a solid 18.6%. Consequently, the multiplier for performance shares from the 2014 bonus, which will vest in spring 2018, is 121%.

Say-on-pay
Our shareholders approved all of the compensation proposed at the General Meeting of Shareholders 2017. The fixed compensation of the Board of Directors was approved by 88% of shareholders. The proposed fixed compensation of the Executive Board was approved by 99% and the proposed bonus by 98% of shareholders. At the General Meeting of Shareholders 2018, 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 again be given a vote on an additional amount for the 2014 share participation plan because the increase in the value of the Vontobel share and profit significantly exceeded expectations at the time. Furthermore, we are, again planning to hold a consultative vote on the Compensation Report after doing so for the first time in 2017. 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 18 April 2018.

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 feedback, which are greatly valued.

Bruno Basler

Chairman of the Nomination
and Compensation Committee

Compensation philosophy & how it is linked to Vontobel's strategy

Introduction
Vontobel is a globally operating financial expert with Swiss roots. We have a long-term commitment to our employees and shareholders. Our philosophy is to promote a performance-oriented culture, to foster teamwork and to take a prudent approach to risk. We encourage entrepreneurial spirit and empower our people to take ownership of their work and bring opportunities to life. We want each individual to have the courage to express an independent perspective, even if that goes against the consensus view.

Purpose and scope
We truly believe that every individual is important to create the Vontobel experience. Consequently, this global compensation policy aims to give all Vontobel employees an understanding of our compensation principles, structures, and processes. The policy outlines the link between our compensation framework and our business strategy at a global level. An important part of our strategy is to compensate employees fairly and to be compliant with local regulatory requirements in the markets in which we operate. It is therefore possible that local practices may differ from this framework to ensure compliance and competitiveness at a local level.

How is the compensation system linked to Vontobel's corporate values?
Our purpose is to deliver the edge, driven by the power of possibility. We want to deliver the edge by taking ownership of each and every client experience.

Our core values guide us in our efforts to achieve this purpose and vision:

Ownership
Driven by an ownership mind-set, we stand for empowerment and personal responsibility.

Our compensation structures place a significant emphasis on ownership through performance assessment criteria that seek to reward behavior consistent with an ownership mindset. Share ownership is also a key element of our incentive structures.

Foresight
We embrace independent thinking to capitalize upon the future. To do so, we promote creativity to develop insights that translate into opportunities that make a difference.

We encourage our employees to consider the long-term impact of their decisions and the sustainability of the results generated. Variable awards are determined based on long-term metrics and the focus on share ownership helps to reinforce this view.

Tenacity
Determined to deliver, we stay on course in a changing world. We are determined to overcome hurdles in order to put our clients ahead. We go the extra mile. We constantly improve and learn to work ever smarter.

Non-financial performance assessment criteria encourage this mindset in our employees.

Is there a link between Vontobel's strategy and the compensation system?
As we believe that all Vontobel employees should be rewarded for their commitment and contribution, the compensation principles create a link between the broader Vontobel strategy and each individual's total compensation package:

Strategic priorities

1. Deliver the unique Vontobel experience
2. Empower people
3. Create brand excitement
4. Boost growth and market share
5. Drive efficiency

Compensation principles
- Pay for performance: A comprehensible overall compensation system that rewards contributions.
- Drive culture: Promote an ownership mind-set and courage. Foster performance- and team-oriented culture.
- Aligned and long-term oriented: Take account of the long-term interests of clients, employees, shareholders and the company.
- Competitive: Offer competitive compensation to attract and retain talent.
- Compliant: Commitment to comply with legal and regulatory requirements. Promote risk-consciousness and prevent conflict of interest.

What does the core principle "pay for performance" mean?
The principle of "pay for performance" lies at the heart of Vontobel's overall compensation system. This means that excellent employee performance and contributions to the long-term success of Vontobel are rewarded. The compensation system is designed to motivate employees at all levels of the company and is geared towards incentivizing future performance while not inducing excessive risk-taking.

Our guidelines are:
- There should always be a strong correlation between total compensation and the annual performance of the business and of the individual.
- Performance depends on various factors and is therefore variable. Consequently, we pay for performance through variable compensation elements.
- We incentivize the right behavior and reward employees who live the Vontobel experience.
- Strategic investments are important to ensure employee retention, meet business objectives or access new markets.
- In case of termination or misconduct no bonus is paid.

How does Vontobel foster individual development?
In addition to compensation and benefits, each individual is given opportunities to grow and develop. We want to foster a culture where opportunities form an integral part of our employee's total compensation package.

Managers have a key role to play in inspiring every employee to live the Vontobel experience and to progress in their career. They act as mentors and provide support and guidance. Likewise, each individual has an important part to play to make the Vontobel values come to life in the day-to-day business.

For each performance cycle, the individual defines goals,, that are aligned with the Vontobel experience. These goals define that person's contribution to the development of performance. They set out what each individual can contribute and how they can achieve progress. Additionally, an individual development can help to define development measures.

Ongoing reviews, for which regular feedback is crucial, are carried out to ensure constant performance development. The annual review summarizes the feedback from these ongoing reviews.

How is the compensation system governed?
Vontobel is committed to managing its business according to a responsible, values-based approach that includes appropriate controls. We consider good 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, stakeholders and employees.

The key elements of our compensation governance are:

Control through: Clearly defined roles and responsibilities
Policies, processes and plans are understandable, transparent and auditable
Control functions (e.g. Finance, Controlling, Risk, Audit, Human Resources) have strategic and tactical participation in the design of compensation plans
Executives have mandatory share holding requirements
Compensation plans and overall compensation expenses are approved by the Board of Directors (BoD)

Who is responsible for Vontobel's compensation system?
To follow these principles, governance roles and responsibilities are clearly defined and shared across the organization:
- **Shareholders:** The General Meeting votes on the total compensation awarded to the Board of Directors (BoD) and the Executive Board. The General Meeting also elects the members of the Nomination and Compensation Committee (NCC).
- **External auditors:** The external auditors review the financial statements, including compensation-related figures that are disclosed in the annual report.
- **Board of Directors:** The Board of Directors (BoD) delegates selected tasks to the Nomination and Compensation Committee (NCC), oversees all compensation related matters and has the final decision-making power. The Board of Directors is ultimately responsible for compensation policy and its implementation, with responsibilities being delegated to the Nomination and Compensation Committee.
- **Nomination and Compensation Committee:** The NCC oversees Vontobel's entire total compensation system. Each December, the Nomination and Compensation Committee proposes the annual bonus pool to the Board of Directors and maintains an ongoing dialogue about the total compensation offering with managers throughout the year.
- **Executive Board:** The CEO makes a proposal to the Nomination and Compensation Committee each year regarding the compensation of the Executive Board.
- **Control functions:** HR, Finance, the Risk and Audit Committee and other control functions are involved in the oversight, design and allocation of employee incentives.
- **Heads of divisions and business units:** The management of each division and business unit has a say in the total compensation package of the individual employees, including the allocation of variable compensation. Ongoing reviews and annual overall assessments are carried out.
- **Line managers:** They provide support and guidance and communicate decisions to employees. Managers with responsibility for compensation matters play an integral role in salary discussions and propose bonuses.
- **Individual employees:** Each employee is responsible together with his line manager for setting his own goals and aligning them with the Vontobel experience. The individual collects regular feedback and engages in an ongoing dialogue about individual development.

Which regulations must Vontobel comply with?
Regulatory compliance
We are committed to complying with regulatory requirements at all times and in all the regions where we do business. Due to the variety of countries in which Vontobel is represented, various regulatory frameworks governing compensation need to be taken into account. For example, Vontobel follows the AIFMD, UCITS, CRD IV and MiFID regulations in the EU and the Swiss Ordinance against Excessive Compensaiton in Listed Stock Corporations (VegüV). Additionaly, Vontobel has voluntarily chosen to adhere to the FINMA remuneration principles in accordance with best practice.

The Board of Directors is responsible for ensuring that Vontobel's principle to always complying with all applicable regulations and even exceeding the minimum requirements in key territories is observed. In addition, the Board of Directors is responsible for ensuring that the compensation policy and level of pay do not expose Vontobel to an unacceptable level of risk, including financial or reputational risks.

The individual nature of the regulations that apply to Vontobel entities means that local policies may apply within the scope of this global policy and that these local policies may need to be amended whenever the regulatory landscape changes.

Internal Audit

The role of Internal Audit is to contribute to the integrity of the entire process and to ensure it is comprehensive and adapted to the scale and complexity of the company. One of the goals of Internal Audit is to make sure that the compensation system does not define incentives that could lead to conflicts of interest. Internal Audit therefore acts completely independently and reports directly to the Board of Directors or its committees.

Equal pay opportunities

Vontobel does not tolerate any form of discrimination, in particular discrimination based on ethnicity, nationality, gender, sexual orientation, religion, age, marital or family status, disability – or any other status that is protected by local law. All employment-related decisions, including decisions about compensation, are based on an individual's qualifications, performance and behavior, or other legitimate business considerations (i.e. profitability of Vontobel, the division and department of the individual, as well as the strategic needs of Vontobel).

Which compensation components does the compensation system comprise?

We are committed to providing each employee with a total compensation package that is fair, competitive, future-oriented and tailored to the role of the individual. The overall level of pay is in line with market practices and is linked to Vontobel's operational profitability. While the exact structure depends on the employee's function and location, the total compensation package generally consists of fixed and variable components, as well as fringe benefits.

Base salary

The fixed base salary is the foundation of each individual's total compensation package. The goal of the base salary is to provide a solid fixed income that is in line with market rates for the respective function.

Variable compensation

While the base salary secures the employee's standard of living, variable compensation serves the purpose of motivating employees to strive for exceptional long-term performance. The variable component is split into bonus (cash or deferred) and long-term incentives. Variable pay is based on the performance at Group level down to the level of the division and entity as well as the indvidual's performance.

Variable compensation is influenced by various key objectives:

- Attract and retain highest-quality talent
- Promote Vontobel values
- Ensure compliance with external regulations
- Secure affordability and a flexible cost structure for company

We want to recognize employees who deliver outstanding results and contribute to the realization of business goals. The bonus is a short-term award that serves this purpose since it rewards employees for the contributions they made during the financial year. The bonus is generally paid out in the first quarter of the year, on a retrospective basis for the previous year.

For employees who participate in long-term incentive plans (LTIs), a portion of the bonus is deferred by investing a defined amount in Vontobel shares (i.e. bonus shares). Since participants become Vontobel shareholders, the deferred bonus is a crucial element of our ownership mind-set.

To avoid any real or perceived conflicts of interest, short term incentives for employees working in control functions are not calculated solely on the basis of financial metrics, instead they take account of the achievement of function-specific non-financial key performance indicators.

Long term incentives

Since each employee is important to Vontobel's overall success, we believe that each individual should participate in long-term value creation. In 2004, we therefore implemented an LTI that encourages ownership, foresight and tenacity and motivates each employee to deliver the edge.

The main components that form part of all Vontobel LTIs are Bonus Shares and Performance Shares:

- **Promote ownership through Bonus Shares:** Employees receive the deferred bonus in shares of Vontobel Holding AG at a discounted price of 80% of the relevant market price. The shares are immediately transferred into the ownership of the individual but the recipient is required to hold the shares for a period of three years. During this period, the individual is also entitled to receive dividend payments.
- **Incentivizing future performance through performance shares:** With the allocation of bonus shares, employees also receive a prospective entitlement to performance shares that they can exercise after a period of three years. The number of performance shares depends on the performance of Vontobel during three financial years. The performance shares are transferred free of charge and there are no sales restrictions.

Every LTI participant will thus benefit from the discounted price of the shares, the dividends on the bonus shares as well as from the additional performance shares that are offered free of charge. In addition to the global LTI, variations of this plan were introduced to meet regional regulatory requirements, e.g. the inclusion of fund investments in the plan.

How can participants generate value from the LTIs?
Employees who receive a cash bonus can choose if they want to invest 25% of their cash bonus in bonus shares. Participation is therefore voluntary except in the case of certain employees who are sbjet to a mandatory investment requirement (e.g. management, high-risk functions, cash bonus above threshold).

The amount of performance shares depends on Vontobel's average return on equity (ROE) and average risk profile (BIS Total Capital Ratio). The multiplier resulting from these two parameters is defined using the average over the relevant performance period of three years. 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.

There is no cap on performance shares since the system is balanced and compensation is therefore always consistent with performance.

How is the bonus determined?
Funding of annual bonus pool
Each individual's bonus depends on the size of the annual bonus pool, which is determined based on Vontobel's financial performance and other performance indicators.

The Nomination and Compensation Committee carries out a comprehensive review of the pool before submitting the relevant information to the Board of Directors for approval. After approval, the CEO divides the pool between the divisions and the heads of the respective areas then distribute the sub-pools.

How do the variable components link to the "pay for performance" principle?
Link between the bonus and pay for performance
The bonus system creates a high degree of transparency since all decisions are based on the performance of Vontobel, the divisions, the business units, and the individual. Consequently, the individual's cash bonus is entirely dependent on the performance achieved across these areas during the financial year.

Link between the share plans and pay for performance:
As a result of the investment of the bonus and the deferral of the award, the benefit is closely linked to both individual performance and the performance of Vontobel's business. Since employees are not allowed to sell their shares for three years (i.e. "blocked shares"), the actual benefit they realize depends on the development of the share price. In addition, the amount of additional performance shares varies in line with Vontobel's performance. In conclusion, each employee's benefit is dependent on the sustainable performance of the business at two levels.

		DISCRETIONARY INDIVIDUAL BONUS	BLOCKED BONUS SHARES	PERFORMANCE SHARES
Performance	Individual	✓	✓	✓
	Division, Entity, Business Unit	✓	✓	✓
Time Horizon	**Retrospective award** for performance delivered	✓	✓	
	Prospective Investment in future performance of the business		✓	✓

Governance

Say-on-pay motions proposed to the General Meeting of Shareholders 2018

Overview of responsibilities for compensation and decision-making processes

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.

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 the Executive Board	CEO	NCC	Shareholders
CEO	Chairman of Board of Directors	NCC	Shareholders

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 18 April 2018:

Voting on compensation

	2015	2016	2017	2018	2019	2020
Consultative vote on Compensation Report 2017			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 2014 (approved at the General Meeting of Shareholders 2015) and will vest in 2018.		Performance period				
Maximum aggregate fixed compensation of members of Executive Board for period from 1 July 2018 to 30 June 2019				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 2014 (approved at the General Meeting of Shareholders 2015) and will vest in 2018.		Performance period				
Maximum aggregate amount for performance shares 2018–2020 of Executive Board					Performance period	

= General Meeting

In the event of one or more motions being rejected at the General Meeting of Shareholders 2018, 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 2017, 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 four 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 necessary 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.

Allocation of bonus

Within the divisions and business units, the individual's discretionary variable bonus is defined based on quantitative and qualitative assessment criteria relevant for the individual's role. The quantitative components include Vontobel's current profitability, the profitability of the divisions and the desired growth of the divisions. In addition, the bonus amount depends to a significant extent on how the employee acted throughout the year, emphasizing the importance of responsible conduct. The cash bonus is reviewed annually and is generally paid out in the first quarter of each year. The cash bonus is determined annually by managers with responsibility for compensation matters and is subject to approval by the executive management.

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

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

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

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 payment 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, communication 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 center.

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 2017, compensation totalling CHF 4.2 million (previous year: CHF 4.1 million) was paid to the members of the Board of Directors. Of this sum, CHF 2.5 million was paid in cash and CHF 1.7 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	COMPENSATION PAID IN CASH CHF 1,000	COMPENSATION PAID IN SHARES[1] CHF 1,000	OTHER COMPENSATION CHF 1,000	31.12.2017 TOTAL FIXED COMPENSATION CHF 1,000	31.12.2016 TOTAL FIXED COMPENSATION CHF 1,000
Herbert J. Scheidt[2]	Chairman	1,250.0	1,250.0	115.0[3]	2,615.0	2,632.3
Dr Frank Schnewlin	Vice-Chairman	202.8	50.0	0.0	252.8	244.7
Bruno Basler	Member	151.4	50.0	0.0	201.4	198.6
Dr Maja Baumann	Member[4]	135.3	50.0	0.0	185.3	138.2
Dr Elisabeth Bourqui	Member	148.4	50.0	0.0	198.4	210.2
Dominic Brenninkmeyer	Member[5]	0.0	0.0	0.0	0.0	43.1
David Cole	Member[4]	123.5	50.0	0.0	173.5	132.1
Nicolas Oltramare	Member	145.8	50.0	0.0	195.8	184.7
Clara C. Streit	Member	124.3	50.0	0.0	174.3	175.6
Björn Wettergren	Member[4]	123.5	50.0	0.0	173.5	130.6
Total		**2,405.0**	**1,650.0**	**115.0**	**4,170.0**	**4,090.1**

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 160'000 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

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 2017 relate to bonus shares from 2013 and to the performance period from 2014 to 2016:

Allocation of shares from the long-term employee share-based benefit program

	31.12.2017 NUMBER	31.12.2016 NUMBER	CHANGE TO 31.12.2016 NUMBER	IN %
Number of performance shares allotted to Herbert J. Scheidt [1]	35,340	30,144	5,196	17

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 1.0 mn (previous year CHF 0.8 mn) and was included on a pro rata basis over the vesting period.

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)

		31.12.2017	OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		31.12.2016	OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE	
NAME	FUNCTION	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS
Herbert J. Scheidt	Chairman	363,148	0	0	476,403	0	0
Dr Frank Schnewlin	Vice-Chairman	8,875	0	0	7,696	0	0
Bruno Basler	Member	14,506	0	0	13,327	0	0
Dr Maja Baumann	Member	1'334 [1]	0	0	450 [1]	0	0
Dr Elisabeth Bourqui	Member	2,096	0	0	917	0	0
David Cole	Member	884	0	0	0	0	0
Nicolas Oltramare	Member	5,629	0	0	4,450	0	0
Clara C. Streit	Member	6,964	0	0	5,785	0	0
Björn Wettergren	Member	1'088 [1]	0	0	204 [1]	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 35ff.

Loans to governing bodies (audited information)

As of 31 December 2017, CHF 0.0 million of fully secured loans and credits to members of the Board of Directors or related parties were outstanding.

No loans to former members of the Executive Board 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:

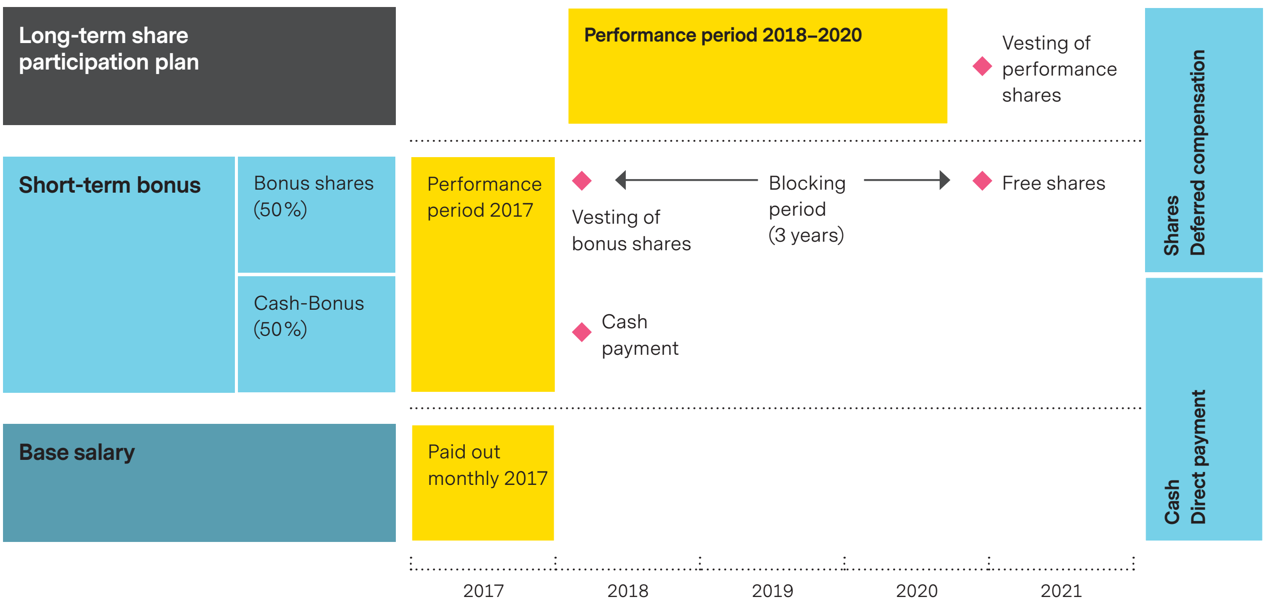
– Performance of each member of the Executive Board
– Financial performance of Vontobel and the relevant division
– Performance measured in relation to the finance industry peer group
– Current market rates of compensation and efforts to achieve a compensation policy with a long-term focus, and
– Balanced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



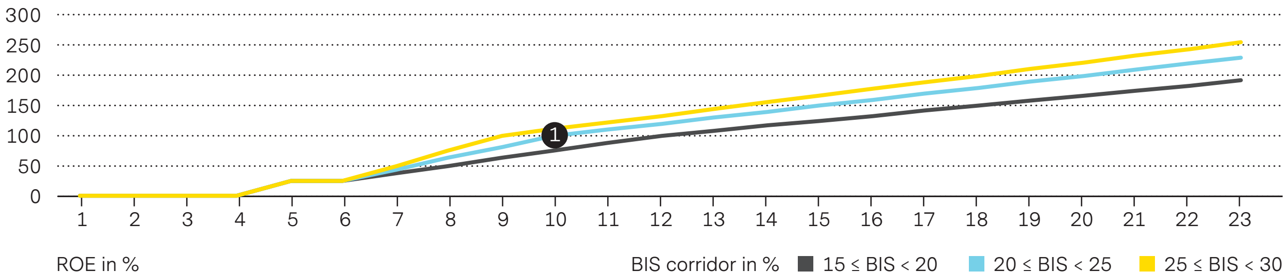
The compensation of the members of the Executive Board consists of the following components:

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 collective and 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 dual 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 requirements 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 member of the Executive Board 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 or she 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 2017 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	**Effective performance**
Strategy	– Further strengthen core competencies – Drive organic growth in target markets – Capture opportunitites created by technology – Supplement growth through M&A	**Outstanding performance contribution**

QUANTITATIVE 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	**Outstanding effective performance**

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

The Executive Board achieved the financial objectives defined for the financial year 2017. Since net profit was exceptionally high in the previous year due to the sale of the participation in Helvetia, we have excluded significant one-off impacts when comparing net profit for 2016 and 2017. On an adjusted basis, net profit increased from CHF 194.5 million in 2016 to CHF 217.9 million in the year under review, corresponding to growth of 12%. This increase in profit was achieved despite making targeted investments in new markets, talents, technology and our brand. In addition, Vontobel once again attracted significant net new money, totaling CHF 5.9 billion. This corresponds to growth of 4.3% and is therefore within our defined target range of 4–6%. In the second half of 2017, Vontobel achieved above-average growth and gained further market share across various businesses. At CHF 246.5 billion, client assets reached a new record level. Operating income totaled CHF 1,060.3 million. On an adjusted basis, operating income grew 9% compared to the previous year. The return on equity of 13.1% for 2017 exceeded our target return of 12% as well as our cost of capital, which is around 9%. Vontobel also continues to have a very comfortable capital position. The BIS tier 1 capital ratio, consisting exclusively of Common Equity Tier 1 capital, remained very solid at 18.4% at end-2017, significantly exceeding the regulatory minimum capital requirement of 12%.

The Executive Board far exceeded the strategic objectives defined for 2017. Considerable progress was made at a strategic level and substantial growth was achieved in all core activities. With our investment expertise, we once again created significant value for our private and institutional clients in the year under review.

For example, 94% of our discretionary mandates in Wealth Management were above benchmark (before fees). Combined Wealth Management, which encompasses Wealth Management and the External Asset Managers business, delivered a very pleasing performance and its gross margin remained almost unchanged. Together with the successful implementation of our growth strategy, this led to a significantly higher result, which increased by 34% compared to the previous year. In addition, an external study indicated that our Wealth Management division achieves a very high level of client satisfaction. At 41%, our "net promoter score" – which measures the proportion of clients who recommend our company to others – was excellent in comparison with our competitors. In December 2017, Vontobel acquired the Eastern European client portfolio of Notenstein La Roche with around CHF 2 billion of assets under management, thus gaining further growth momentum. In addition, as part of our strategy of focusing on Switzerland as a production center, we announced the sell of our Liechtenstein subsidiary to a renowned local private bank at the end of the year.

Asset Management made its debut in the US with its fixed income products and thus entered a very large market that offers significant growth potential. In addition, the Quantitative Investment boutique Vescore, whose integration was successfully completed in the year under review, already made a positive contribution to net new money and profits – earlier than planned. In the first half of 2017, Financial Products entered the market in France and the Netherlands. This was followed by its successful debut in Hong Kong – the world's largest market for leverage products – in the second half of the year. Only two months after entering this market, the business in Asia was already generating a positive profit contribution. In addition, new regulations such as MiFID II were promptly implemented in the year under review and we significantly expanded our digital offerings across various areas. In addition to the successful performance of the business in the year under review, Vontobel's long-term strategy was revised and presented to the public on the Investor Day on 31 August 2017. The strategy includes five strategic priorities and ambitious financial targets for the period to 2020.

The Executive Board exceeded its qualitative objectives. For example, it worked together with the Board of Directors to sharpen our company profile and further develop our values and core capabilities, and it introduced a new corporate design in September 2017 – thus strengthening Vontobel's positioning and inspiring greater confidence in our brand. After years of strong growth, the Executive Board ensured that our company's DNA is clearly visible once again and adapted it for the future. In essence, Vontobel is about taking ownership, acting with foresight to seize the opportunities available to us in the future, and thinking independently for the benefit of our clients. Our sharper identity sends out a clear signal and is an expression of what motivates us and how we create value for our clients. Furthermore, the Executive Board revised Vontobel's employer value proposition and aligned its leadership principles to the company's sharper positioning.

Actual compensation (audited information)

Compensation for the financial year

The aggregate compensation of the Executive Board increased by 5% 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, 3.08 times their base salary (previous year: 2.92).

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

	FIXED COMPENSATION			PERFORMANCE-RELATED COMPENSATION			
FINANCIAL YEAR	BASE SALARY CHF MN	PENSION CHF MN	OTHER COMPENSATION[1] CHF MN	BONUS PAID IN CASH CHF MN	BONUS PAID IN SHARES[3] CHF MN	TOTAL[4,5] CHF MN	NUMBER OF RECIPIENTS
31.12.2017	3.7	0.7	0.0	5.7[2]	5.7[2]	15.8	6
31.12.2016	3.7	0.6	0.0	5.4	5.4	15.1	6
Change vs 31.12.2016 in %	0	17	0	6	6	5	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 2018
3 A total of 118,902 (previous year 127,831) 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

	31.12.2017 CHF MN OR NUMBER	31.12.2016 CHF MN OR NUMBER	CHANGE TO 31.12.2016 CHF MN OR NUMBER	CHANGE TO 31.12.2016 IN %
Market value of performance shares at the date on which they were allotted in CHF mn[1]	10.5	6.1	4.4	72
Number of performance shares allotted	189,660	146,700	42,960	29
Number of persons receiving compensation	6	6	0	0

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 5.2 mn (previous year CHF 3.9 mn) and was included on a pro rata basis over the vesting period.

Highest total compensation for the financial year (audited information)

			FIXED COMPENSATION			PERFORMANCE RELEATED COMPENSATION		
FINANCIAL YEAR	NAME	FUNCTION	BASE SALARY CHF 1,000	PENSION PLAN CHF 1,000	OTHER COMPENSATION CHF 1,000	BONUS PAID IN CASH CHF 1,000	BONUS PAID IN SHARES[1] CHF 1,000	TOTAL CHF 1,000
2017	Dr Zeno Staub	CEO	700.0	118.9	3.0	1,375.0	1,375.0	3,571.9
2016	Dr Zeno Staub	CEO	700.0	110.6	3.8	1,350.0	1,350.0	3,514.4

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 28,557 shares (previous year 31,810) 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. Those values will be known in spring 2020 respectively 2021 (cf. previous section "compensation components").

Allocation of shares from the long-term employee share-based benefit program to the member with the highest total compensation

	31.12.2017	31.12.2016
Number of performance shares allotted	45,941	37,177

The number of performance shares allocated is calculated on the basis of the number of bonus shares received for the financial year 2013 (previous year 2012) as well as the performance of the business in the years 2014 to 2016 (2013 to 2015).

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 2015 to 2017. The average return on equity was 14.5%, thus significantly exceeding the target return of 12%. The average BIS Total Capital Ratio was a solid 18.6%. Consequently, the multiplier for performance shares from the 2014 bonus, which will vest in spring 2018, is 121%.

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%	55.60
2014	2015–2017	2018	14.5%	18.6%	121%	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)

		31.12.2017	OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		31.12.2016	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	163,059	0	0	153,008	0	0
Dr Martin Sieg Castagnola	CFO	76,471	0	0	60,623	0	0
Felix Lenhard	Member	71,260	0	0	72,213	0	0
Georg Schubiger	Member	62,165	0	0	83,186	0	0
Axel Schwarzer	Member	172,063	0	0	212,450	0	0
Roger Studer	Member	70,158	0	0	70,155	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 2017, fully secured loans and credits to and the promise of payment in favour of members of the Executive Board of CHF 2.5 million were outstanding (previous year CHF 1.9 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, a part of the bonus for the concerned employees is linked to the performance of funds and is 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, their part of the bonus that exceeds a specific threshold, is linked to the performance of funds and is 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 concrete 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 12%. 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 10.2 times its base salary at the end of 2017.

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 2014 were to be added to the compensation for 2017, 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, 6 February 2018

We have audited the remuneration report of Vontobel Holding AG for the year ended 31 December 2017. 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 83).

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 2017 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

Corporate responsibility and sustainability form part of Vontobel's strategic commitments
2017 was a pivotal year for Vontobel in the area of corporate responsibility and sustainability: We included the "Corporate Responsibility & Sustainability" objectives and KPIs that were defined by the Vontobel Sustainability Committee in our "Strategy 2020".

Reflecting this milestone, Vontobel also launched its new corporate film "Taking responsibility" in which employees – together with Maja Baumann, representing the Board of Directors and the Vontobel family – talk about what sustainability means to them and how they adopt a sustainable approach in their daily roles at Vontobel.

We have been committed to value-oriented and far-sighted investing for generations. As a pioneer in this field, Vontobel has been offering clients a wide range of sustainable investment solutions since the 1990s. At the end of 2017, we had a total of almost CHF 14 billion of sustainably invested assets under management and we have received various awards for our ESG investment solutions. Ten awards were won by funds in the mtx product family alone. Our Clean Technology fund was rated the leader in its category by Asia Asset Manager and Investment Week. Vontobel is also responsible for portfolio management for Raiffeisen Futura Swiss Stock, which has received the "Lipper Fund Award" for the best fund in the category "Swiss Equity" many times over the last decade.

In 2017, our company joined the global network of the "United Nations Global Compact" as well as the "Global Compact Network Switzerland". We have thus pledged to align our operations and strategies with ten universal principles in the areas of human rights, labor, environment and anti-corruption. Within our sphere of influence as a company, we thus help to promote key sustainability principles around the globe. Our first Communication on Progress (COP) report relating to the UN Global Compact can be found in the appendix to the Sustainability Report.

In addition, Vontobel hosted the Annual Meeting of the Corporate Support Group of the International Committee of the Red Cross (ICRC) in 2017. Vontobel is a member of the Support Group, which was founded by selected international companies in conjunction with the ICRC. In the context of this partnership, we carried out our company's third fundraising campaign in 2017. Together with the ICRC, we are thus supporting efforts to help children in Syria to attend school safely despite the country's military conflict.

Our wide-ranging commitments demonstrate that we are a global financial expert that offers sustainable investment solutions as a key part of our product range and that our approach to business is characterized by foresight and ownership.

Dr Zeno Staub, CEO Vontobel

SUSTAINALYTICS

rates Vontobel as an "Industry Leader"

MSCI

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:

- **Principles for Responsible Investment (PRI)**: unpri.org
- **UN Global Compact**: unglobalcompact.org
- **CDP** (formerly the Carbon Disclosure Project): cdp.net
- **Swiss Sustainable Finance (SSF)**: sustainablefinance.ch
- **Sustainable Finance Geneva**: sfgeneva.org
- **Forum per la Finanza Sostenibile**: finanzasostenibile.it
- **Spainsif – Foro de Inversión Sostenible de España**: spainsif.es
- **The Austrian Ecolabel**: umweltzeichen.at
- **Öbu** (the Swiss association for sustainable business): oebu.ch
- **Climate Foundation Switzerland**: klimastiftung.ch
- **Energy Agency for the Economy (EnAW)**: enaw.ch

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:

- **Asia Asset Manager:** Vontobel Fund – Clean Technology: "Best Asset Manager in the Global Infrastructure category"
- **Asset View Awards:** Vontobel Fund – mtx Sustainable Asian Leaders (ex-Japan): "Best fund in the category Asia ex-Japan"
- **Citywire Asia Awards:** Vontobel Fund – mtx China Leaders: "Best Group in the category China Equity"
- **Citywire Italy Awards:** Vontobel Fund – mtx Sustainable Emerging Markets Leaders: "Best manager in the category Emerging Markets Equity"
- **Gouden Stier Awards:** Vontobel Fund – mtx Sustainable Emerging Markets Leaders: "Best sustainable fund"
- **Il Sole 24Ore:** Vontobel Fund – mtx Sustainable Emerging Markets Leaders: "Best Fund in the Emerging Markets Equity category"
- **Investment Week, Sustainable Investment Awards:** Vontobel Fund – Clean Technology: "Best sustainable fund"
- **Lipper:** Five awards for the Vontobel Fund – mtx Sustainable Emerging Markets Leader

Our understanding of corporate responsibility and sustainability

We fulfill our corporate responsibility by considering the needs of our clients and pursuing 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 and taxpayer and also as an 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 through the efficient use of 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 permanently strive for sustainability, since it goes hand in hand with business success and stability. Sustainability and an effective business strategy are closely interconnected. For this reason, Vontobel is committed to the continuous optimization of sustainable business management in all our divisions in 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.

Vontobel has been committed to value-oriented and far-sighted investing for generations. As a pioneer in this field, we have been offering our clients a wide range of sustainable investment solutions since the 1990s. Our growth strategy is focused on our competencies and on our offering in the area of sustainable investing. 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 initiatives 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 is both an economic necessity and an ethical duty.

Two key documents form the basis of Vontobel's sustainability commitments:

- 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.

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. In the context of our "Strategy 2020", the Committee defined strategic objectives and KPIs for the area "Corporate Responsibility & Sustainability". 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-oriented financial 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 Wealth Management and Corporate Sustainability Management. The ESG Investment Committee reports to Vontobel's Executive Board.

Our sustainability commitments center on our main groups of stakeholders: clients, shareholders, employees, society and the environment (G4–24, G4–25). 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

Effective 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 continuous compliance with laws and regulatory requirements, and this is also essential in order to identify and prevent reputational risks. As part of our Group-wide risk analysis, teams of specialists continuously assess all our divisions using appropriate compliance processes to ensure they are legally compliant.

Our business philosophy centers on maintaining both the satisfaction and trust of our clients, as well as on protecting and building the wealth they have entrusted to us. These tasks have become increasingly complex as the financial sector is faced with growing requirements and stricter regulations. At the same time, clients have become more discerning, and the demand for individually tailored solutions has increased. Sustainability aspects have become more important in this context, including from an economic risk perspective.

Offering each of our clients the right solution or best possible service is the primary goal of our three divisions – Wealth Management, Asset Management and Investment Banking. Compliance with the product naming requirements defined by regulators is vital 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 continue developing our business, each of our three divisions – Wealth Management, Asset Management, Investment Banking – carries out product development, client communications and marketing activities. The Principles for Responsible Investment (PRI) guide us in this area and we also comply with the requirements set out in the European SRI Transparency Code.

One of the main areas of focus of our risk analysis is the identification of risks arising from money laundering (including the financing of terrorism). Our aim is to avoid business relationships that are used for money laundering or terrorist financing. In addition, we have a special process to monitor our relationships with politically exposed persons (PEPs).

Vontobel also assigns key importance to the protection of client data and to complying with all applicable legal requirements in this area. The cross-divisional Legal, Compliance & Tax department defines the parameters for compliance with these requirements and monitors them. There were no cases involving breaches of client privacy in 2017.

Training and raising awareness

All new employees have to attend an introductory compliance course, complete an e-learning basic module on compliance topics and pass an online test. 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 also address the handling of specific risks.

Other training courses were carried out on the subject of compliance issues in international markets. These measures prevent infringements of internal and external rules and regulations. New employees are also issued with the Employee Handbook, which 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. All employees can access current and comprehensive policies at any time.

In 2017, we updated various internal policies that raise employee awareness about money laundering and PEPs. 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 2017.

The Markets in Financial Instruments Directive (MiFID) is an EU directive designed to harmonize financial markets within the single European market. We have given our employees intensive training in connection with the forthcoming implementation of the MiFID II regulations to prepare them for the changes that will take effect from January 2018.

During the year under review, Wealth Management continued to conduct training courses for relationship managers, known as the “Vontobel Curriculum”. Compliance topics also feature prominently in this Curriculum. Further information can be found in the chapter “Sustainable Investing – Wealth Management”.

Sustainable Investing

Vontobel has been committed to value-oriented and far-sighted investing for generations. As a pioneer in this field, we have been offering our clients a wide range of sustainable investment solutions since the 1990s. For a wealth and asset manager, the consideration of environmental, social and governance (ESG) factors in the investment business is a key part of a comprehensive 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.

All three divisions (Wealth Management, Asset Management, Investment Banking) offer sustainable investment solutions and advice in one form or another and cooperate closely in this area. The aim is for clients to be able 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, Vontobel representatives gave presentations or took part in panel discussions at the following events in 2017: “Die Zukunft im Portfolio”, Swiss Sustainable Finance, Zürich; Impact Forum, Berlin; Deutscher Stiftungstag, Osnabrück; Seminar “The Evolving Landscape of ESG & Impact Investing”, Amsterdam; ESG & Pensions Forum, Asia Asset Management, Singapur.

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. 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 2011, 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 Wealth Management

At Vontobel Wealth Management, we strive to protect and build the assets entrusted to us by our clients. This promise is growing increasingly important in today’s more complex and uncertain world. We focus on the active and forward-looking management of our clients’ assets across generations based on a holistic approach. With our “Vontobel advisory philosophy”, we see ourselves as a personal advisor to our clients, partnering with them throughout their lives. We want to gain a precise understanding of our clients, their personal circumstances and their objectives so that we can draw on our expertise to meet their expectations. We do so based on a continuous and recurring dialogue, since client needs can change over time.

An in-depth knowledge of our clients – especially their understanding and experience of the financial markets and their related risk capacity and risk tolerance – are also important when offering comprehensive and future-oriented advice that is tailored to the client’s objectives. The suitability and appropriateness of investment services are important parameters for the provision of long-term, fair and transparent service to our clients, whether it takes the form of an investment or portfolio management mandate, a financing solution or an offering to safeguard their financial position in the future based on financial, succession, inheritance or retirement planning.

At Vontobel, we are committed to operating with foresight, prudence, personal responsibility and transparency in the areas of portfolio management and investment advisory. We also strive for continuity of client service. Our clients gauge our performance based on these values. The regular feedback from our clients, which is supplemented by the analysis of input from our client survey in January 2017, help us to continuously develop our offering for their benefit. In the survey, 90% of the respondents reported a high or very high level of client satisfaction and an above-average proportion said they would recommend Vontobel. For all components of client satisfaction, we achieved improvements compared to the last survey in 2013. Furthermore, our clients indicated that we had achieved a better positioning than our peers, resulting in continued increases in client loyalty.

Our last client survey also makes it clear that the topic of “sustainable investing” is becoming increasingly important among private clients. A total of 63% of our clients want sustainable investment opportunities – with almost 30%

indicating that for them, the topic is an absolute must. The consideration of personal values and the assumption of responsibility towards society and the environment play an important role in this context. As a result, new criteria for sustainable investing were defined in Wealth Management.

3.1 Investment solutions

In 2017, we adapted our entire investment offering across both portfolio management and investment advisory. Our new product range now also incorporates sustainable investment solutions aimed specifically at private clients. One example is the "Vontobel Conviction Sustainable" portfolio management mandate that invests according to sustainability criteria and is diversified across various asset classes. Sound, long-term strategic asset allocation serves as the robust basis for the mandates. We also cover "high conviction" themes (e.g. healthy living, clean tech, new power or microfinance). In the area of investment advisory, we now also offer clients the opportunity to invest on the basis of our sustainability universe. Since 2017, we have been working together with the renowned international sustainability rating agency Sustainalytics in this field. Based on its sustainability research, our relationship managers can filter the investment universe using a Web-based tool ("VT Invest") to identify sustainable stocks. This allows them to compile sustainable portfolios more efficiently and to provide our clients with appropriate advice about sustainable investments.

In cooperation with our partners, we continue to offer 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.

In spring 2017, we launched a structured product incorporating sustainability criteria – the Sustainable Global Food Basket. It enables private investors to participate in the development of solid and sustainable companies in the food sector. As a result of drivers such as population growth, the expanding middle class in developing countries or the trend towards healthy eating, the outlook for this sector remains positive. The basket focuses on small to mid-sized, undervalued quality companies. These firms meet Vontobel's sustainability criteria, which take account of economic, social and environmental criteria.

In addition, Vontobel has developed a concept for Impact Investing, which we define as an investment that is intended to resolve a specific problem or generate a concrete and measurable social or environmental impact, as well as a financial return. Our five-step investment process takes account of the individual sustainability wishes and goals of our clients when determining the composition of the portfolio.

3.2 Investment communications

In 2017, we once again used a variety of communication channels to keep our clients informed about the topic of sustainability. These included an introduction to the "climate change" megatrend in our monthly Investors' Outlook. In addition, we launched a number of sustainable investment initiatives, e.g. on the topics "Water" and "Electrification 2.0" for our clients.

Sustainability is positioned as a Group-level topic and we additionally addressed it in Wealth Management and specifically incorporated it into our offering for private clients. As part of these efforts, we established our "Expert Circle Sustainable Investing" in Wealth Management in the course of the year. The Expert Circle is designed to foster a regular dialogue about sustainability themes and to ensure the transfer of knowledge with a view to constantly promoting the topic of sustainability within the organization. At the same time, we want to ensure through the Expert Circle that the topic features prominently in our client communications.

Vontobel has been a partner of Sustainable Finance Geneva (SFG) since the start of 2017 in order to help promote a sustainable approach to business within the finance industry in French-speaking Swtizerland. In the context of this partnership, Vontobel provided financial support to the association for the publication of a book about sustainable financial innovation. The book features 60 innovations to resolve 10 global challenges and was launched in September 2017.

3.3 Transparency & Services

At Vontobel Wealth Management, enhanced transparency and improved protection in the area of investing are becoming increasingly important. We have therefore used the introduction of the new European Markets in Financial Instruments Directive (MiFID II) as an opportunity to realign our services and processes. These efforts focused on the provision of greater client benefits, the streamlining and more flexible use of the product range, and increased transparency – especially with regard to fees. When implementing these measures, we basically focused on the following aspects:

1. Gaining a comprehensive overview of the client's situation, including an in-depth analysis of his/her circumstances, the detailed profiling of the client and the determination of his/her risk capacity and risk tolerance.

2. Aligning all financial transactions with the individual client profile to ensure the targeted composition of the portfolio.

3. Detailed reports about transactions as well as periodic reporting.

4. General organizational aspects such as the prevention of conflicts of interests, best execution or access to discounted fund classes for both portfolio management and investment advisory clients.

3.4 Digitization
Digitization remains one of our focus themes in Wealth Management and we are investing in it selectively for the benefit of our clients. Digital development is mainly driven by our efforts to streamline and improve the quality of processes, to provide swifter access to key information, to offer new functionalities and, in particular, to make our offering more user-friendly for clients. Digitization also helps to reduce paper consumption.

Our digital solution “Vontobel Wealth” has been incorporated into our new offering and its design has been aligned to Vontobel’s new brand presence. At the same time, we have made it even more user-friendly: The functions are shown more clearly and key information can be found more rapidly. This digital round-the-clock access to Vontobel ideally complements the physical presence of our relationship managers. MyPrivateBanking ranked “Vontobel Wealth” among the top-three online wealth management solutions globally in its study “Behind the Log-in 2017”.

In addition, we launched a client app that serves as a digital mailbox. Here, clients can find information including updates from Vontobel investment specialists and can access the latest publications as well as market data. With the digital mailbox, we ensure that our clients promptly receive information about the purchase of financial instruments (transaction fees, as well as product information where applicable) for stock market transactions in accordance with the regulatory requirements. They can also manage a wide range of digital documents, including their statement of assets, via the app – thus helping to reduce paper consumption. Our goal is to connect our various digital points of contact with clients in order to provide them with the smoothest and most integrated access to Vontobel possible.

3.5 Training
The knowledge of our employees is the most important factor determining Vontobel’s success, stability and our ability to operate effectively in the future. Against this backdrop, we once again invested intensively in the training and development of our relationship managers in 2017. In addition to regular training courses about specialist themes and regulatory aspects, Vontobel’s new advisory philosophy was a prominent topic in the training we provided during the year.

In 2017, around 150 people completed the Vontobel Curriculum for Relationship Managers. This training course, which was developed specifically for Vontobel Wealth Management, consists of four days of classroom learning as well as around 25 hours of online training about topics such as finance, regulation and advisory capabilities. The structured program is based on the certification efforts (ISO 17024) of other banks but exceeds minimum requirements in terms of its scope and content. A key component of the curriculum is the transfer of knowledge about sustainable investing and the expansion of expertise in this field across the whole of Wealth Management. Relationship managers complete a certification test at the end of the program. In line with our new advisory philosophy, our employees also receive training about client communications. In view of the complex needs of our clients, it is essential that we take account of their overall circumstances when offering service and advice. We can ensure a comprehensive multi-solution approach that incorporates the client’s various objectives.

In addition to our usual compliance training, we responded to the introduction of MiFID II and the Swiss Federal Financial Services Act (FIDLEG) by placing a focus on these new regulations and their impacts on systems and processes at Vontobel in our training program. It encompassed both introductory and in-depth modules as well as supplementary online training.

We continued our “Entry Training First Week” in 2017. This induction program, which lasts several days, allows new employees in Vontobel Wealth Management to get to know the company and ensures they are ideally prepared for their challenging new role.

3.6 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 2017, the Charitable Foundation contributed almost CHF 580,000 of donations and sponsorship funding (2016: CHF 660,000). During the year under review, it supported projects including “Coaching Transfair Zurich” in view of the growing need for coaching projects to benefit school leavers and young adults. This offering is intended as an individual measure to combat youth unemployment and is targeted at young adults looking for support in order to embark on a career or begin the work process.

Vontobel also supports the foundation TRIGON, a soil fertility fund. The intensive use of agricultural land is leading to a general decline in soil fertility, including in the area of organic farming. This is reflected by the degradation within a few decades of the humus layer of soil that is formed over long periods of time. The soil fertility fund is committed to ensuring that as much fertile soil as possible can be handed on to future generations by providing financial support and advice on the implementation of sustainable cultivation methods to farmers both on the ground and at training events. The fund carries out active public relations work on this subject – partly also with the aim of ensuring long-term funding opportunities to maintain and increase soil fertility. TRIGON has therefore launched a three-year pilot project involving more than 30 partner organizations and covering 1,000 hectares of land in Switzerland, Germany, Austria and Liechtenstein.

4 Asset Management

Vontobel Asset Management focuses on active asset management and has a multi-boutique model with independent centers 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 invest according to their moral and ethical values. 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 therefore offers various sustainable portfolios with different investment approaches and processes.

Vontobel's sustainability-oriented funds incorporate aspects of global change and sustainable business practices. In addition, Vontobel manages numerous individual sustainable mandates. The ESG Investment Committee oversees the architecture of all ESG investment products (e.g. investment approach and processes), as well as the applicable investment thresholds and exclusion criteria, and it is responsible for the Vontobel Sustainable Universe. The Committee consists of portfolio managers and portfolio advisors from the various sustainable strategies, as well as representatives of Wealth Management and Corporate Sustainability Management.

Vontobel is a signatory to the European SRI Transparency Code. Various Vontobel funds where sustainability aspects are incorporated in the investment process bear the Eurosif transparency logo. This guarantees that comprehensive information is provided to investors about the funds' investment processes and selection criteria.

4.1 Sustainable & Thematic Boutique

In this boutique, Vontobel manages various sustainable investment strategies for clients who want ESG criteria to be incorporated into the investment process.

4.1.1 mtx Strategies

In the case of our investment funds in the "mtx" strategy group, "mtx" 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 that apply 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 the sustainability performance of individual companies using MSFs is conducted in house by specialist 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.

In 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 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 thus 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 Global Trend Strategies

Here, our clients can select funds that focus on the trends New Power, Clean Technologies, Future Resources and Sustainable Water. These funds address long-term 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 less negative 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.

A 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, a 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 Global Trend Strategy "Clean Technology"

Here, we focus on the following investment areas: Resource-efficient industry; building technology; clean energy infrastructure; low-emission transportation; life-cycle management; clean water.

— 4.1.2.2 Global Trend Strategy "New Power"

Here, we focus 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 Global Trend Strategy "Future Resources"

Here, we focus on the following investment areas: Advanced materials technology; agriculture and water technology; unconventional energies.

— 4.1.2.4 Global Trend Strategy "Sustainable Water"

Here, we focus on the following investment areas: Water infrastructure; water technology; water quality; water efficiency; water supply.

— 4.1.2.5 Climate Change: Presentation of 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 ISS Ethix Climate Solutions (formerly South Pole Group), a specialist in the measurement of CO_2 and 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 presentation of potential avoided emissions (PAE), we are pursuing a solution-oriented approach: We record the contribution that energy-efficient, climate-friendly products and services are expected to make to the reduction of CO_2 emissions in the portfolio. After all, the emissions generated during the phase when a product is in use are often significantly higher than the emissions generated during the production phase. For example, a refrigerator generates substantially more emissions while in use than during production. The energy efficiency of appliances such as these is therefore the decisive factor when determining the amount of avoided CO_2 emissions.

This approach is especially pronounced in the Clean Technologies and New Power themes. The funds focus on companies that have a positive effect on the environment with an emphasis on positive climate impacts, which we quantify in collaboration with ISS Ethix Climate Solutions 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. Analysts record MSFs for all of the investee companies – similar to the mtx approach – with ESG criteria being assigned different weightings depending on the sector.

The three sustainability funds managed by the Swiss Equities team have achieved an extremely successful performance. They all outperformed their benchmark over the last three and five years. With an investment volume exceeding CHF 1.6 billion, we also have one of the largest volumes of actively managed Swiss equities in the sustainable investing space and we once again outperformed the Swiss Performance Index by more than one percent in 2017. Since 2006, Vontobel has received a number of awards from Lipper in recognition of this performance, including being named the best fund in the category "Equity Switzerland" five times in succession over a period of 10 years.

Legal information: Past performance is not a reliable indicator of current or future performance. Performance data does not take into account any commissions and costs charged when shares of the fund are issued and redeemed, if applicable. The return of the fund may go down as well as up due to changes in rates of exchange between currencies.

4.1.4 Sustainable Balanced / Sustainable Bonds

Our investment philosophy is based on the belief that we can create value for our clients through a sustainable investment style on the one hand, and through active management in the form of tactical asset allocation and stock selection on the other. In this context, we carry out quantitative and qualitative analyses at different levels of the investment process. Portfolio managers can exercise a high level of discretion when making investment decisions and pursue what they believe to be the best approach in a challenging market environment.

Our client service offering provides access to flexible and client-specific investment universes and includes reports about the impacts of portfolios on sustainable development in general as well as on specific parameters. For example, we have developed a proprietary methodology for the disclosure of CO_2 risks that both quantifies CO_2 emissions from companies and assesses business risks related to the ongoing energy transition process.

The sustainability analysis forms the starting point for our investment process. The first stage of the process involves the exclusion of issuers whose activities are highly controversial and therefore present an unacceptable level of risk. Investee companies should not generate more than 5% of their turnover from controversial activities such as nuclear energy, gene technology or arms. Countries are subject to exclusion criteria such as human rights violations (according to Freedom House) or threats to freedom and security (according to the Global Peace Index). We can apply further exclusion criteria to direct investment mandates at the request of clients.

In the second stage of the process, we evaluate the remaining issuers. This analysis is performed using external raw data from recognized data suppliers, which we review and assess using our own in-house methods. The analysis results in a sustainability rating that consist of two different dimensions: The sustainability performance of an issuer (e.g. a company) and its environment (e.g. the industry in which it operates). The principle that applies here is: The higher the level of risk associated with the issuer's environment from a sustainability perspective, the stricter are the requirements that the individual stocks must meet in order to be included in our sustainability universe.

4.1.5 Sustainable Real Estate

Our real estate experts manage a Swiss and a European real estate fund in conjunction with external partners. They measure the success of the investments using economic categories such as rental income or changes in market value. These categories, which our experts assess using a two-stage process, are in turn affected by a number of economic and socio-demographic factors.

The first part of the analysis involves the Vontobel location rating, which assesses 450 conurbations with a total of 500 cities across 30 European countries. The aim is to identify prosperous, high-potential areas that qualify as sustainable locations. In this context, we also analyze the political, legal and general economic conditions at country level. The other factors we evaluate are the population and economic structure, quality of life and the infrastructure at conurbation level. Based on this, we produce a differentiated location quality ranking for European cities.

The careful real estate sector analysis of the respective conurbation, together with the detailed assessment of micro-locations and buildings, is carried out in a second stage. The aim is to invest in sustainable mid-sized buildings with the most diverse tenant structure possible. The evaluation of specific properties is carried out according to clearly defined criteria: Here, we take account of both energy and environmental factors, as well as other key aspects that could have a significant negative impact on the rental capacity of the property (and consequently on risk and return). These factors include mobility and the surrounding area, comfort and wellbeing, as well as quality of use and flexibility. We also take account of reputational risks – particularly with regard to tenants.

4.1.6 Vontobel Sustainable Universe

In addition to the above-mentioned sustainable investment solutions and its expertise in respect of individual mandates, Asset Management offers a 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 company'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 a lower 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, as well as the inclusion of social criteria into strategic and management processes. In addition to the division of powers and the enhancement of transparency, governance themes include progressive risk and information management systems, the functional independence of the supervisory board and advisory staff, or measures to combat corruption. The exclusion criteria include nuclear arms, gene technology, tobacco, coal and serious infringements of human rights or the UN Global Compact.

5 Investment Banking

Vontobel Investment Banking is one of the leading issuers of structured products in Switzerland and the rest of Europe. We rank second in Switzerland, while in Germany, our market share has risen to 10% over the last seven years. In the Northern European markets of Sweden and Finland, we have a market share of around 9% and 20%, respectively. In Italy, we had a market share of around 5% at the end of 2017. We continued our expansion within Europe during the year under review with our successful market debut in France and the Netherlands. In addition, Vontobel launched its first structured products in Hong Kong – the world's largest market for leverage products – in 2017. We also made further investments in technology and new platforms: With the launch of the Investment Scout app, we built a direct distribution channel to our end-clients. The app enables clients to make targeted use of market opportunities by issuing their own individual investment certificates rapidly and easily. Based on deritrade® technology, we also further developed our new issuing platform mein-zertifikat.de 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 our divisions. Vontobel also offers various sustainability-themed structured products, including the "Solactive Global Sustainability Leaders Performance Index" launched in 2017. In addition to traditional investment criteria such as liquidity, this index incorporates environmental, social and governance aspects in its analysis. The index includes companies that rank as best-in-class in their industry and excludes firms that engage in controversial business practices. Further structured products address sustainable themes in a broader sense or are dedicated to megatrends. One example is the "Solactive Demographic Opportunity Performance Index". The elderly are increasingly becoming a key factor for the economy and represent their own long-term demographic trend, benefiting various areas of business as well as investors.

The "Solactive Smart Grid Performance Index" also focuses on a sustainable mega trend. 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 "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 independent sustainability rating agency Inrate is responsible for the composition of the "Vontobel Climate Protection Index". 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.

The Markets in Financial Instruments Directive (MiFID) is leading to fundamental changes 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 as well as our access to different markets to ensure best execution for our clients – meaning we place their orders in accordance with their interests. It also allows us to protect them against adverse influences by means of client order protection (COP). In this context, our transaction cost analysis (TCA) 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. Clients who conduct their securities transactions via Vontobel can count on our professional, fair and transparent services.

In January 2018, many Swiss financial institutions will implement extensive regulations in connection with MiFID II. Investment Banking played an important role in this transition process by actively preparing its clients for this step – including holding detailed workshops with clients aimed at building and transferring knowledge about this complex topic. Through these efforts, we help to ensure that our clients are sustainably positioned in terms of regulatory compliance.

6 Volume of sustainable investments

In total, Vontobel manages CHF 13,962 million of sustainable investments, with mtx Strategies funds reporting a total fund volume of CHF 2,346 million at the end of 2017. The various theme funds had a fund volume of CHF 830 million at the end of 2017.

Vontobel Asset Management also manages sustainability and theme funds and mandates with a volume of CHF 5,655 million for its 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	2017	2016
Volume of sustainable funds	9,157	6,380
Volume of theme funds	830	647

Sustainable investments

	2017	2016
Volume of sustainable investments (CHF mn)[1]	13,962	10,704
Proportion of sustainable investments (in % of AuM)[2]	8.4	7.7

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

The volume of sustainable investments managed by Vontobel rose by almost 30% in 2017 compared to the previous year. Measured as a proportion of total assets under management, sustainable investments increased from 7.7% to 8.4%.

7 Voting and engagement

Material ESG issues can impact the success of a company and consequently its capacity for future investments and growth. At Vontobel, we believe that voting and engagement can have a positive influence on a company's values and behavior and strengthen its longer-term contribution towards building more sustainable economies and societies and protecting the environment.

7.1 Voting
Vontobel exercises its voting rights for all investments in the mtx and Global Trends strategies. We have been working with Hermes Equity Ownership Services (Hermes EOS) in this context since 2011. All other funds come under our internal "Management Company Voting Policy", which is in line with the corporate governance recommendations of the European Fund and Asset Management Association.

The guidelines followed by Hermes EOS have been reviewed and approved by Vontobel. Hermes EOS uses the research of its proxy voting provider and adds its own research in order to issue recommendations to its clients on how they should exercise their voting rights. Our portfolio managers and analysts receive alerts of forthcoming shareholder meetings together with voting recommendations that are based on standardized Hermes policies and approved by Vontobel. Portfolio managers and analysts review the voting recommendations and if they agree with them, Vontobel will vote accordingly. If they disagree, which may occasionally happen if the standard recommendation does not match our in-depth knowledge of the company in question and its management, the analyst or portfolio manager can change the vote directly via the online proxy voting platform. This process ensures that we execute all of our voting obligations and that our analyst and portfolio managers retain the authority to personally make decisions in the interests of our investors.

Each year, Vontobel publishes a Voting and Engagement Report (www.vontobel.com/voting). The report for 2017 will be published in mid-2018. In 2016, we voted on a total of 5,325 resolutions at 455 general meetings worldwide for the above-mentioned strategies. At 52% of the meetings, we voted with the management. At 46% of the meetings, we voted against the management (or voted against it and abstained) on at least one agenda item. At 2% of the meetings, we abstained or voted with the management by exception.

7.2 Engagement
We consider active ownership to be a key part of sustainable investing. At Vontobel, we have both indirect engagements, based on our partnership with Hermes EOS, as well as direct engagements, which are undertaken by our analysts and portfolio managers. The Hermes EOS, service covers funds that take account of sustainability criteria (mtx strategy), as well as our global trends funds. Our cooperation with Hermes EOS strengthens our position by enabling us to join forces with other investors. This allows us to exercise greater influence than the size of our holdings would otherwise permit.

In 2016, Hermes EOS, engaged in a critical dialogue with 60 companies on a total of 171 issues on our behalf, of which 15% related to environmental, 29% to social and 17% to strategy and risk matters. Corporate governance was once again the main topic discussed in 2016, accounting for 39% of all issues.

In addition to the formal engagement process through Hermes EOS, our analysts and portfolio managers engage with the management of companies informally on relevant topics as part of their fundamental research activities. Frequently, ESG topics are not covered in company reports or by our research providers. We therefore carry out informal fact-finding engagements to better understand a company's performance and standards (e.g. its governance policies or environmental performance). This includes assessing the impact of its products and services on the environment – looking in particular at whether they can help to reduce or eliminate carbon emissions.

Through these consultations, we encourage companies to improve their risk management practices and ESG disclosures in general and to also report on the impacts of their products over their entire life cycle. For example, we have contacted all holding companies included in our Clean Technologies and New Power strategies to assess and measure potential avoided emissions. We asked these companies to report on their products and services and how they can improve energy efficiency and reduce emissions over their entire life cycle.

The engagement activities of our mtx team, for example, included the dialogue with a Russian consumer staples company over the past two years. When the company was first considered for investment, it did not fulfil our minimum ESG standards. While gathering information about the company, our analysts were able to make specific suggestions for improvement, including improved transparency regarding ESG issues. We were pleased to see that the company has since improved its ESG disclosures in its annual report.

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 proportion of our refunded CO_2 levy to the Foundation, which then uses these funds to support projects to improve the energy efficiency of SMEs. The projects supported by the Climate Foundation in 2017 included various heating innovations.

Digitization is, in particular, creating new opportunities in the area of wood-fueled heating, where a wide range of materials are used. To ensure that the maximum benefits are achieved when burning these different types of wood, the Thurgau-based company Schmid Energy is developing a technology that analyzes the raw material used for larger wood-fueled heating systems in order to optimize combustion.

The company Dolder Electronic also focuses on increasing efficiency. Waste heat from refrigerated shelves in shopping centers or from computers or machines needs to be used more efficiently, e.g. to produce hot water or for heating. Dolder Electronic aims to improve the heat cycles in shopping centers and in industrial sectors and to ensure that energy cycles are linked. In this way, companies can avoid having to use a lot of energy for the cooling of equipment on the one hand and having to use oil for heating on the other.

“Battere” is a project involving solar-charged reusable batteries. Companies in Zurich as well as private individuals can now use this service for solar-charged batteries. As soon as their batteries are flat, Battere sends out a bike courier to replace them with newly recharged batteries. Over a period of five years, a rechargeable battery can replace up to 100 disposable batteries.

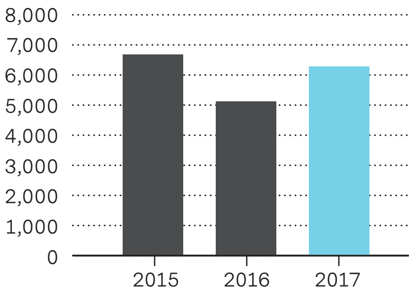
Finally, the project “FluidSolids” involves the production of plastics from natural fibers. A Zurich-based SME has developed an alternative to conventional plastics, where it produces “FluidSolids” primarily from agricultural waste and natural binding agents. The end-product is odorless and stable. To date, it has been used to manufacture chairs and coat hangers.

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.

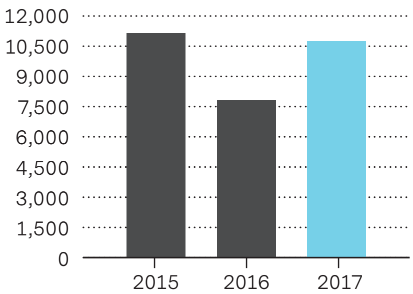
2 Environmental protection

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 also results in less waste that requires special disposal. During the year under review, Vontobel switched the lighting systems in another large area of office space on the Zurich Campus to LED. The remaining areas will be equipped with LED lighting in the coming years.

2.2 Disposal of waste
When disposing of waste at Vontobel, all paper products are sent for recycling. PET bottles, aluminum and special waste such as fluorescent light tubes are also collected separately. The recycling rate is 35%. Employees are required to separate waste into PET bottles, aluminum, paper and other waste in all the buildings on the Zurich Campus. This waste disposal concept will be implemented in all new and renovated offices in future.

Electronic appliances that are used within the business must comply with the highest standards and requirements. Many electrical devices disposed of by Vontobel still work, meaning they can be put to reliable use in a non-profit environment. In 2017, Vontobel therefore donated a variety of electronic equipment to “AfB social & green IT”. This foundation provides IT services while generating social and environmental value. It does so by reconditioning and remarketing used equipment from companies and public institutions. AfB partners with the Swiss foundation GEWA, which employs people with mental illnesses to help them reintegrate into the world of work after a period of crisis.

The reconditioning and remarketing of the equipment conserves scarce resources and prevents electronic waste. This reduces the need to produce new equipment and leads to improvements in terms of the carbon footprint. In addition to taking account of social aspects, AfB’s concept thus makes an effective contribution to the protection of the environment, resources and the climate.

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 from external providers, including facility management services, IT infrastructure, and the design and production of printed materials, as well as catering and cleaning services. Wherever possible, we work with local suppliers and we are committed to building fair, long-term partnerships with them. We purchase fruit for our employees from a Swiss family-owned company, for example, and all of our print orders in Switzerland are awarded to Swiss printing companies. A major proportion of the advertising and Christmas gifts used throughout the company are also purchased from Swiss providers.

Vontobel strives to conduct its own operations according to high environmental and social standards and we also expect our 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 Vontobel’s “Guidelines for sustainable procurement”. They address matters such as employment conditions, child labor and forced labor, environmental protection and the prevention of corruption. These guidelines are available at www.vontobel.com/sustainability and form part of Vontobel’s general purchasing guidelines.

2.5 Mobility
Vontobel continued its commitment to sustainable mobility in 2017. Our participation in the “bike to work” initiative proved successful, with 64 employees in 16 teams cycling to work. They covered a total of 27,500 kilometers by bike. Based on the principle that each kilometer 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 4.4 tons. 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 kilometers, corresponding to around 2.2 tons of CO_2 savings.

2.6 Catering

In 2017, we continued with the “One Two We” program introduced in our employee restaurant in 2013 and the related “One Climate Menu” launched in connection with the program. “One Two We” is a sustainability program 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.

Since the program began, the Uto employee restaurant has saved almost 250 tons of CO_2 as a result of the measures taken, corresponding to a reduction of over 15%. On average, our partner SV Group served 840 meals to employees and guests each day. 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.

2.7 Electricity

Vontobel has been purchasing electricity from renewable sources for all 21 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 contains environmental key figures on an absolute basis, while the second table shows the figures per full-time equivalent (FTE). Total energy consumption was higher in 2017 than in the previous year. This was partly due to low temperatures in January 2017, which increased heating requirements, and partly to a further rise in electricity usage during the year under review.

The growing number of employees are working with two or more computer screens and the opening of a second restaurant during the year under review are factors that contributed to this development. As part of the acquisition of Vescore, additional locations were temporarily taken over, with a corresponding effect on the energy balance.

Paper consumption per employee rose slightly, reflecting the initial impacts of our rebranding, which resulted in the printing of new materials as well as the disposal of old documents and brochures. However, the paper recycling rate increased significantly to more than half during the year under review. The consumption of foodstuffs, which was assessed for the first time in the previous year, declined slightly.

There was a significant increase in business travel, with a clear rise in the number of business flights in particular. This is attributable to Vontobel’s international expansion, which has resulted in higher levels of activity outside Switzerland and therefore in more air travel. Flights are the main driver of higher CO_2 emissions, which also grew due to an increase in commuter travel as well as the previously mentioned rise in heating requirements.

Environmental key figures, absolute

	2017[1,5]	2016[1]	2015[1]
Total energy consumption (MWh)	**10,487**	**9,403**	**9,447**
Electricity consumption (MWh)	*7,009*	*6,578*	*6,362*
Heat consumption (MWh)	*3,478*	*2,494*	*2,709*
District heating/cooling usage (MWh)	*0*	*331*	*376*
Business travel (1,000 km)	**17,952**	**14,346**	**15,773**
of which business flights (1,000 km)	*17,227*	*13,192*	*13,017*
Commuting (1,000 km)	**17,458**	**16,545**	
Paper consumption (t)	**101**	**88**	**155**
Proportion of recycled paper used (%)	*58*	*42*	*29*
Water consumption (drinking water, m³)	**22,902**	**18,807**	**18,217**
Volume of waste (t)	**155**	**151**	**218**
Recycling ratio (%)	*35*	*51*	*49*
Food (t)	**91**	**103**	
Total greenhouse gas emissions (CO_2 equivalents in t)[2]	**7,720**	**6,316**	**3,513**
Greenhouse gas emissions: scope 1 and 2 (CO_2 equivalents in t)[2,3]	*857*	*912*	*1,174*
Greenhouse gas emissions: scope 3 (CO_2 equivalents in t)[2,4]	*6,863*	*5,405*	*2,339*

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 21 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 5,840 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])

	2017[1,4]	2016[1]	2015[1]
Total energy consumption (kWh/FTE)	**6,279**	**5,125**	**6,677**
Electricity consumption (kWh/FTE)	*4,197*	*3,585*	*4,497*
Heat consumption (kWh/FTE)	*2,082*	*1,359*	*1,915*
District heating/cooling usage (kWh/FTE)	*0*	*180*	*265*
Business travel (km/FTE)	**10,750**	**7,818**	**11,149**
of which business flights (km/FTE)	*10,316*	*7,189*	*9,201*
Commuting (km/FTE)	**10,454**	**9,017**	
Paper consumption (kg/FTE)	**61**	**48**	**110**
Water consumption (drinking water, l/FTE)	**13,714**	**10,249**	**12,876**
Volume of waste (kg/FTE)	**93**	**82**	**154**
Food (kg/FTE)	**55**	**56**	
Total greenhouse gas emissions (CO_2 equivalents in kg/FTE)[3]	**4,623**	**3,442**	**2,483**
Greenhouse gas emissions: scope 1 and 2 (CO_2 equivalents in kg/FTE)[3]	*513*	*497*	*830*
Greenhouse gas emissions: scope 3 (CO_2 equivalents in kg/FTE)[3]	*4,110*	*2,945*	*1,653*

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 an internationally active Swiss wealth and asset manager and product specialist , we have 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 prevent discrimination in the workplace, the principle of non-discrimination is enshrined in our Employee Handbook. Both the Employee Handbook and the Vontobel Code of Conduct form an integral part of the employment contract. No cases of discrimination were reported in 2017.

The Employee Handbook also sets out our Human Resources Principles, which define the objectives of our human resources and leadership processes and the measures taken to achieve them. In addition, the 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. Up-to-date information is always available to employees on the Intranet.

1.1 Number of employees

As of 31 December 2017, a total of 1,767 employees held full-time positions at Vontobel and were based in 21 locations – 6 in Switzerland and 15 abroad. In addition to employees with permanent contracts, a total of 104 temporary employees worked for Vontobel at the end of 2017. These individuals either have fixed-term contracts or are available on an "on call" basis to assist the company when needed. Headcount remained largely stable compared to 2016. 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 2017, the employee turnover rate decreased from 13.7% to 10.7%. A total of 77 female employees and 112 male employees left the bank during the year. Meanwhile, a total of 239 new employees were hired during the year under review (77 women and 162 men).

Employee turnover and training

	2017	2016
Turnover rate (in %)	10.7	13.7
Training costs (1,000 CHF)	1,464	1,532
Training costs (CHF / FTE)	867	915
Number of apprenticeships (incl. trainees)	28	28

Employee departures by age category: up to 20: 1; 21–30: 25; 31–40: 68; 41–50: 54; 51–60: 27; 61–64: 13; from 65: 1
Hires by age category: 21–30: 17; 31–40: 87; 41–50: 83; 51–60: 51; 61–64: 1

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 (Vontobel Annual Report 2017, page 57 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 behavioral competencies (performance management) and their evaluation, all employees are given the opportunity to draw up a personal development plan. This development plan, which employees define in consultation with their line manager, forms the basis for their personal career progression. Vontobel provides appropriate online tools for this process and employees are supported by Human Resources and business partners in the individual divisions.

Number of employees by domicile

	NUMBER OF WOMEN	NUMBER OF MEN	31.12.2017 TOTAL	NUMBER OF WOMEN	NUMBER OF MEN	31.12.2016 TOTAL
Switzerland	403	1,021	1,424	410	1,008	1,418
Germany	42	63	105	44	66	110
USA	31	51	82	28	46	74
United Kingdom	17	40	57	15	36	51
Hong Kong	10	13	23	12	10	22
Italy	8	9	17	7	9	16
Luxembourg	8	9	17	8	9	17
Liechtenstein	7	10	17	9	8	17
Singapore	4	6	10	4	7	11
U.A.E	2	9	11	2	11	13
Spain	1	2	3	1	2	3
Australia	0	1	1	1	1	2
Austria	0	0	0	2	0	2
Total	**533**	**1,234**	**1,767**	**543**	**1,213**	**1,756**

Number of employees by nationality

	31.12.2017		31.12.2016	
	NUMBER	IN %	NUMBER	IN %
Switzerland	1,132	64	1,146	65
Germany	228	13	225	13
Italy	71	4	64	4
USA	68	4	66	4
United Kingdom	67	4	60	3
France	36	2	30	2
China	21	1		
Austria	18	1	24	1
Spain	14	1	13	1
Other	112	6	128	7
Total	**1,767**	**100**	**1,756**	**100**

Since the skills and expertise of our employees are the most important factor determining Vontobel's long-term success, we 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 and identifies key high performers as well as talented employees – particularly with a view to increasing the proportion of women in management functions and at senior management level. It also discusses nominations for the Senior Leadership Program and the "SeitenWechsel" program.

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 2017

In 2017, we once again invested intensively in training and development measures for our relationship managers in Wealth Management (see "Sustainable Investing – Wealth Management"). We regularly run leadership courses in which members of the Executive Board play an active role as part of our executive dialogue. Diversity & Inclusion is one of the topics discussed in our leadership courses: To bring about change and realize our objectives in this area, we actively address this subject with our management team at Vontobel.

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. Welcome Day is mandatory for all employees in Switzerland and for all employees from the rank of Director in international locations. The Intranet also features "getting started" pages 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.

All Vontobel employees worldwide attended "Vontobel Experience Workshops" focusing on our new brand presence in 2017. During these events, they discussed Vontobel's new values and competencies in order to internalize them and to be able to implement them in their daily work going forward.

To review the quality of the courses and programs 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 2017 compared to the previous year on both an absolute and per capita basis.

1.4.2 Training and development
In 2017, 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 program 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. Since 2017, we have offered employees the opportunity to take a test at the end of the e-learning course.

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" program gives senior managers the opportunity to further develop their personal and leadership skills.

1.4.3 Training for apprentices and graduates
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 2017, Vontobel once again offered attractive training positions to future professionals in the form of 28 apprenticeships (commercial or IT apprenticeships, including three traineeships). Apprentices can also obtain a vocational "Matura" when completing their training at Vontobel.

In 2013, Vontobel piloted the Graduate Trainee Program (GTP), which is targeted at university graduates with professional prospects and leadership potential. The GTPs have different areas of focus in the fields of Investment Banking and Information Technology. The programs last two years. In 2017, a total of 21 graduate trainees were employed at Vontobel.

1.5 Diversity & Inclusion
Vontobel wants to strengthen employee awareness of the topic of Diversity & Inclusion. We have therefore defined three main areas that we will focus on going forward: "Gender", "Nationality" and "Demography". We have formulated appropriate and realistic goals – referred to as our "Aspirations 2020" for each area. We provide detailed information about our various activities 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. Since 2017, Vontobel has been an official member of "Fondsfrauen", a professional network aimed at promoting the role of women and ensuring they have equal opportunities in the German-speaking investment fund industry. Vontobel began by organizing a presentation and a discussion round with one of the network's founders. 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 in 2017 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 divisions' staffing needs.

Of the total of 1,767 employees at Vontobel, 1,485 held full-time positions. There was little change in the proportion of employees who worked on a part-time basis compared to 2016: The proportion of female employees working part-time remained unchanged at 31%, while the proportion of male employees in part-time positions increased slightly from 8 to 9%. 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 program 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.

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.

Age structure

	31.12.2017		31.12.2016	
	NUMBER	IN %	NUMBER	IN %
Up to 20 years old	28	2	27	2
21 to 30 years old	184	10	171	10
31 to 40 years old	527	30	511	29
41 to 50 years old	620	35	602	34
51 to 60 years old	364	21	387	22
More than 60 years old	44	2	58	3
Total	**1,767**	**100**	**1,756**	**100**
Average age (in years)	*43*		*43*	

Age structure of the Board of Directors

	31.12.2017		31.12.2016	
	NUMBER	IN %	NUMBER	IN %
31 to 40 years old	2	22	2	22
41 to 50 years old	2	22	2	22
51 to 60 years old	2	22	3	34
More than 60 years old	3	34	2	22
Total	**9**	**100**	**9**	**100**

Years of service

	31.12.2017		31.12.2016	
	NUMBER	IN %	NUMBER	IN %
Up to 1 year	220	12	221	13
> 1 up to 5 years	664	38	672	38
> 5 up to 10 years	415	23	455	26
> 10 up to 20 years	371	21	312	18
> 20 up to 30 years	67	4	67	3
> 30 years	30	2	29	2
Total	**1,767**	**100**	**1,756**	**100**

Breakdown of rank structure by gender as of 31.12.2017

	NUMBER OF WOMEN	PROPORTION OF WOMEN	NUMBER OF MEN	PROPORTION OF MEN
Employee	125	51%	120	49%
Middle management	260	43%	343	57%
Senior management	148	16%	765	84%
Executive Board	0	0%	6	100%
Total	**533**	**30%**	**1,234**	**70%**
Board of Directors	3	33%	6	67%

Breakdown of full-time and part-time positions by gender as of 31.12.2017

	NUMBER OF WOMEN	PROPORTION OF WOMEN	NUMBER OF MEN	PROPORTION OF MEN	TOTAL NUMBER	TOTAL PROPORTION
20–49%	20	4%	10	1%	30	2%
50–79%	73	13%	44	3%	117	6%
80–99%	74	14%	61	5%	135	8%
100%	366	69%	1,119	91%	1,485	84%
Total	**533**	**100%**	**1,234**	**100%**	**1,767**	**100%**

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. Vontobel grants new fathers five days of paternity leave. For a number of years, we have been a member of kcc group (globegarden), an organization that offers families complete childcare solutions. Wherever possible from an operational perspective, Vontobel endeavors 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 12% (2016: 7%) of employees have so far made use of this option.

1.7.1 Swiss National Future Day 2017

In 2017, Vontobel participated in National Future Day for the twelfth 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 2017, more than 80 children took part in Future Day at Vontobel.

1.8 Employee satisfaction

In 2017, we continued working on the topics identified in the 2015 employee survey. This includes measures in the Diversity & Inclusion focus areas, regular town halls at all locations, and the more targeted promotion of talent and employee development. The next regular 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 2017, 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

We have a long tradition of social responsibility at Vontobel. Our company is an integral part of the global economic system and we benefit from the excellent operating environment in our Swiss home market, with its high standards of education, good infrastructure and political stability. We therefore have a responsibility to promote the welfare and stability of the communities in which we work and we invest in a variety of initiatives and projects in this context.

Economic value distributed

CHF MN	2017	2016
Value creation[1]	794.3	829.1
Taxes[2]	55.6	61.8
Dividend for the fiscal year[3]	117.6	111.8

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
3 As per proposal submitted to the General Meeting

In 2017, value creation declined by 4% compared to the previous year and taxes paid decreased by 10%. In the previous year, value creation and net profit were higher due to significant one-off impacts. However, on an adjusted basis, net profit rose in 2017. The Board of Directors will therefore propose a 5% increase in the dividend to shareholders. The total amount donated by Vontobel in 2017 was CHF 175,391 (2016: 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 2017, 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). This Support Group was established by the ICRC and selected Swiss companies in 2005 in order to build an innovative long-term partnership. This cooperation allows complex risks to be better identified and resources to be used more effectively.

Education is increasingly becoming a humanitarian need – especially in countries with long-running conflicts such as Iraq, Syria and Afghanistan. Vontobel therefore works with the ICRC to help children in Syria to attend school safely despite the country's military conflict. In late 2017, Vontobel launched its third fundraising campaign involving all employees to support the ICRC. In addition, we made a donation to this ICRC project for every Christmas card sent by the company.

2.3 Financial inclusion

Access to financial services – which is referred to as "financial inclusion" – has a key role to play in efforts to combat poverty and has been classed as a civil right in many European countries for over a century. We 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 give some of the value we create back to society by promoting culture and education. At present, our primary focus 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 dialogue about key issues of our time.

3.1 Lucerne Festival

The Lucerne Festival is one of the world's most renowned classical music festivals. In addition to its unique line-up of top international orchestras and soloists, the Lucerne Festival in Summer features a general theme that is reflected in its program and the artists selected to perform in it. As well as promoting musical excellence, the Lucerne Festival initiates and supports cultural and social projects. In 2017, the theme of the Lucerne Festival in Summer was "Identity". It therefore provided support to organizations including the charitable organization "hope", with asylum seekers being given tickets to attend a performance of Mozart's opera "Idomeneo" that largely focuses on the topic "Identity", thus closing the circle. Vontobel supports the Lucerne Festival as the theme sponsor. We are also one of the main supporters of the American Friends of Lucerne Festival.

3.2 Contemporary art

Art has always been part of Vontobel's corporate culture. Since 2015, the Vontobel Art Committee has been building a collection of contemporary photography in consultation with experts in this field. The works in the collection help to promote an inspiring environment and artistic creativity at an international level. In addition to this collection, the Vontobel Art Committee launched "A New Gaze" – a new photography prize for young artists – in 2017. It includes CHF 20,000 of prize money and will enable one young photographer each year to realize his or her own artistic project – from the design phase through to an exhibition and catalogue. "A New Gaze" searches for new perspectives of our world and moves from continent to continent.

The winner of "A New Gaze" in 2017 was Eva O'Leary (born 1989), whose work "Concealer" was exhibited at Vontobel's head office at the start of the year. With her camera, the young American photographer explored US society with a focus on the conflict between appearance and reality and between security and insecurity. She interconnected seemingly perfect advertising images with everyday life, which is increasingly defined by the Internet and social media. In 2018, "A New Gaze" will be dedicated to African photography and we will present the wining project in autumn 2018.

Vontobel also lends its support to leading institutions in the fields of modern and contemporary art. For example, we are one of the supporters of the association of the friends of the Pinakothek der Moderne museum in Munich (PIN) and we support the annual PIN.PARTY, which includes a charitable auction.

3.3 Vontobel Impact

In a globalized world, the permanent exchange of knowhow across borders creates value for individuals and society. We make a significant contribution towards this with "Impact", our platform that enables committed figures from society, science, politics and the arts to share their views. With their expertise, they provide insights into the challenges of our time from a new perspective. In 2017, we published an issue of the magazine "Impact" that was dedicated to the topic "Identity" and established a corresponding digital platform that regularly featured articles and reports during the year (vontobel.com/impact). We also held two events with renowned experts on the topics "100 days of Trump" in Zurich and "Germany has voted – what next?" in Munich.

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 eighth 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 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 have selected the "core" reporting option.

Material topics and system boundaries for reporting

Vontobel carried out the process defined under G4 to determine material aspects and indicators in various workshops and interviews. During this process, we discussed all the GRI aspects and the Financial Sector supplements that apply specifically to the financial sector and determined their materiality for Vontobel. Corporate Sustainability Management carried out a final review and already included the material aspects in the Sustainability Report in 2014, assigning them the relevant indicators. The following GRI aspects continue to be material for the company and we cover them 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 2017. The environmental key figures relate to the period from 1 October 2016 to 30 September 2017. Information on the scope of consolidation can be found on pages 205–206 of the Annual Report (G4–17). We have not made any restatements or corrections 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 2017, 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 trust in our company (G4–27).

We are making good progress in these efforts: In 2017, Vontobel once again received numerous awards. After 2014, 2015 and 2016, the Swiss business magazine "Bilanz" assigned us another top-three place in its private banking ratings. In the "Fuchsbriefe TOPs 2017", we achieved the highest rating "excellent" in Private Banking in the overall evaluation. We also took first place in the "Best advisory team" category and came third in the country rating for Germany.

GRI Content Index

ASPECTS / INDICATORS		NOTES	PAGE IN ANNUAL REPORT
	Strategy and Analysis		
G4-1	CEO Statement	core	88
G4-2	Sustainability driven risks, opportunities and impacts	core	88
	Organizational Profile		
G4-3	Name of the organization	core	228
G4-4	Primary brands, products, and services	core	12, 13, 24, 26, 28
G4-5	Organization headquarters	core	214, 228
G4-6	Number of countries where the organization operates	core	12, 228
G4-7	Nature of ownership and legal form	core	35
G4-8	Markets served	core	24, 26, 28
G4-9	Scale of the organization	core	105
G4-10	Total number of employees	core	106
G4-11	Employees covered by collective bargaining agreements	core	105
G4-12	Organization's supply chain	core	102
G4-13	Significant changes during the reporting period	core	206
G4-14	Application of the precautionary approach or principle	core	135, 88
G4-15	Support for external initiatives	core	109, 110
G4-16	Memberships	core	89
	Identified Material Aspects and Boundaries		
G4-17	Entities included in the consolidated annual statements	core	111
G4-18	Determination of report content	core	111
G4-19	Material aspects	core	111
G4-20	Material aspects and report boundaries within the organization	core	111
G4-21	Material aspects and report boundaries outside the organization	core	111
G4-22	Corporate changes compared to the previous year	core	111
G4-23	Significant changes in scope as well as report boundaries from the previous period	core	111
	Stakeholder Engagement		
G4-24	Relevant stakeholder groups	core	90
G4-25	Identification and selection of stakeholders	core	90
G4-26	Stakeholder engagement	core	111
G4-27	Key topics and concerns raised by stakeholders	core	111
	Report Profile		
G4-28	Reporting period	core	111
G4-29	Date of last report	core	Feb 2017
G4-30	Reporting cycle	core	111
G4-31	Contact point for questions regarding the report	core	227
G4-32	Chosen reporting option	core	111
G4-33	External assurance	core	no ext. assurance
	Governance		
G4-34	Governance structure	core	34
	Ethics and Integrity		
G4-56	Organization values, principles, standards and norms	core	90
	Economic performance	**m.**	
G4-EC1	Direct economic value generated and distributed		109
G4-EC1-FS	Community investments	p.c.	94, 95, 109
G4-EC3	Coverage social benefits		161

ASPECTS / INDICATORS		NOTES	PAGE IN ANNUAL REPORT
	Indirect economic impacts	**m.**	
G4-EC7	Infrastructure investments and supported services	p.c.	94, 95, 109
G4-EC8	Indirect economic impacts		109
	Materials	**m.**	
G4-EN1	Materials used		104
G4-EN2	Recycled input materials used		104
	Energy	**m.**	
G4-EN3	Energy consumption within the organization		104
G4-EN5	Energy intensity		104
G4-EN6	Reduction of energy consumption		104
	Emissions	**m.**	
G4-EN15	Direct Greenhouse Gas Emissions		104
G4-EN15-FS	Business travel related direct Greenhouse Gas Emissions		104
G4-EN16	Indirect Greenhouse Gas Emissions		104
G4-EN17	Other indirect Greenhouse Gas Emissions (Scope 3)		104
G4-EN17-FS	Other business travel related Greenhouse Gas Emissions		104
G4-EN18	Greenhouse Gas Emissions intensity		104
G4-EN19	Reduction of Greenhouse Gas Emissions		104
	Employment	**m.**	
G4-LA1	New employee hires and employee turnover		105
G4-LA2	Employee benefits		107, 109
	Training and education	**m.**	
G4-LA10	Continued Learning Training programs		106, 107
G4-LA11	Employee performance and career development reviews		105, 106
	Diversity and equal opportunity	**m.**	
G4-LA12	Staff and managment structure		108
	Non-discrimination	**m.**	
G4-HR3	Total number of incidents of discrimination and corrective actions taken		105
	Anti-corruption	**m.**	
G4-SO3	Operations assessed for risks related to corruption		90, 91
G4-SO4	Anti-Corruption employee training		91
	Product and service labelling	**m.**	
G4-PR3	Product and service information		91
G4-PR5	Customer satisfaction surveys		92, 93
	Customer privacy	**m.**	
G4-PR8	Loss of customer privacy and data		91
	Product compliance	**m.**	
G4-PR9	Fines due to non-compliance with respect to the provision of products and services		91
	Financial Sector specific indiactors: product portfolio and active ownership	**m.**	
FS6	Business lines by region, size and sector	p.c.	25, 27, 29
FS7	Contribution of products and services to the facilitation of social capital	p.c.	92
FS10	Portfolio-based commitment to social and environmental issues		95, 96, 97, 98, 99
FS11	Assets subject to environmental or social screening		99

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.

UN Global Compact: Communication on Progress

Implementation of the ten principles of the UN Global Compact
Over 9,200 companies from 164 countries have signed the UN Global Compact and pledged to uphold ten principles in the areas of human rights, labor, environment and anti-corruption. Vontobel became a signatory to the Global Compact in 2017. This is the first Communication on Progress (COP) report on the implementation of the ten principles at Vontobel.

The Ten Principles of the UN Global Compact

PRINCIPLES	IMPLEMENTATION AT VONTOBEL: CONTENT-RELATED ASPECTS AND COVERAGE ACCORDING TO GRI REPORTING	PAGE IN ANNUAL REPORT
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Aspect **Non-discrimination**	
	G4-HR3: Total number of incidents of discrimination and corrective actions taken	105
	Financial Sector specific indicators: product portfolio and active ownership	
	FS7: Contribution of products and services to the facilitation of social capital	92
	FS10: Portfolio-based commitment to social and environmental issues	95–99
	FS11: Assets subject to environmental or social screening	99
Principle 2: Make sure that they are not complicit in human rights abuses	Aspect **Organizational Profile**	
	G4–12: Organization's supply chain	102
	Financial Sector specific indicators: product portfolio and active ownership	
	FS7: Contribution of products and services to the facilitation of social capital	92
	FS10: Portfolio-based commitment to social and environmental issues	95–99
	FS11: Assets subject to environmental or social screening	99
Labor		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Aspect **Organizational Profile**	
	G4–11: Employees covered by collective bargaining agreements	105
Principle 4: Elimination of all forms of forced and compulsory labor	Aspect **Organizational Profile**	
	G4–12: Organization's supply chain	102
	Aspect **Economic performance**	
	G4–EC3: Coverage social benefits	161
Principle 5: Effective abolition of child labor	Aspect **Organizational Profile**	
	G4–12: Organization's supply chain	102
Principle 6: Elimination of discrimination in respect of employment and occupation	Aspect **Organizational Profile**	
	G4–10: Total number of employees	106
	Aspect **Employment**	
	G4–LA1: New employee hires and employee turnover	105
	Aspect **Training and education**	
	G4–LA10: Continued Learning Training programs	106, 107
	G4–LA11: Employee performance and career development reviews	105, 106
	Aspect **Diversity and equal opportunity**	
	G4–LA12: Staff and management structure	108
	Aspect **Non-discrimination**	
	G4–HR3: Total number of incidents of discrimination and corrective actions taken	105

PRINCIPLES	IMPLEMENTATION AT VONTOBEL: CONTENT-RELATED ASPECTS AND COVERAGE ACCORDING TO GRI REPORTING	PAGE IN ANNUAL REPORT
Environment		
Principle 7: Businesses should support a precautionary approach to environmental challenges	Aspect **Materials**	
	G4-EN1: Materials used	104
	G4-EN2: Recycled input materials used	104
	Aspect **Energy**	
	G4-EN3: Energy consumption within the organization	104
	G4-EN5: Energy intensity	104
	G4-EN6: Reduction of energy consumption	104
	Aspect **Emissions**	
	G4-EN15: Direct Greenhouse Gas Emissions	104
	G4-EN15-FS: Business travel related direct Greenhouse Gas Emissions	104
	G4-EN16: Indirect Greenhouse Gas Emissions	104
	G4-EN17: Other indirect Greenhouse Gas Emissions (Scope 3)	104
	G4-EN17-FS: Other business travel related Greenhouse Gas Emissions	104
	G4-EN18: Greenhouse Gas Emissions intensity	104
	G4-EN19: Reduction of Greenhouse Gas Emissions	104
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based commitment to social and environmental issues	95–99
	FS11: Assets subject to environmental or social screening	99
Principle 8: Undertake initiatives to promote greater environmental responsibility	Aspect **Materials**	
	G4-EN1: Materials used	104
	G4-EN2: Recycled input materials used	104
	Aspect **Energy**	
	G4-EN3: Energy consumption within the organization	104
	G4-EN5: Energy intensity	104
	G4-EN6: Reduction of energy consumption	104
	Aspect **Emissions**	
	G4-EN15: Direct Greenhouse Gas Emissions	104
	G4-EN15-FS: Business travel related direct Greenhouse Gas Emissions	104
	G4-EN16: Indirect Greenhouse Gas Emissions	104
	G4-EN17: Other indirect Greenhouse Gas Emissions (Scope 3)	104
	G4-EN17-FS: Other business travel related Greenhouse Gas Emissions	104
	G4-EN18: Greenhouse Gas Emissions intensity	104
	G4-EN19: Reduction of Greenhouse Gas Emissions	104
Principle 9: Encourage the development and diffusion of environmentally friendly technologies	Aspect **Energy**	
	G4-EN6: Reduction of energy consumption	104
	Aspect **Emissions**	
	G4-EN19: Reduction of Greenhouse Gas Emissions	104
Anti-Corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Aspect **Ethics and Integrity**	
	G4–56: Organization values, principles, standards and norms	90
	G4–SO3: Operations assessed for risks related to corruption	90, 91
	G4–SO4: Anti-Corruption employee training	91

Vontobel Advisory Council: Sparring partners and ambassadors for Vontobel

The Vontobel Advisory Council is a group of individuals with a business or political background from Switzerland and Vontobel's focus markets who are selected to act as sparring partners to the Executive Board and as ambassadors for Vontobel. Their external expertise and experience is to be put to targeted use to identify trends and to discuss Vontobel's further development.

The Vontobel Advisory Council, which will meet twice annually, currently has the following members:

Picture by Caroline Forbes, courtesy to Penguin Books

The Rt Hon. **Lord Patten** of Barnes CH, whose long career includes posts as European Commissioner and as the last Governor of Hong Kong, who transferred sovereignty over the former British crown colony to the People's Republic of China in 1997. Following his active political life, Lord Patten served as Chancellor of Newcastle University, among other roles, and has been Chancellor of the University of Oxford since 2003.

Vittorio Volpi, who has more than 50 years of experience in management positions across a wide variety of businesses within the international finance industry, including serving as President of UBS in Italy and as Chairman of UBS Japan for many years. Today, Vittorio Volpi is Chairman of a range of companies and consultancies in Europe.

Carlo Pesenti, who has served as Chief Operating Officer of Italmobiliare SpA since 2014. Italmobiliare, a leading Italian holding company with a history spanning more than 150 years manages holdings in a large number of industrial, media and private equity firms. Carlo Pesenti is a member of the governing bodies of numerous companies and has a seat on the Board of the Italian newspaper Il Sole 24 Ore.

Felix Happel, Chairman of the Board of Directors of Porterhouse Group AG, Lucerne, a European holding company that combines innovative firms with unique selling propositions. Porterhouse uses its own funds to acquire majority stakes in small and medium-sized companies and supports their long-term development.

Consolidated financial statements

Notes to the consolidated financial statements

Consolidated income statement

Consolidated income statement

	NOTE	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Interest income		82.9	75.8	7.1	9
Interest expense		14.2	8.1	6.1	75
Net interest income	1	**68.7**	**67.7**	**1.0**	**1**
Fee and commission income		902.5	831.9	70.6	8
Fee and commission expense		209.6	183.2	26.4	14
Net fee and commission income	2	**692.9**	**648.7**	**44.2**	**7**
Trading income	3	**288.8**	**250.0**	**38.8**	**16**
Other income	5, 6	**9.9**	**114.7**	**–104.8**	**–91**
Total operating income		**1,060.3**	**1,081.1**	**–20.8**	**–2**
Personnel expense	7	532.6	484.8	47.8	10
General expense	8	205.0	189.7	15.3	8
Depreciation of property, equipment and intangible assets	9	61.0	62.3	–1.3	–2
Valuation adjustments, provisions and losses	10	2.4	23.0	–20.6	–90
Total operating expense		**801.0**	**759.8**	**41.2**	**5**
Profit before taxes		**259.3**	**321.3**	**–62.0**	**–19**
Taxes	11	50.3	56.9	–6.6	–12
Group net profit		**209.0**	**264.4**	**–55.4**	**–21**
of which allocated to minority interests		*6.6*	*4.6*	*2.0*	*43*
of which allocated to shareholders of Vontobel Holding AG		*202.4*	*259.8*	*–57.4*	*–22*

Share information (CHF)

	NOTE	31.12.2017	31.12.2016	CHANGE	IN %
Basic earnings per share[1]	13	3.65	4.72	–1.07	–23
Diluted earnings per share[1]	13	3.56	4.59	–1.03	–22

1 Basis: weighted average number of shares

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

	NOTE	31.12.2017 CHF MN	31.12.16 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Group net profit according to the income statement		**209.0**	**264.4**	**–55.4**	**–21**
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		1.6	–6.2	7.8	
Gains and losses transferred to the income statement		0.0	0.0	0.0	
Total currency translation adjustments		1.6	–6.2	7.8	
Financial investments carried at fair value (“available-for-sale”):					
Income during the reporting period		–2.7	–26.1	23.4	
Gains and losses transferred to the income statement		–3.5	–97.0	93.5	
Total financial investments carried at fair value (“available-for-sale”)		–6.2	–123.1	116.9	
Cash flow hedges:					
Income during the reporting period		–0.5	–0.3	–0.2	
Gains and losses transferred to the income statement		0.0	0.0	0	
Total cash flow hedges		–0.5	–0.3	–0.2	
Total other comprehensive income that will be reclassified to the income statement		**–5.1**	**–129.6**	**124.5**	
Other comprehensive income that will not be reclassified to the income statement					
Defined benefit pension plans:					
Total gains / (losses) on defined benefit pension plans		9.6	60.6	–51.0	–84
Total other comprehensive income that will not be reclassified to the income statement		**9.6**	**60.6**	**–51.0**	**–84**
Total other comprehensive income, net of tax		**4.5**	**–69.0**	**73.5**	
Comprehensive income		**213.5**	**195.4**	**18.1**	**9**
of which allocated to minority interests		*7.0*	*2.9*	*4.1*	*141*
of which allocated to shareholders of Vontobel Holding AG		*206.5*	*192.5*	*14.0*	*7*

Consolidated balance sheet

Assets

	NOTE	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Cash		6,287.9	6,374.0	–86.1	–1
Due from banks		1,658.7	1,502.7	156.0	10
Cash collateral for securities borrowing agreements	22	8.5	0.0	8.5	
Cash collateral for reverse-repurchase agreements	22	1,007.2	823.1	184.1	22
Trading portfolio assets	14	3,991.2	2,515.8	1,475.4	59
Positive replacement values	14	243.9	172.3	71.6	42
Other financial assets at fair value	14	3,490.9	2,293.4	1,197.5	52
Loans	15	3,310.5	2,601.9	708.6	27
Financial investments	16	1,788.9	2,111.3	–322.4	–15
Investments in associates	17	0.9	0.6	0.3	50
Property and equipment	19	159.7	153.9	5.8	4
Goodwill and other intangible assets	20	291.1	279.0	12.1	4
Other assets	21	664.3	565.9	98.4	17
Total assets		**22,903.7**	**19,393.9**	**3,509.8**	**18**

Liabilities and equity

	NOTE	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Due to banks		1,221.3	1,139.0	82.3	7
Cash collateral from repurchase agreements	22	0.0	0.0	0.0	
Trading portfolio liabilities	14	158.2	99.7	58.5	59
Negative replacement values	14	725.6	515.4	210.2	41
Other financial liabilities at fair value	14	8,451.3	6,354.8	2,096.5	33
Due to customers		9,758.2	9,058.5	699.7	8
Provisions	26	40.6	33.4	7.2	22
Other liabilities	25	928.0	679.0	249.0	37
Total liabilities		**21,283.2**	**17,879.8**	**3,403.4**	**19**
Share capital	27	56.9	56.9	0.0	0
Treasury shares	27	–79.6	–93.8	14.2	
Capital reserve		–160.3	–157.8	–2.5	
Retained earnings		1,854.7	1,754.5	100.2	6
Other components of shareholders' equity		–51.2	–45.7	–5.5	
Shareholders' equity		**1,620.5**	**1,514.1**	**106.4**	**7**
Minority interests		0.0	0.0	0.0	
Total equity		**1,620.5**	**1,514.1**	**106.4**	**7**
Total liabilities and equity		**22,903.7**	**19,393.9**	**3,509.8**	**18**

Statement of equity

Statement of equity

CHF MN	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE
Balance as of 01.01.2016	**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			
Total 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
Total ownership-related changes	**0.0**	**0.8**	**–1.7**
Balance as of 31.12.2016	**56.9**	**–93.8**	**–157.8**
Balance as of 01.01.2017	**56.9**	**–93.8**	**–157.8**
Group net profit			
Income recognized in other comprehensive income during the period under review			
Gains and losses transferred to the income statement			
Other comprehensive income from defined benefit pension plans			
Total 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		–58.6	
Sale of treasury shares		13.6	1.1
Share-based compensation expense			36.6
Allocations from share-based compensation		59.2	–34.2
Change in minority interests			0.0
Change in liability to purchase minority interests			–6.0
Other effects	0.0	0.0	0.0
Total ownership-related changes	**0.0**	**14.2**	**–2.5**
Balance as of 31.12.2017	**56.9**	**–79.6**	**–160.3**

1 “Net unrealized gains / (losses) on available-for-sale financial investments”, “Currency translation adjustments” and “Cash flow hedges” are reported in the balance sheet item “Other components of shareholders’ equity”.
2 Vontobel Holding AG paid a dividend (gross) of CHF 2.00 per registered share with a par value of CHF 1.00 in April 2017, consisting of an ordinary dividend of CHF 1.90 (previous year CHF 1.85) and a special dividend of CHF 0.10.

RETAINED EARNINGS	NET UNREALIZED GAINS/(LOSSES) ON AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS[1]	CURRENCY TRANSLATION ADJUSTMENTS[1]	CASH FLOW HEDGES[1]	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
1,536.8	**127.7**	**–45.1**	**–0.4**	**1,425.2**	**0.0**	**1,425.2**
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
				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**
1,754.5	**4.6**	**–49.6**	**–0.7**	**1,514.1**	**0.0**	**1,514.1**
202.4				**202.4**	**6.6**	**209.0**
	–2.7	1.2	–0.5	–2.0	0.4	–1.6
	–3.5	0.0	0.0	–3.5	0.0	–3.5
9.6				9.6	0.0	9.6
9.6	**–6.2**	**1.2**	**–0.5**	**4.1**	**0.4**	**4.5**
212.0	**–6.2**	**1.2**	**–0.5**	**206.5**	**7.0**	**213.5**
–111.8				–111.8	–7.8	–119.6
				–58.6	0.0	–58.6
				14.7	0.0	14.7
0.0				36.6	0.0	36.6
				25.0	0.0	25.0
	0.0	0.0		0.0	0.0	0.0
				–6.0	0.8	–5.2
0.0	0.0			0.0	0.0	0.0
–111.8	**0.0**	**0.0**	**0.0**	**–100.1**	**–7.0**	**–107.1**
1,854.7	**–1.6**	**–48.4**	**–1.2**	**1,620.5**	**0.0**	**1,620.5**

Consolidated cash flow statement

Consolidated cash flow statement

CHF MN	31.12.2017	31.12.2016
Cash flow from operating activities		
Group net profit (incl. minorities)	209.0	264.4
Reconciliation to net cash flow from operating activities		
Non-cash positions in Group results:		
Depreciation of property, equipment and intangible assets	61.0	62.3
Credit loss expense	0.0	0.0
Income from investments in associates	–0.3	–0.1
Deferred income taxes	7.0	2.3
Change in provisions	5.6	14.9
Net income from investing activities	2.6	–98.4
Net income from disposal of property, equipment and intangible assets	0.0	0.1
Other non-cash income	40.5	2.5
Net (increase)/decrease in assets relating to banking activities:		
Due from/to banks, net	173.0	744.0
Reverse-repurchase agreements, cash collateral for securities borrowing agreements	–192.6	190.4
Trading positions and replacement values, net	–1,268.8	–424.4
Other financial assets/liabilities at fair value, net	899.0	1,200.0
Loans/due to customers, net	–581.2	45.9
Other assets	–90.2	–184.2
Net increase/(decrease) in liabilities relating to banking activities:		
Repurchase agreements, cash collateral from securities lending agreements	0.0	–76.1
Other liabilities	282.0	–95.6
Taxes paid	–47.9	–55.2
Cash flow from operating activities	**–501.3**	**1,592.8**
Cash flow from investing activities		
Investments in subsidiaries and associates	543.6	–16.4
Disposal of subsidiaries and associates	0.0	2.9
Settlement of earn-out payments	3.7	–4.5
Purchase of property, equipment and intangible assets	–57.7	–42.1
Disposal of property, equipment and intangible assets	0.0	0.0
Investment in financial instruments	–515.7	–596.4
Divestment of financial instruments	813.8	723.8
Cash flow from investing activities	**787.7**	**67.3**
Cash flow from financing activities		
Net movements in treasury shares	–43.9	–46.4
Dividends paid	–119.6	–107.9
Cash flow from financing activities	**–163.5**	**–154.3**
Effects of exchange rate differences	8.9	–2.4
Net increase/(decrease) in cash and cash equivalents	**131.8**	**1,503.4**
Cash and cash equivalents, beginning of the year	7,787.1	6,283.7
Cash and cash equivalents as at the balance sheet date	**7,918.9**	**7,787.1**

CHF MN	31.12.2017	31.12.2016
Cash and cash equivalents comprise at year end		
Cash	6,287.9	6,374.0
Due from banks on demand	1,631.0	1,413.1
Total	**7,918.9**	**7,787.1**
Further information:		
Dividends received	53.7	52.8
Interest received	141.9	128.8
Interest paid	15.9	11.1

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 2016, 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: 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 35 "Hedge accounting".

Segment reporting

Please refer to note 47 for information on the segments.

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, and clearing credit balances at recognized clearing centres and clearing banks), as well as receivables due from banks on demand.

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 32 "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 is applied for the relevant derivatives, realized and unrealized gains and losses are shown in "Trading income".

Information on hedge accounting is provided in note 35.

3.4 Other basic principles
Precious metals and cryptocurrencies
In connection with its trading and issuing business, Vontobel holds commodities positions – especially in precious metals and cryptocurrencies. They are used primarily to hedge risks arising from the structured products issued. They are measured at fair value less selling costs and are recorded in the balance sheet item "Trading portfolio assets". Gains and losses are recognized in "Trading income". In the notes to the consolidated financial statements these items are disclosed together with the financial instruments held for trading purposes.

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
Please refer to note 29 for information on share-based compensation.

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
Please refer to note 20 for information on goodwill and related impairment testing.

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 plans
Please refer to note 41 for information on pension plans.

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.

Disposal groups
Please refer to note 40 for information on disposal groups

4. Changes in financial reporting

4.1 Changes in accounting principles

4.1.1 Standards and interpretations that have been implemented

The following new or revised standards and interpretations did not have any significant impacts on Vontobel when applied for the first time or were not relevant for Vontobel:
- IAS 7 – Disclosure Initiative;
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses;
- Annual Improvements 2014–2016 (with first-time application from 1 January 2017).

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 2018 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
The IASB published IFRS 9 in July 2014. 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. It is to be applied for the first time from 1 January 2018. In October 2017, the IASB published an amendment to IFRS 9 regarding prepayment features with negative compensation, which is to be applied for the first time from 1 January 2019. Earlier application is permitted.

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. This also applies to unquoted equity instruments that were usually recognized at cost less impairment under IAS 39. 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.

Vontobel will apply IFRS 9 from 1 January 2018 (including the amendment relating to prepayment features with negative compensation). Based on a detailed analysis, it is expected to have the following significant impacts:
– The measurement of unquoted equity instruments at fair value under IFRS 9 (instead of at cost less impairment under IAS 39) results in an increase in consolidated shareholders' equity of around 3% as of 1 January 2018 that is not recognized in profit or loss.
– The introduction of the new impairment model results in a decrease in consolidated shareholders' equity of around 0.1% as of 1 January 2018 that is not recognized in profit or loss. This is an impact (after taxes) from the recognition of expected credit losses for financial instruments in stages 1 and 2 of the impairment model.
– Vontobel will continue to recognize the impact of the change in own credit risk in the income statement due to the existence of an accounting mismatch.

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 a detailed analysis, Vontobel does not expect any impacts on the balance sheet and the consolidated income statement.

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.

IFRIC 23 – Uncertainty over Income Tax Treatments
The interpretation is to be applied primarily to the determination of taxable profits (or tax losses), tax bases, unused loss carryforwards and tax rates, when there is uncertainty over income tax treatments. The company has to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together.

The company has to assume that the tax authority will examine any amounts reported to it and will have full knowledge of all relevant information when doing so. A company has to consider whether it is probable that the relevant tax authority will accept each tax treatment. If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profits (or tax losses), tax bases, unused loss carryforwards and tax rates.

IFRIC 23 is to be applied from 1 January 2019. Vontobel is currently analyzing the impacts of the new provisions.

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 28 – Long-term Interests in Associates and Joint Ventures;
- 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"
- IFRS 17 – Insurance Contracts
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- Annual Improvements 2014–2016 (with first-time application from 1 January 2018);
- Annual Improvements 2015–2017.

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 Wealth Management, 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 Chief Financial Officer (CFO), 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 01/17 "Corporate governance – 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 32.

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 4.1 mn for Vontobel as a whole, of which CHF 2.5 mn related to Investment Banking (2016: average VaR of CHF 8.7 mn for Vontobel and of CHF 2.7 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, currency risks and interest rate risks (including issuer-specific credit spread risks) represent the most significant risk factors and are comparable in scale. Equity and commodities risks are of secondary importance.

Value at Risk (VaR) for Vontobel overall and for Investment Banking [1]

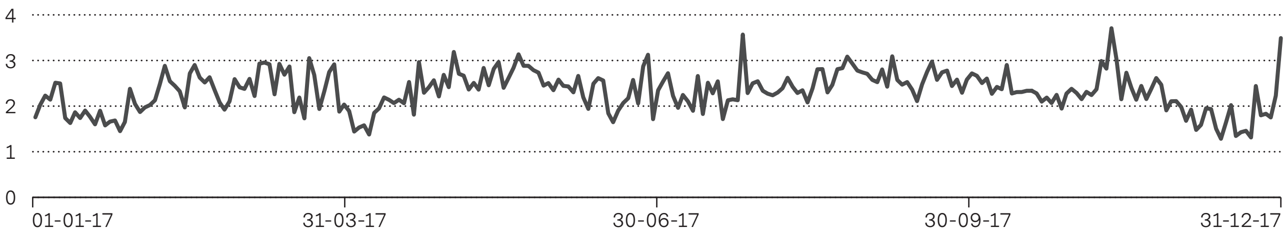
CHF MN	EQUITIES [2]	INTERESTS INCL. CREDIT SPREAD	CURRENCIES [3]	COMMODITIES	DIVERSI-FICATION	31.12.2017 TOTAL
Vontobel:	**3.0**	**2.3**	**1.7**	**0.6**	**–3.4**	**4.2**
Average	1.9	3.2	2.3	0.9	–4.2	4.1
Minimum	0.8	2.2	0.6	0.3	n/a [4]	2.7
Maximum	3.7	4.6	3.8	3.4	n/a [4]	5.6
of which Investment Banking:	*2.7*	*1.1*	*0.5*	*0.6*	*–1.3*	*3.6*
Average	*1.4*	*1.2*	*1.2*	*0.9*	*–2.2*	*2.5*
Minimum	*0.6*	*0.9*	*0.2*	*0.3*	n/a [4]	*1.5*
Maximum	*3.9*	*1.6*	*3.5*	*3.4*	n/a [4]	*3.9*

CHF MN	EQUITIES [2]	INTERESTS INCL. CREDIT SPREAD	CURRENCIES [3]	COMMODITIES	DIVERSI-FICATION	31.12.2016 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*

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.

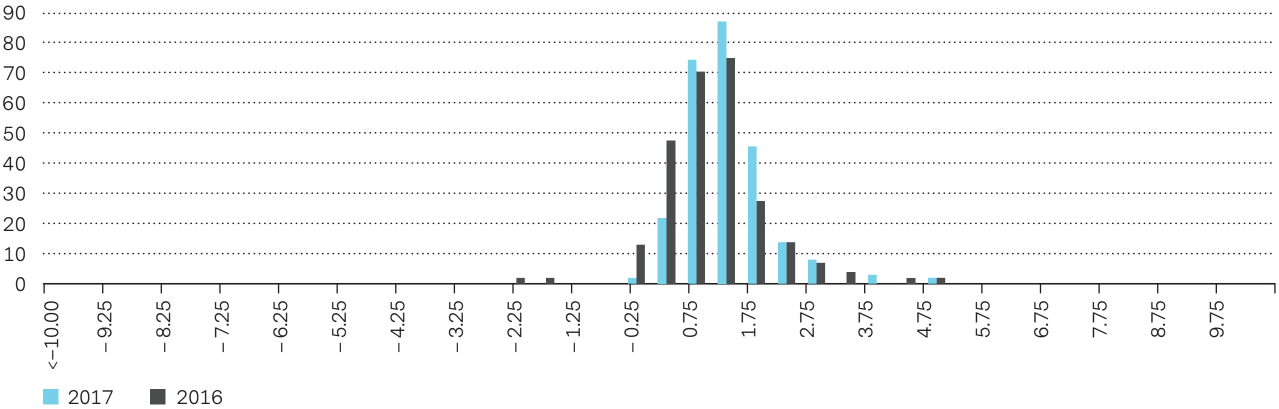
The graph below shows the development over time of 1-day VaR for the positions of Investment Banking / Financial Products at Vontobel. There is also a graph to show the frequency distribution of daily gains and losses for the years 2017 and 2016.

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 to 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 points change corresponds to CHF –5.9 mn for the current year and CHF +10.9 mn for the previous year.

Interest rate risk

					INTEREST SENSITIVITY AS OF 31.12.2017	
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	0.2	1.9	5.0	16.3	–24.7	–1.3
of which IB	*0.0*	*1.5*	*1.2*	*4.0*	*2.1*	*8.8*
of which non-IB	*0.2*	*0.4*	*3.8*	*12.3*	*–26.8*	*–10.1*
USD: Vontobel	0.1	1.1	4.8	–7.2	–1.4	–2.6
of which IB	*0.0*	*0.6*	*1.2*	*0.5*	*–1.3*	*1.0*
of which non-IB	*0.1*	*0.5*	*3.6*	*–7.7*	*–0.1*	*–3.6*
EUR: Vontobel	–0.1	0.5	5.1	–0.8	–1.6	3.1
of which IB	*–0.1*	*0.3*	*2.8*	*–1.6*	*1.5*	*2.9*
of which non-IB	*0.0*	*0.2*	*2.3*	*0.8*	*–3.1*	*0.2*
Others: Vontobel	0.1	0.0	–0.4	–3.6	–1.2	–5.1
of which IB	*0.1*	*0.0*	*–0.2*	*–1.4*	*–0.9*	*–2.4*
of which non-IB	*0.0*	*0.0*	*–0.2*	*–2.2*	*–0.3*	*–2.7*
–100 basis points						
CHF: Vontobel	–0.2	–0.7	–5.1	–15.8	28.7	6.9
of which IB	*0.0*	*–0.3*	*–1.2*	*–3.1*	*–0.8*	*–5.4*
of which non-IB	*–0.2*	*–0.4*	*–3.9*	*–12.7*	*29.5*	*12.3*
USD: Vontobel	–0.1	–1.1	–5.0	7.4	1.6	2.8
of which IB	*0.0*	*–0.6*	*–1.3*	*–0.6*	*1.4*	*–1.1*
of which non-IB	*–0.1*	*–0.5*	*–3.7*	*8.0*	*0.2*	*3.9*
EUR: Vontobel	0.0	–0.6	–6.1	0.4	1.1	–5.2
of which IB	*0.0*	*–0.4*	*–3.7*	*1.2*	*–2.3*	*–5.2*
of which non-IB	*0.0*	*–0.2*	*–2.4*	*–0.8*	*3.4*	*0.0*
Others: Vontobel	–0.1	–0.1	0.4	3.7	1.3	5.2
of which IB	*–0.1*	*–0.1*	*0.2*	*1.4*	*1.0*	*2.4*
of which non-IB	*0.0*	*0.0*	*0.2*	*2.3*	*0.3*	*2.8*

IB = Investment Banking

Interest rate risk

	INTEREST SENSITIVITY AS OF 31.12.2016					
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

Under IFRS, the market value effect of changes in interest ates 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 +10.3 mn as of 31.12.2017 and CHF +8.8 mn as of 31.12.2016 (31.12.2017: CHF –9.3 mn, 31.12.2016: CHF –14.0 mn) and the pre-tax impact on consolidated shareholders' equity would be CHF –25.1 mn as of 31.12.2017 and CHF –48.9 mn as of 31.12.2016 (31.12.2017: CHF +27.7 mn, 31.12.2016: CHF +46.4 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 31.12.2017					
1,000 CHF	USD	EUR	JPY	GBP	PRECIOUS METALS	OTHERS
+5%						
Vontobel	6,835.2	6,785.5	–30.8	3,207.1	–868.7	3,484.1
of which IB	*1,489.7*	*293.6*	*–2.5*	*538.6*	*–868.7*	*402.8*
of which non-IB	*5,345.5*	*6,491.9*	*–28.3*	*2,668.5*	*0.0*	*3,081.3*
–5%						
Vontobel	–7,855.5	–7,357.7	–182.5	–2,574.6	–612.8	–2,779.6
of which IB	*–2,510.0*	*–865.8*	*–210.8*	*93.9*	*–612.8*	*301.7*
of which non-IB	*–5,345.5*	*–6,491.9*	*28.3*	*–2,668.5*	*0.0*	*–3,081.3*

	CURRENCY SENSITIVITY AS OF 31.12.2016					
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*

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). 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 31. 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 liquidity coverage ratio (LCR), which took effect on 1 January 2015, and (b) the net stable funding ratio (NSFR), which is planned to be introduced by 1 January 2019.

Liquidity Coverage Ratio in accordance with FINMA Circular 15/2

AVERAGE	2ND HALF YEAR 2017	4TH QUARTER 2017	3RD QUARTER 2017
Total stock of high quality liquid assets (HQLA) in CHF mn	7,155.7	7,134.0	7,177.3
Total net cash outflows in CHF mn	4,182.8	4,033.6	4,332.0
Liquidity Coverage Ratio LCR in %	171.1	176.9	165.7

The liquidity coverage ratio is disclosed in accordance with the requirements set out in FINMA Circular 16/1. 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 2017, the liquidity coverage ratio had to exceed 80%. The main factors influencing Vontobel’s liquidity coverage ratio are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows, and reverse-repurchase agreements maturing within 30 calendar days as cash inflows.

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. Mortgages to finance the purchase of real estate and lombard loans are offered to our clients and employees.

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 31.12.2017, gross exposures (incl. mortgages) to private clients and institutional investment clients totalled CHF 3,945.9 mn (31.12.2016: CHF 3,000.6 mn), of which CHF 3,806.3 mn (31.12.2016: CHF 2,894.3 mn) was secured by recognized financial collateral (after risk discounts) and CHF 139.6 mn (31.12.2016: CHF 106.3 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	31.12.2017 TOTAL
Lending exposure	3,806.3	139.6	3,945.9

CHF MN	COVERED BY RECOGNIZED COLLATERAL	NOT COVERED BY RECOGNIZED COLLATERAL	31.12.2016 TOTAL
Lending exposure	2,894.3	106.3	3,000.6

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]

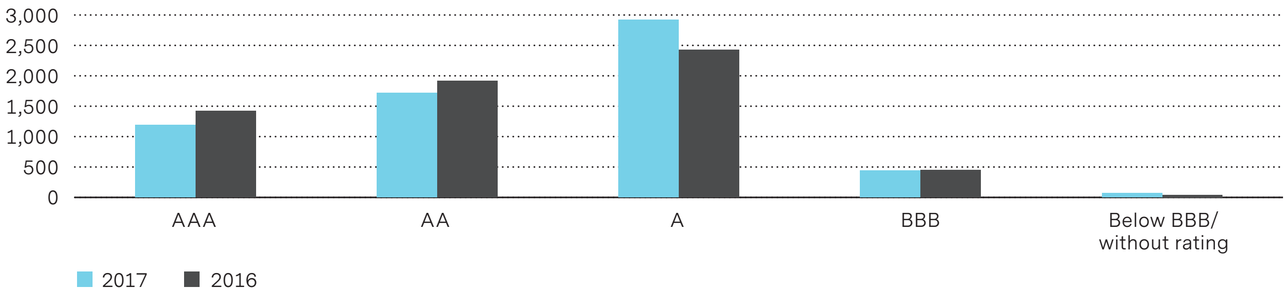
CHF MN	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2017 TOTAL
Issuer risk from debt instruments[2]	1,103.2	1,559.9	2,625.6	394.2	33.2	5,716.1
Money market and accounts[3]	65.5	130.5	87.8	36.1	37.1	357.0
Other financial receivables[4]	21.4	30.1	205.8	8.7	3.7	269.7
Total	**1,190.1**	**1,720.5**	**2,919.2**	**439.0**	**74.0**	**6,342.8**
Share (%)	18.8	27.1	46.0	6.9	1.2	100.0

CHF MN	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2016 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

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 461.1 mn as of 31.12.2017 or CHF 939.1 mn as of 31.12.2016
3 The cash account of CHF 2,678.7 mn as of 31.12.2017 or CHF 2,827.1 mn as of 31.12.2016 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 uncovered credit risks by rating (CHF mn)

in CHF mn



The exposures mainly relate to the rating categories “AAA” and “AA”, as shown in the previous table and graph: as of 31.12.2017, 46% (31.12.2016: 53%) of the exposures related to these categories of high creditworthiness. 92% of the exposures comprised a rating of “A” or above (31.12.2016: 92%). The proportion of exposures with a rating of less than “BBB” or with no rating was 1% (31.12.2016: 1%).

Breakdown of unsecured counterparty and issuer risks by counterparty type[1]

CHF MN	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2017 TOTAL
Issuer risk from debt instruments[2]	2,529.7	1,270.5	1,915.9	5,716.1
Money market and accounts[3]	263.4	24.6	69.0	357.0
Other financial receivables[4]	67.4	196.3	6.0	269.7
Total	**2,860.5**	**1,491.4**	**1,990.9**	**6,342.8**

CHF MN	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2016 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**

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 461.1 mn as of 31.12.2017 or CHF 939.1 mn as of 31.12.2016
3 The cash account of CHF 2,678.7 mn as of 31.12.2017 or CHF 2,827.1 mn as of 31.12.2016 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 31.12.2017, governments, including public sector bodies, accounted for CHF 1,990.9 mn (31.12.2016: CHF 1,987.0 mn) of a total of CHF 6,342.8 mn (31.12.2016: CHF 6,258.1 mn) or 31% (31.12.2016: 32%). Banks accounted for CHF 2,860.5.mn (31.12.2016: CHF 2,689.3 mn) of a total of CHF 6,342.8 mn (31.12.2016: CHF 6,258.1 mn) or 45% (31.12.2016: 43%).

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	31.12.2017 TOTAL
Issuer risk from debt instruments[2]	389.0	2,380.4	1,279.2	1,534.3	133.2	5,716.1
Money market and accounts[3]	86.7	238.5	27.5	3.8	0.5	357.0
Other financial receivables[4]	74.4	155.5	16.4	23.4	0.0	269.7
Total	**550.1**	**2,774.4**	**1,323.1**	**1,561.5**	**133.7**	**6,342.8**

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2016 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**

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 461.1 mn as of 31.12.2017 or CHF 939.1 mn as of 31.12.2016
3 The cash account of CHF 2,678.7 mn as of 31.12.2017 or CHF 2,827.1 mn as of 31.12.2016 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.

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 IT & cyber risks

Due to our business model, we operate in a complex technological environment. The protection of confidentiality, integrity and the availability of IT systems is therefore of critical importance for our operations.

IT risk forms part of our operational risks and represents the risk that a technical failure could affect our business activities. These risks are not only inherent in our IT infrastructure but also affect the employees and processes that interact with it. It is essential that the data used to support centralized business processes and reporting is secure, complete, accurate and up to date and that it meets appropriate quality standards.

In addition, our critical IT systems must be secure and resilient and have the necessary ability, capacity and adaptability to meet our current and future business objectives, client needs, and regulatory and legal requirements.

Cyber risk is an integral part of IT risk and involves cases where the functioning of our systems is compromised as a result of cyber attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of services, computer viruses or other security-related events.

To prevent and manage IT and cyber risks, various tools are used as part of our comprehensive IT risk management approach, both at operational level and in terms of business continuity and other crisis and emergency plans.

6.5 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. 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 1,098.6 mn and the BIS tier 1 ratio was 18.4%. 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	31.12.2017	31.12.2016
Eligible capital		
Equity according to balance sheet	1,620.5	1,514.1
Paid-in capital	*56.9*	*56.9*
Disclosed reserves	*1,440.8*	*1,291.2*
Net profit for the current financial year	*202.4*	*259.8*
Deduction for treasury shares	*–79.6*	*–93.8*
Deduction for minority interests	0.0	0.0
Deduction for dividends, as proposed by the Board of Directors	–119.4	–113.8
Deduction for goodwill	–226.8	–223.3
Deduction for intangible assets	–64.3	–55.7
Deduction for deferred tax assets	–20.0	–24.4
Addition (Deduction) for losses (gains) due to changes in own credit risk	0.6	3.9
Deduction for unrealised gains related to financial investments AFS	–4.1	–9.2
Deduction for defined benefit pension fund assets (IAS 19)	–29.9	–22.1
Other adjustments	–58.0	–51.1
Net eligible BIS common equity tier 1 capital (CET1)	**1,098.6**	**1,018.4**
Additional tier 1 capital (AT1)	0.0	0.0
Net eligible BIS tier 1 capital	**1,098.6**	**1,018.4**
Supplementary capital (tier 2)	0.0	0.0
Other deductions from total capital	0.0	0.0
Net eligible regulatory capital (BIS tier 1 + 2)	**1,098.6**	**1,018.4**
Risk-weighted positions		
Credit risks	1,892.6	1,622.4
Receivables	*1,812.1*	*1,519.7*
Price risk relating to equity instruments in the banking book	*80.5*	*102.7*
Non-counterparty related risks	158.6	152.9
Market risks	2,079.3	1,862.0
Interest rates	*1,187.3*	*1,076.1*
Equities	*328.9*	*314.7*
Currencies	*242.8*	*248.6*
Gold	*69.8*	*13.0*
Commodities	*250.5*	*209.6*
Operational risk	1,825.1	1,723.5
Total risk-weighted positions	**5,955.6**	**5,360.8**

Capital ratios in accordance with FINMA Circular 16/1

(AS A PERCENTAGE OF RISK-WEIGHTED POSITIONS)	31.12.2017	31.12.2016
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%)[1]	18.4	19.0
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%)[2]	18.4	19.0
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%)[3]	18.4	19.0
CET1 available to cover BCBS minimum capital and buffer requirements after deduction of AT1 and T2 capital requirements which are filled by CET1	14.9	15.5
CET1 available	14.2	14.8
T1 available	16.0	16.6
Eligible regulatory capital available	18.4	19.0

1 CET1 capital ratio target according to Annex 8 CAO plus countercyclical buffer: 7.8%
2 T1 capital ratio target according to Annex 8 CAO plus countercyclical buffer: 9.6%
3 Total capital ratio target according to Annex 8 CAO plus countercyclical buffer: 12.0%

The countercyclical buffer requirement (as a percentage of risk-weighted positions) is 0.0.
All investments in the financial sector (< 10%) are risk-weighted for CAD calculations (31.12.2017: CHF 8.5 mn/31.12.2016: CHF 8.5 mn).

Leverage ratio in accordance with FINMA Circular 15/3

	31.12.2017	31.12.2016
Net eligible BIS tier 1 capital in CHF mn	1,098.6	1,018.4
Total leverage ratio exposure in CHF mn	23,438.1	19,437.9
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	4.7	5.2

3. Breakdown of credit risks in accordance with FINMA Circular 08/22 to be replaced by FINMA Circular 16/1

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 which will be gradually replaced by FINMA Circular 16/1. Based on this new circular Vontobel will comply with the full disclosure requirements for the reporting period by publishing a stand-alone disclosure report for the first time on April 30, 2018.

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	31.12.2017 TOTAL
Balance sheet						
Due from banks	1,237.7	392.6	10.4	13.7	4.3	1,658.7
Loans	1,151.9	1,206.6	291.4	216.0	444.6	3,310.5
Debt instruments AFS	81.6	792.7	588.4	178.2	132.1	1,773.0
Other assets	623.6	39.4	4.8	2.3	8.7	678.8
Positive replacement values after netting	21.5	75.0	0.1	0.8	4.5	101.9
Total balance sheet	**3,116.3**	**2,506.3**	**895.1**	**411.0**	**594.2**	**7,522.9**
Off-balance sheet						
Contingent liabilities / guarantee credits	325.5	209.5	9.5	15.6	44.6	604.7
Irrevocable commitments	22.0	0.3	0.1	0.0	0.0	22.4
Add-ons and credit valuation adjustment	36.7	146.4	0.6	2.0	8.3	194.0
Total off-balance sheet	**384.2**	**356.2**	**10.2**	**17.6**	**52.9**	**821.1**
Total	**3,500.5**	**2,862.5**	**905.3**	**428.6**	**647.1**	**8,344.0**

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2016 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**

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	31.12.2017 TOTAL
Balance sheet						
Due from banks	0.0	1,658.7	0.0	0.0	0.0	1,658.7
Loans	3.0	0.0	18.9	3,288.6	0.0	3,310.5
Debt instruments AFS	358.2	302.4	445.3	0.0	667.1	1,773.0
Other assets	3.1	30.6	0.0	377.5	267.6	678.8
Positive replacement values after netting	0.0	75.4	0.0	26.5	0.0	101.9
Total balance sheet	**364.3**	**2,067.1**	**464.2**	**3,692.6**	**934.7**	**7,522.9**
Off-balance sheet						
Contingent liabilities / guarantee credits	0.3	17.5	0.4	502.5	84.0	604.7
Irrevocable commitments	0.0	0.2	7.3	14.9	0.0	22.4
Add-ons and credit valuation adjustment	0.0	151.5	0.0	42.5	0.0	194.0
Total off-balance sheet	**0.3**	**169.2**	**7.7**	**559.9**	**84.0**	**821.1**
Total	**364.6**	**2,236.3**	**471.9**	**4,252.5**	**1,018.7**	**8,344.0**

CHF MN	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL INVESTORS	OTHERS	31.12.2016 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**

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%	31.12.2017 TOTAL
Balance sheet							
Due from banks	966.2	689.6	2.9	0.0	0.0	0.0	1,658.7
Loans	2,782.6	179.2	0.0	36.2	309.0	3.5	3,310.5
Debt instruments AFS	654.6	541.7	456.1	0.0	120.6	0.0	1,773.0
Other assets	145.9	13.6	12.8	18.8	442.0	45.7	678.8
Positive replacement values after netting	95.8	0.0	0.0	0.0	6.1	0.0	101.9
Total balance sheet	**4,645.1**	**1,424.1**	**471.8**	**55.0**	**877.7**	**49.2**	**7,522.9**
Off-balance sheet							
Contingent liabilities/ guarantee credits	302.4	10.8	0.0	44.2	247.3	0.0	604.7
Irrevocable commitments	2.2	17.0	0.0	3.0	0.2	0.0	22.4
Add-ons and credit valuation adjustment	33.6	18.9	109.4	0.0	32.0	0.1	194.0
Total off-balance sheet	**338.2**	**46.7**	**109.4**	**47.2**	**279.5**	**0.1**	**821.1**
Total	**4,983.3**	**1,470.8**	**581.2**	**102.2**	**1,157.2**	**49.3**	**8,344.0**

CHF MN	0%/2%	20%/35%	50%	75%	100%	150%	31.12.2016 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**

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

CHF MN		0%	20%	50%	100%	31.12.2017 150%
Counterparty	**Rating**					
Governments and central banks	with rating	654.6	9.1	0.0	0.0	0.0
	without rating	0.0	0.0	0.0	0.0	0.0
Public bodies	with rating	–	61.7	19.6	0.0	0.0
	without rating	–	0.0	0.0	0.0	0.0
Banks	with rating	–	927.3	251.9	0.0	0.0
	without rating	–	3.0	0.0	0.0	0.0
Corporates	with rating	–	290.5	309.7	676.0	0.0
	without rating	–	0.0	0.0	50.3	0.0
Total	**with rating**	**654.6**	**1,288.6**	**581.2**	**676.0**	**0.0**
	without rating	**0.0**	**3.0**	**0.0**	**50.3**	**0.0**
Total		**654.6**	**1,291.6**	**581.2**	**726.3**	**0.0**

CHF MN		0%	20%	50%	100%	31.12.2016 150%
Counterparty	**Rating**					
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**

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	31.12.2017 TOTAL
Balance sheet			
Due from banks	966.2	692.5	1,658.7
Loans	2,782.6	527.9	3,310.5
Debt instruments AFS	0.0	1,773.0	1,773.0
Other assets	145.9	532.9	678.8
Positive replacement values after netting	95.8	6.1	101.9
Total balance sheet	**3,990.5**	**3,532.4**	**7,522.9**
Off-balance sheet			
Contingent liabilities / guarantee credits	302.4	302.3	604.7
Irrevocable commitments	2.2	20.2	22.4
Add-ons and credit valuation adjustment	33.6	160.4	194.0
Total off-balance sheet	**338.2**	**482.9**	**821.1**
Total	**4,328.7**	**4,015.3**	**8,344.0**

CHF MN	COVERED BY RECOGNIZED COLLATERAL	NOT COVERED BY RECOGNIZED COLLATERAL	31.12.2016 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**

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 142 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	31.12.2017 DIFFERENCE	EXPLANATION OF DIFFERENCE BETWEEN IFRS AND BASEL III
Balance sheet				
Cash	6,287.9	0.0	–6,287.9	No credit risk resp. no capital requirement
Due from banks	1,658.7	1,658.7	0.0	
Cash collateral for securities borrowing agreements	8.5	0.0	–8.5	No credit risk resp. no capital requirement
Cash collateral for reverse-repurchase agreements	1,007.2	0.0	–1,007.2	No credit risk resp. no capital requirement
Loans	3,310.5	3,310.5	0.0	
Debt instruments AFS	1,773.0	1,773.0	0.0	
Other assets	678.8	678.8	0.0	
Positive replacement values before / after netting	243.9	101.9	–142.0	Gross IFRS book value, Basel III after netting
Total balance sheet	**14,968.5**	**7,522.9**	**–7,445.6**	
Off-balance sheet				
Contingent liabilities / guarantee credits	608.1	604.7	–3.4	Basel III conversion into credit equivalents
Irrevocable commitments	90.2	22.4	–67.8	Basel III conversion into credit equivalents
Add-ons and credit valuation adjustment	0.0	194.0	194.0	Basel III add-ons based on contract volumes of derivative instruments
Total off-balance sheet	**698.3**	**821.1**	**122.8**	
Total	**15,666.8**	**8,344.0**	**–7,322.8**	

CHF MN	IFRS BOOK VALUE	BASEL III CREDIT EQUIVALENT BEFORE WEIGHTING	31.12.2016 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 securities borrowing agreements	0.0	0.0	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**	

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]	31.12.2017 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash[2]	6,287.9	0.0	6,287.9
Due from banks	1,658.7	966.2	692.5
Cash collateral for securities borrowing agreements	8.5	8.1	0.4
Cash collateral for reverse-repurchase agreements	1,007.2	1,007.2	0.0
Trading portfolio assets (debt instruments)	331.5	0.0	331.5
Positive replacement values	243.9	237.8	6.1
Other financial assets at fair value (debt instruments)	3,419.6	0.0	3,419.6
Loans	3,310.5	2,782.6	527.9
Financial investments (debt instruments AFS)	1,773.0	0.0	1,773.0
Other assets	444.5	162.1	282.4
Exposure from credit default swaps[3]	1,068.3	0.0	1,068.3
Off-balance-sheet positions	627.1	304.6	322.5
Total	**20,180.7**	**5,468.6**	**14,712.1**

CHF MN	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION[1]	31.12.2016 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash[2]	6,374.0	0.0	6,374.0
Due from banks	1,502.7	952.4	550.3
Cash collateral for securities borrowing agreements	0.0	0.0	0.0
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	438.6	241.7	196.9
Exposure from credit default swaps[3]	1,707.0	0.0	1,707.0
Off-balance-sheet positions	434.0	116.3	317.7
Total	**18,966.4**	**4,797.8**	**14,168.6**

1 Credit risk mitigation is presented on the basis of Basel III regulations and encompasses netting agreements, securities collateral, cash collateral and mortgage 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 balance sheet position "Positive replacement values".

The above tables show the maximum credit risk arising from all balance sheet and off-balance sheet items and the forms of credit risk mitigation available.

The tables on the following page show a reconciliation of credit risks after credit risk mitigation for all balance sheet and off-balance sheet items with credit risks from a risk management perspective.

Positions with credit risk after credit risk mitigation according to the risk representation

CHF MN	DEBT INSTRUMENTS	DEMAND AND TIME DEPOSITS	OTHER FINANCIAL RECEIVABLES	31.12.2017 TOTAL
Cash[1]	0.0	6,287.9	0.0	6,287.9
Due from banks	0.0	692.5	0.0	692.5
Cash collateral for securities borrowing agreements	0.0	0.4	0.0	0.4
Cash collateral for reverse-repurchase agreements	0.0	0.0	0.0	0.0
Trading portfolio assets (debt instruments)	331.5	0.0	0.0	331.5
Positive replacement values	0.0	0.0	6.1	6.1
Other financial assets at fair value (debt instruments)	3,419.6	0.0	0.0	3,419.6
Loans	0.0	527.9	0.0	527.9
Financial investments (debt instruments AFS)	1,773.0	0.0	0.0	1,773.0
Other assets	37.4	6.6	238.4	282.4
Exposure from credit default swaps	1,068.3	0.0	0.0	1,068.3
Off-balance-sheet positions	0.0	0.0	322.5	322.5
Total positions with credit risk after credit risk mitigation	**6,629.8**	**7,515.3**	**567.0**	**14,712.1**
Unsecured credit risk from private and institutional investment clients[2]	0.0	139.6	0.0	139.6
Unsecured credit risk from professional counterparties and issuer risks[3]	5,716.1	357.0	269.7	6,342.8
Total according to tables "Credit risk"	**5,716.1**	**496.6**	**269.7**	**6,482.4**
Difference	**913.7**	**7,018.7**	**297.3**	**8,229.7**

CHF MN	DEBT INSTRUMENTS	DEMAND AND TIME DEPOSITS	OTHER FINANCIAL RECEIVABLES	31.12.2016 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 securities borrowing agreements	0.0	0.0	0.0	0.0
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	133.5	196.9
Exposure from credit default swaps	1,707.0	0.0	0.0	1,707.0
Off-balance-sheet positions	0.0	0.0	317.7	317.7
Total positions with credit risk after credit risk mitigation	**6,678.4**	**7,034.1**	**456.1**	**14,168.6**
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]	5,563.0	443.7	251.4	6,258.1
Total according to tables "Credit risk"	**5,563.0**	**550.0**	**251.4**	**6,364.4**
Difference	**1,115.4**	**6,484.1**	**204.7**	**7,804.2**

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 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

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	
	CHF MN	CHF MN	CHF MN	IN %
Interest income from banks and customers	39.1	29.6	9.5	32
Interest income from securities borrowing and reverse-repurchase agreements	7.1	4.7	2.4	51
Interest income from financial liabilities	4.5	2.9	1.6	55
Total interest income from financial instruments at amortized cost	**50.7**	**37.2**	**13.5**	**36**
Dividend income from financial assets available-for-sale	3.6	10.9	–7.3	–67
Interest income from financial assets available-for-sale	28.6	27.7	0.9	3
Total interest and dividend income from financial assets at fair value	**32.2**	**38.6**	**–6.4**	**–17**
Total interest income	**82.9**	**75.8**	**7.1**	**9**
Interest expense from securities lending and repurchase agreements	2.0	1.3	0.7	54
Interest expense from other financial liabilities at amortized cost	5.3	1.7	3.6	212
Interest expense from financial assets	6.9	5.1	1.8	35
Total interest expense from financial instruments at amortized cost	**14.2**	**8.1**	**6.1**	**75**
Total	**68.7**	**67.7**	**1.0**	**1**

2 Net fee and commission income

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	
	CHF MN	CHF MN	CHF MN	IN %
Brokerage fees	111.8	109.3	2.5	2
Custody fees	164.8	149.5	15.3	10
Advisory and management fees	575.1	546.2	28.9	5
Issues and corporate finance	13.5	4.7	8.8	187
Other commission income from securities and investment transactions	31.2	18.4	12.8	70
Total fee and commission income from securities and investment transactions	**896.4**	**828.1**	**68.3**	**8**
Other fee and commission income	**6.1**	**3.8**	**2.3**	**61**
Brokerage fees	19.2	17.2	2.0	12
Other commission expense	190.4	166.0	24.4	15
Total commission expense	**209.6**	**183.2**	**26.4**	**14**
Total	**692.9**	**648.7**	**44.2**	**7**

The presentation was changed in the current year and the prior year was adapted accordingly. Fiduciary transactions (31.12.2017: CHF 1.5 mn; 31.12.2016: CHF 0.9 mn) are now shown in the item "Other commission income from securities and investment transactions" and commission income from lending activities (31.12.2017: CHF 1.1 mn; 31.12.2016: CHF 1.0 mn) is now shown in the item "Other fee and commission income".

3 Trading income

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Securities	889.2	670.2	219.0	33
Other financial instruments at fair value	–627.3	–458.7	–168.6	
Forex and precious metals	26.9	38.5	–11.6	–30
Total	**288.8**	**250.0**	**38.8**	**16**

Trading income as of 31.12.2017 includes income of CHF 2.5 mn (31.12.2016: CHF –3.6 mn), which is attributable to changes in fair value due to a change in Vontobel's own credit risk. Of the total impact, CHF –0.8 mn was realized as of 31.12.2017 (31.12.2016: CHF –1.4 mn), while the remaining CHF 3.3 mn (31.12.2016: CHF –2.2 mn) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF 3.3 mn, of which CHF 3.9 mn was realized and CHF –0.6 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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Financial instruments held-for-trading	889.2	670.2	219.0	33
Other financial instruments at fair value	–627.3	–458.7	–168.6	
Forex and precious metals	26.9	38.5	–11.6	–30
Trading income	**288.8**	**250.0**	**38.8**	**16**
Financial instruments available-for-sale	38.2	149.0	–110.8	–74
Loans and receivables	39.2	29.2	10.0	34
Financial liabilities measured at amortized cost	–2.8	–0.1	–2.7	
Total other financial instruments	**74.6**	**178.1**	**–103.5**	**–58**
Total financial instruments income statement	**363.4**	**428.1**	**–64.7**	**–15**
Unrealized gains / (losses) on available-for-sale financial instruments, recorded in other comprehensive income	–3.3	–27.8	24.5	
(Gains) / losses on available-for-sale financial instruments, transferred from other comprehensive income to the income statement	–4.5	–106.2	101.7	
Unrealized gains / (losses) on cash flow hedges, recorded in other comprehensive income	–0.5	–0.3	–0.2	
(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	**355.1**	**293.8**	**61.3**	**21**

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

	NOTE	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Real estate income		0.0	0.0	0.0	
Income from the sale of property and equipment		0.0	–0.1	0.1	
Income from the sale of financial instruments available-for-sale	6	6.0	110.8	–104.8	–95
Impairments of financial instruments available-for-sale		–0.1	–0.4	0.3	
Income from investments in associates	6	0.7	0.2	0.5	250
Other income		3.3	4.2	–0.9	–21
Total		**9.9**	**114.7**	**–104.8**	**–91**

6 Income from the sale of financial investments available-for-sale

Income from the sale of financial investments available-for-sale

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Debt instruments	5.7	6.5	–0.8	–12
Equity instruments[1]	0.3	104.3	–104.0	–100
Total	**6.0**	**110.8**	**–104.8**	**–95**

1 Financial year 2016: This item includes the gain of CHF 102.0 mn from the sale of the participation in Helvetia Holding AG in November 2016.

Income from investments in associates

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Share of profit	0.7	0.2	0.5	250
Impairments	0.0	0.0	0.0	
Total	**0.7**	**0.2**	**0.5**	**250**

7 Personnel expense

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Salaries and bonuses	445.4	412.8	32.6	8
Pension and other employee benefit plans[1]	35.8	22.2	13.6	61
Other social contributions	36.8	33.0	3.8	12
Other personnel expense	14.6	16.8	–2.2	–13
Total	**532.6**	**484.8**	**47.8**	**10**

Personnel expense includes the expense for share-based compensation of CHF 32.6 mn, of which CHF 25.6 mn relates to performance shares and CHF 7.0 mn to the awarding of bonus shares at preferential terms and CHF 0.0 mn to other share-based compensation (previous year: performance shares CHF 24.0 mn, bonus shares CHF 4.7 mn, other CHF –8.9 mn; total CHF 19.8 mn) as well as deferred compensation in cash of CHF 2.4 mn. (previous year: CHF –1.7 mn.).

1 Financial year 2016: 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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Occupancy expense	33.0	35.9	–2.9	–8
IT, telecommunications and other equipment	71.7	64.6	7.1	11
Travel and representation, public relations, marketing	43.1	36.2	6.9	19
Consulting and audit fees	26.8	24.3	2.5	10
Other general expense	30.4	28.7	1.7	6
Total	**205.0**	**189.7**	**15.3**	**8**

9 Depreciation of property, equipment and intangible assets

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Depreciation of property and equipment	51.1	53.3	–2.2	–4
Amortization of other intangible assets	9.3	7.2	2.1	29
Impairments of property and equipment	0.6	1.8	–1.2	–67
Total	**61.0**	**62.3**	**–1.3**	**–2**

10 Valuation adjustments, provisions and losses

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Impairments on credit risks	0.1	0.1	0.0	0
Decrease of allowances for credit losses	0.0	–0.1	0.1	
Increase in provisions	6.6	17.9	–11.3	–63
Release of provisions	–0.2	–1.6	1.4	
Recoveries	0.0	0.1	–0.1	–100
Other	–4.1	6.6	–10.7	–162
Total	**2.4**	**23.0**	**–20.6**	**–90**

11 Taxes

Tax expense

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Statement of tax expense				
Explanation of the relationship between tax expense and net profit before taxes:				
Current income taxes	43.3	54.6	–11.3	–21
Deferred income taxes	7.0	2.3	4.7	204
Total	**50.3**	**56.9**	**–6.6**	**–12**
Profit before taxes	259.3	321.3	–62.0	–19
Expected income tax rate of 22%[1]	57.0	70.7	–13.7	–19
Explanations for higher (lower) tax expense:				
Applicable tax rates differing from expected rate	–0.4	–12.7	12.3	
Tax losses not taken into account	0.7	2.0	–1.3	–65
Appropriation of non-capitalized deferred taxes on loss carryforwards	0.0	0.0	0.0	
Newly recognized deferred tax assets	0.0	–0.4	0.4	
Other income with no impact on taxes	–1.6	–2.0	0.4	
Income tax unrelated to accounting period	0.8	1.6	–0.8	–50
Participation relief granted on dividend income	–8.8	–5.0	–3.8	
Other impacts	2.6	2.7	–0.1	–4
Total	**50.3**	**56.9**	**–6.6**	**–12**
Effective tax rate in %	19.4	17.7		

1 The anticipated income tax rate of 22% corresponds to the average tax rate in Switzerland.

Deferred taxes

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Tax loss carryforwards	17.2	20.5	–3.3	–16
Other	2.8	3.9	–1.1	–28
Total deferred tax assets	**20.0**	**24.4**	**–4.4**	**–18**
Property and equipment	0.3	0.5	–0.2	–40
Intangible assets	9.3	10.8	–1.5	–14
Investments in associates	0.2	0.2	0.0	0
Other provisions	22.3	22.3	0.0	0
Unrealized gains on available-for-sale financial investments	3.1	3.9	–0.8	–21
Other	6.4	4.7	1.7	36
Total deferred tax liabilities	**41.6**	**42.4**	**–0.8**	**–2**

Changes in deferred taxes (net)

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Balance at the beginning of the year	18.0	22.6	–4.6	–20
Changes affecting the income statement	3.0	–0.2	3.2	
Changes not affecting the income statement	0.8	6.2	–5.4	–87
Change in scope of consolidation	0.0	–10.3	10.3	
Translation adjustments	–0.2	–0.3	0.1	
Total as at the balance sheet date	**21.6**	**18.0**	**3.6**	**20**

Unrecognized tax loss carryforwards expire as follows:

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Within 1 year	1.8	0.7	1.1	157
From 1 to 5 years	3.4	5.4	–2.0	–37
After 5 years	63.2	58.8	4.4	7
Total	**68.4**	**64.9**	**3.5**	**5**

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 17.2 mn (31.12.2017) or CHF 20.5 mn (31.12.2016). Unrecognized loss carryforwards in the amount of CHF 68.4 mn (31.12.2017) or CHF 64.9 mn (31.12.2016) are subject to tax rates of 16% to 33% (31.12.2017) or 16% to 33% (31.12.2016). If recognized in full, the deferred tax assets for loss carryforwards eligible for offset would total CHF 35.0 mn (31.12.2017) or CHF 37.5 mn (31.12.2016).

12 Tax effects to other comprehensive income

CHF MN	31.12.2017 AMOUNT BEFORE TAX	TAX YIELD / TAX EXPENSE	AMOUNT NET OF TAX
Translation differences during the reporting period	1.6	0.0	1.6
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from available-for-sale financial instruments during the reporting period	–3.3	0.6	–2.7
Income from available-for-sale financial instruments transferred to the income statement	–4.5	1.0	–3.5
Income from cash flow hedges during the reporting period	–0.6	0.1	–0.5
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Defined benefit pension plans	12.2	–2.6	9.6
Total	**5.4**	**–0.9**	**4.5**

CHF MN	31.12.2016 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	**–62.7**	**–6.3**	**–69.0**

13 Earnings per share

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	IN %
Net profit (CHF mn)[1]	202.4	259.8	–57.4	–22
Weighted average number of shares issued	56,875,000	56,875,000	0	0
Less weighted average number of treasury shares	1,498,741	1,792,737	–293,996	–16
Weighted average number of shares outstanding (undiluted)	55,376,259	55,082,263	293,996	1
Dilution effect number of shares[2]	1,443,430	1,548,877	–105,447	–7
Weighted average number of shares outstanding (diluted)	56,819,689	56,631,140	188,549	0
Basic earnings per share (in CHF)	3.65	4.72	–1.07	–23
Diluted earnings per share (in CHF)	3.56	4.59	–1.03	–22

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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Debt instruments				
Listed	331.5	478.6	–147.1	–31
Unlisted	0.0	114.1	–114.1	–100
Total	**331.5**	**592.7**	**–261.2**	**–44**
Equity instruments				
Listed	2,651.5	1,341.8	1,309.7	98
Unlisted	0.4	0.0	0.4	
Total	**2,651.9**	**1,341.8**	**1,310.1**	**98**
Units in investment funds				
Listed	166.1	64.6	101.5	157
Unlisted	1.1	37.5	–36.4	–97
Total	**167.2**	**102.1**	**65.1**	**64**
Precious metals and cryptocurrencies	**840.6**	**479.2**	**361.4**	**75**
Total	**3,991.2**	**2,515.8**	**1,475.4**	**59**
of which lent or delivered as collateral	*197.6*	*114.8*	*82.8*	*72*

Trading portfolio liabilities

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Debt instruments				
Listed	106.0	71.6	34.4	48
Unlisted	0.0	0.0	0.0	
Total	**106.0**	**71.6**	**34.4**	**48**
Equity instruments				
Listed	52.2	28.1	24.1	86
Unlisted	0.0	0.0	0.0	
Total	**52.2**	**28.1**	**24.1**	**86**
Total	**158.2**	**99.7**	**58.5**	**59**

Open derivative instruments

	31.12.2017			31.12.2016		
CHF MN	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME
Debt instruments						
Forward contracts incl. FRAs				–	–	
Swaps	21.6	30.9	3,620.2	25.8	41.6	2,997.2
Futures			14.5	0.1	0.0	9.4
Options (OTC) and warrants	2.7	0.9	1.8	4.3	1.3	70.8
Options (exchange traded)	0.7		2.7	–	–	
Total	**25.0**	**31.8**	**3,639.2**	**30.2**	**42.9**	**3,077.4**
Foreign currency						
Forward contracts	7.2	6.9	933.4	8.3	10.3	829.3
Swaps	106.9	48.4	7,032.8	37.5	46.0	4,402.9
Futures			1.0	–	–	
Options (OTC) and warrants	5.9	13.0	1,078.6	4.4	11.4	879.4
Options (exchange traded)	0.1		0.9	0.1	0.0	12.6
Total	**120.1**	**68.3**	**9,046.7**	**50.3**	**67.7**	**6,124.2**
Precious metals and cryptocurrencies						
Forward contracts			0.1	0.0	0.0	3.8
Swaps	0.6	0.8	146.6	10.5	9.8	187.8
Futures			115.8	0.0	0.0	68.0
Options (OTC) and warrants	3.1	34.3	529.6	4.4	19.3	940.8
Options (exchange traded)	0.1		5.9	–	–	
Total	**3.8**	**35.1**	**798.0**	**14.9**	**29.1**	**1,200.4**
Equities / indices						
Forward contracts				–	–	
Swaps	25.8	35.1	1,671.5	11.4	39.5	1,041.6
Futures			838.1	0.0	0.0	231.9
Options (OTC) and warrants	25.6	474.6	7,086.6	29.4	290.9	4,243.5
Options (exchange traded)	32.3	47.9	3,172.4	21.0	18.1	1,615.3
Total	**83.7**	**557.6**	**12,768.6**	**61.8**	**348.5**	**7,132.3**
Credit derivatives						
Credit default swaps	11.0	7.6	1,113.8	15.1	8.2	1,745.2
Total	**11.0**	**7.6**	**1,113.8**	**15.1**	**8.2**	**1,745.2**
Other						
Forward contracts				–	–	
Futures			115.5	0.0	0.0	90.4
Options (OTC) and warrants	0.2	25.2	67.9	0.0	19.0	166.2
Options (exchange traded)	0.1		0.7	–	–	
Total	**0.3**	**25.2**	**184.1**	**0.0**	**19.0**	**256.6**
Total	**243.9**	**725.6**	**27,550.4**	**172.3**	**515.4**	**19,536.1**

The positive and negative replacement values relate to trading instruments with the exception of the instruments referred to in note 35 “Hedge accounting”.

Other financial assets at fair value through profit and loss

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Debt instruments				
Listed	2,762.2	2,016.3	745.9	37
Unlisted	657.5	214.0	443.5	207
Total	**3,419.7**	**2,230.3**	**1,189.4**	**53**
Units in investment funds				
Unlisted	47.5	57.5	–10.0	–17
Total	**47.5**	**57.5**	**–10.0**	**–17**
Structured products	**23.7**	**5.6**	**18.1**	**323**
Total	**3,490.9**	**2,293.4**	**1,197.5**	**52**
of which lent or delivered as collateral	*236.0*	*112.8*	*123.2*	*109*

Other financial liabilities at fair value through profit and loss

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Structured products				
Listed	4,951.8	4,129.7	822.1	20
Unlisted	3,499.5	2,225.1	1,274.4	57
Total	**8,451.3**	**6,354.8**	**2,096.5**	**33**

15 Loans

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Mortgages	235.9	56.6	179.3	317
Other accounts receivable	3,093.1	2,561.8	531.3	21
Less allowances for credit risks	–18.5	–16.5	–2.0	
Total	**3,310.5**	**2,601.9**	**708.6**	**27**
Allowances for credit risks				
Balance at the beginning of the year	–16.5	–15.1	–1.4	
Utilization in conformity with designated purpose	0.6	0.0	0.6	
Doubtful interest income[1]	–1.9	–1.9	0.0	0
(Increase)/decrease recognized in the income statement, net	–0.7	0.5	–1.2	–240
Change in scope of consolidation	0.0	0.0	0.0	
Allowances as at the balance sheet date	**–18.5**	**–16.5**	**–2.0**	
Impaired loans				
Impaired loans	41.2	39.2	2.0	5
Estimated proceeds of liquidating collateral	14.5	14.5	0.0	0
Impaired loans, net	**26.7**	**24.7**	**2.0**	**8**
Allowance for credit losses related to impaired loans	–18.5	–16.5	–2.0	

1 Interest of CHF 1.9 mn (previous year CHF 1.9 mn) on non-performing loans that had not yet been received was capitalized.

16 Financial investments

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Carried at fair value ("available-for-sale")				
Debt instruments				
Listed	1,773.0	2,089.8	–316.8	–15
Unlisted	0.0	0.0	0.0	
Total	**1,773.0**	**2,089.8**	**–316.8**	**–15**
Equity instruments and other participations				
Listed	0.2	0.2	0.0	0
Unlisted	14.8	14.9	–0.1	–1
Total	**15.0**	**15.1**	**–0.1**	**–1**
Units in investment funds				
Listed	0.0	0.8	–0.8	–100
Unlisted	0.9	5.6	–4.7	–84
Total	**0.9**	**6.4**	**–5.5**	**–86**
Total financial investments carried at fair value ("available-for-sale")	**1,788.9**	**2,111.3**	**–322.4**	**–15**
of which lent or delivered as collateral	*0.0*	*0.0*	*0.0*	

17 Investments in associates

Investments in associates

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Balance at the beginning of the year	0.6	0.5	0.1	20
Decreases	0.0	0.0	0.0	
Equity income	0.7	0.2	0.5	250
Dividends paid	–0.4	–0.1	–0.3	
Translation differences	0.0	0.0	0.0	
Total as at the balance sheet date	**0.9**	**0.6**	**0.3**	**50**

Subsidiary consolidated using the equity method

	DOMICILE	ACTIVITY	CURRENCY	SHARE CAPITAL MN	INTEREST HELD IN % 31.12.2017	INTEREST HELD IN % 31.12.2016
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 31.12.2017 and 31.12.2016, the liability totalled CHF 57.4 mn and CHF 50.3 mn (please refer to note 32 "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.

The following tables provide a summary of key financial information and the impacts of TwentyFour Asset Management on the consolidated financial statements:

Balance sheet

CHF MN	31.12.2017	31.12.2016
Assets		
Goodwill	68.9	65.6
Client relationships	8.5	11.5
Brand	0.3	0.4
Other assets	25.2	19.6
Total assets	**102.9**	**97.1**
Liabilities		
Liabilities	12.0	8.7
Equity	90.9	88.4
of which minority interests [1]	*9.2*	*9.7*
Total liabilities	**102.9**	**97.1**

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	31.12.2017	31.12.2016
Operating income	38.4	30.1
Profit, net of tax	13.6	9.4
of which minority interests	*6.6*	*4.6*
Comprehensive income	14.7	5.1
of which minority interests	*7.0*	*2.9*

Further financial information

CHF MN	31.12.2017	31.12.2016
Cash flow from operating activities	20.4	14.4
Dividends paid to holders of minority interests	7.8	5.2
Minority interest in%	40	40

19 Property and equipment

CHF MN	BANK BUILDINGS	IT SYSTEMS	SOFTWARE	SOFTWARE IN DEVELOPMENT	OTHER FIXED ASSETS	TOTAL FIXED ASSETS
Acquisition cost						
Balance as of 01.01.2016	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 31.12.2016	1.7	18.9	257.4	7.5	91.4	376.9
Additions	0.0	11.9	40.4	0.2	5.2	57.7
Disposals	0.0	–6.5	–57.1	–0.6	–2.4	–66.6
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	–2.1	0.0	–1.1	–3.2
Translation differences	0.0	–0.1	0.0	0.0	0.0	–0.1
Balance as of 31.12.2017	**1.7**	**24.2**	**238.6**	**7.1**	**93.1**	**364.7**
Cumulative depreciation						
Balance as of 01.01.2016	–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 31.12.2016	–0.8	–12.2	–166.2	–0.7	–43.1	–223.0
Depreciation	–0.1	–5.6	–35.8	0.0	–9.6	–51.1
Impairment losses	0.0	0.0	–0.6	0.0	0.0	–0.6
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	6.5	57.1	0.6	2.4	66.6
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	2.0	0.0	1.1	3.1
Translation differences	0.0	0.1	0.0	0.0	–0.1	0.0
Balance as of 31.12.2017	**–0.9**	**–11.2**	**–143.5**	**–0.1**	**–49.3**	**–205.0**
Net carrying values 31.12.2016	0.9	6.7	91.2	6.8	48.3	153.9
Net carrying values 31.12.2017	**0.8**	**13.0**	**95.1**	**7.0**	**43.8**	**159.7**

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 01.01.2016	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 31.12.2016	223.3	81.6	304.9
Additions	0.2	17.4	17.6
Disposals	0.0	0.0	0.0
Change in scope of consolidation	0.0	0.0	0.0
Translation differences	3.3	0.9	4.2
Balance as of 31.12.2017	**226.8**	**99.9**	**326.7**
Cumulative depreciation			
Balance as of 01.01.2016	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 31.12.2016	0.0	–25.9	–25.9
Amortization		–9.3	–9.3
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	–0.4	–0.4
Balance as of 31.12.2017	**0.0**	**–35.6**	**–35.6**
Net carrying values 31.12.2016	223.3	55.7	279.0
Net carrying values 31.12.2017	**226.8**	**64.3**	**291.1**

The goodwill resulting from a business combination is recognized as an asset in the balance sheet and assigned to one or more cash-generating units. 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

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	
	CHF MN	CHF MN	CHF MN	IN %
Wealth Management division	45.7	45.5	0.2	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	63.6	63.1	0.5	1
Fixed Income business unit	60.7	57.9	2.8	5
Multi Asset business unit	26.3	26.3	0.0	0
Vescore business unit	8.7	8.7	0.0	0
Total	**226.8**	**223.3**	**3.5**	**2**

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. 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.

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 multiplier less costs to sell, the book value is subsequently compared with the value in use of the organizational unit.

Multiplier

IN %	31.12.2017	31.12.2016
Wealth Management division	2.3	1.7
Francophone & Middle East business unit	3.5	3.0
Italy business unit	3.2	2.5
Asset Management division	0.9	0.9
Fixed Income business unit	0.6	0.6
Multi Asset business unit	0.6	0.6
Vescore business unit	0.9	0.3

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

				CHANGE TO 31.12.2016	
	NOTE	31.12.2017 CHF MN	31.12.2016 CHF MN	CHF MN	IN %
Accrued income and prepaid expenses		152.7	155.9	–3.2	–2
Current tax assets		26.8	26.1	0.7	3
Deferred tax assets	11	20.0	24.4	–4.4	–18
Value-added tax and other tax receivables		143.0	54.7	88.3	161
Defined benefit pension asset	41	29.9	22.1	7.8	35
Settlement and clearing accounts		1.4	2.2	–0.8	–36
Open settlement positions		162.1	241.7	–79.6	–33
Other receivables		39.9	37.2	2.7	7
Assets held for sale	40	86.6	0.0	86.6	
Other		1.9	1.6	0.3	19
Total		**664.3**	**565.9**	**98.4**	**17**

22 Securities lending and borrowing operations and securities repurchase and reverse-repurchase transactions

	31.12.2017 CASH COLLATERAL FOR		31.12.2016 CASH COLLATERAL FOR	
CHF MN	SECURITIES BORROWING AGREEMENTS	REVERSE-REPURCHASE AGREEMENTS	SECURITIES BORROWING AGREEMENTS	REVERSE-REPURCHASE AGREEMENTS
Due from banks	8.5	1,007.2	0.0	823.1
Loans	0.0	0.0	0.0	0.0
Total balance sheet positions cash collateral	**8.5**	**1,007.2**	**0.0**	**823.1**
Other financial instruments at fair value	0.0	0.0	0.0	0.0
Total	**8.5**	**1,007.2**	**0.0**	**823.1**

	31.12.2017 CASH COLLATERAL FROM		31.12.2016 CASH COLLATERAL FROM	
CHF MN	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS
Due to banks	0.0	0.0	0.0	0.0
Due to customers	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**

23 Transferred and pledged assets

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	
	CHF MN	CHF MN	CHF MN	IN %
Securities lending, securities borrowing and repurchase transactions	433.6	227.6	206.0	91
Trading portfolio assets	*197.6*	*114.8*	*82.8*	*72*
Other financial instruments at fair value	*236.0*	*112.8*	*123.2*	*109*
Financial assets	*0.0*	*0.0*	*0.0*	
Other transactions	10.0	40.9	–30.9	–76
Total transferred assets	**443.6**	**268.5**	**175.1**	**65**
Trading portfolio assets	207.6	142.9	64.7	45
Debt instruments	*53.3*	*41.4*	*11.9*	*29*
Equity instruments	*153.9*	*101.4*	*52.5*	*52*
Other	*0.4*	*0.1*	*0.3*	*300*
Other financial instruments at fair value	236.0	112.8	123.2	109
Debt instruments	*236.0*	*112.8*	*123.2*	*109*
Equity instruments	*0.0*	*0.0*	*0.0*	
Financial assets	0.0	0.0	0.0	
Other assets	0.0	12.8	–12.8	–100
Total transferred assets	**443.6**	**268.5**	**175.1**	**65**
of which those where the right to sell or repledge the assets has been assigned without restriction	*433.6*	*227.6*	*206.0*	*91*
Pledged assets	424.8	536.5	–111.7	–21
Total pledged assets	**424.8**	**536.5**	**–111.7**	**–21**

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 Vontobel retains the associated risks and rewards. ’

24 Saleable or pledgeable securities not recorded in the balance sheet

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Securities lending, securities borrowing and reverse-repurchase transactions	1,566.0	1,330.6	235.4	18
Other transactions	60.3	51.8	8.5	16
Total fair value of securities received that can be sold or repledged	**1,626.3**	**1,382.4**	**243.9**	**18**
of which securities sold or repledged	557.7	780.3	–222.6	–29

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 Other liabilities

	NOTE	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Accrued expenses and deferred income		324.8	305.2	19.6	6
Current tax liabilities		10.9	13.2	–2.3	–17
Deferred tax liabilities	11	41.6	42.4	–0.8	–2
Defined benefit pension liabilities	41	0.0	2.1	–2.1	–100
Value-added tax and other tax liabilities		7.8	6.7	1.1	16
Settlement and clearing accounts		2.3	30.1	–27.8	–92
Open settlement positions		275.9	166.1	109.8	66
Liability to purchase minority interests		57.4	50.3	7.1	14
Other liabilities		59.2	54.6	4.6	8
Liabilities held for sale	40	140.5	0.0	140.5	
Others		7.6	8.3	–0.7	–8
Total		**928.0**	**679.0**	**249.0**	**37**

26 Provisions

CHF MN	OTHER	2017 TOTAL	2016 TOTAL
Balance at the beginning of the year	33.4	33.4	18.4
Utilization in conformity with designated purpose	–0.8	–0.8	–1.4
Increase in provisions recognized in the income statement	8.0	8.0	17.9
Release of provisions recognized in the income statement	–0.2	–0.2	–1.6
Recoveries	0.2	0.2	0.1
Change in scope of consolidation	0.0	0.0	0.0
Reclassification	–0.1	–0.1	0.0
Translation differences	0.1	0.1	0.0
Provisions as at the balance sheet date	**40.6**	**40.6**	**33.4**

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 and it was adjusted in the financial year 2017 based on new information.

27 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 01.01.2015	65,000,000	65.0	0	0.0
Balance as of 31.12.2015	56,875,000	56.9	0	0.0
Balance as of 31.12.2016	56,875,000	56.9	0	0.0
Balance as of 31.12.2017	**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 2017 and 2016 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 01.01.2016	2,103,109	94.6
Purchases	1,344,070	60.9
Decreases	–1,340,812	–61.7
Balance as of 31.12.2016	2,106,367	93.8
Purchases	1,007,777	58.6
Decreases	–1,525,807	–72.8
Balance as of 31.12.2017	**1,588,337**	**79.6**

As of 31.12.2017 Vontobel held 15,471 (previous year 29,714) treasury shares to secure options and structured products. Own shares were offset against shareholders' equity in accordance with IAS 32.

28 Unrealized gains and losses on financial investments

	31.12.2017		31.12.2016	
CHF MN	UNREALIZED GAINS	UNREALIZED LOSSES	UNREALIZED GAINS	UNREALIZED LOSSES
Debt instruments	2.9	–7.5	9.6	–6.3
Equity instruments and other participations	1.4	0.0	1.5	0.0
Units in investment funds	0.1	0.0	0.2	–0.2
Total before taxes	**4.4**	**–7.5**	**11.3**	**–6.5**
Taxes	–0.3	1.3	–2.1	1.4
Total net of tax [1]	**4.1**	**–6.2**	**9.2**	**–5.1**

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

29 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

	31.12.2017	31.12.2016[1]	CHANGE TO 31.12.2016	
	CHF MN	CHF MN	CHF MN	IN %
Short-term employee benefits	2.4	2.4	0.0	0
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[2,3]	1.7	1.6	0.1	6
Total mandate-related compensation for the financial year[4]	**4.2**	**4.1**	**0.1**	**2**
Compensation for additional services	0.0	0.0	0.0	
Total compensation for the financial year[5]	**4.2**	**4.1**	**0.1**	**2**

1 Including compensation paid to one former member and three new members of the Board of Directors pro rata temporis.
2 The members of the Board of Directors received a total of 34,273 (previous year 39,938) shares of Vontobel Holding AG as part of their compensation for the year under review. None of those shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
3 The cost of the performance shares is not included in the calculation of share-based compensation during the vesting period of the shares.
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

	31.12.2017	31.12.2016	CHANGE TO 31.12.2016	
	NUMBER	NUMBER	NUMBER	IN %
Number of performance shares allotted to Herbert J. Scheidt[1]	35,340	30,144	5,196	17

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 1.0 mn (previous year CHF 0.8 mn) and was included on a pro rata basis over the vesting period.

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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 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[2]	5.7	5.4	0.3	6
Post-employment benefits	0.7	0.6	0.1	17
Other long-term benefits	0.0	0.0	0.0	
Termination benefits	0.0	0.0	0.0	
Equity compensation benefits bonus shares[2,3]	5.7	5.4	0.3	6
Total contract-related compensation for the financial year[4]	**15.8**	**15.1**	**0.7**	**5**
Compensation for additional services	0.0	0.0	0.0	
Total compensation for the financial year[5]	**15.8**	**15.1**	**0.7**	**5**
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 Financial year 2017: Subject to the approval of the General Meeting of Shareholders 2018
3 A total of 118,902 (previous year 127,831) 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

	31.12.2017 CHF MN OR NUMBER	31.12.2016 CHF MN OR NUMBER	CHANGE TO 31.12.2016 CHF MN OR NUMBER	IN %
Market value of performance shares at the date on which they were allotted in CHF mn[1]	10.5	6.1	4.4	72
Number of performance shares allotted	189,660	146,700	42,960	29
Number of persons receiving compensation	6	6	0	0

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 5.2 mn (previous year CHF 3.9 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. The fair value of bonus shares at grant date is charged as personnel expense. 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. On the balance sheet date, the expense relating to the performance share program is estimated for the entire vesting period and charged to personnel expense on a pro rata temporis basis. When determining the expense, the estimates for the return on equity, the BIS tier 1 capital ratio and the probability that employees will leave the company are updated, while the relevant share price is fixed at the time when the rights to receive performance shares are granted and is not adjusted during the vesting period. It corresponds to the fair value of the Vontobel Holding AG share at this time, less the present value of the dividends expected during the vesting period.

Blocked shares

NUMBER	EMPLOYEES 31.12.2017	EMPLOYEES 31.12.2016	MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD 31.12.2017	MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD 31.12.2016
Holdings of blocked shares at the beginning of the year	1,172,714	1,163,294	522,139	534,331
Allotted shares and transfers (addition)	375,579	394,296	166,127	184,278
Shares for which the holding period has lapsed	–387,122	–316,699	–179,874	–192,020
Shares of employees/members who have left the Group and transfers (reduction)	–29,801	–68,177	–295	–4,450
Holdings of blocked shares as at the balance sheet date	**1,131,370**	**1,172,714**	**508,097**	**522,139**
Charged as personnel expense in the year under review (CHF mn)	1.0	0.1	0.4	0.4
Charged as personnel expense in the preceding year (CHF mn)	19.9	17.9	8.8	7.9
Average price of shares upon allotment (CHF)	55.60	45.70	55.62	44.63
Fair value of blocked shares as at the balance sheet date (CHF mn)	69.6	62.7	31.2	27.9

Deferred compensation outstanding

Right to 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 2013 as well as the performance of the business in the years 2014 to 2016, measured in terms of the average return on equity (ROE) and the average risk profile (BIS tier 1 capital ratio). The cost per allocated share recorded as share-based compensation was CHF 27.55. The market price was CHF 55.60 on the allocation date in March 2017 and was CHF 61.50 as at the balance sheet date.

In view of expectations regarding the performance of the business (ROE and BIS tier 1 capital ratio), the calculation of the number of rights is based on the assumption that between 108% and 122% (previous year between 113% and 133%) 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 2018 and 2019 is 3 percentage points higher (lower) than expected due to an improvement (deterioration) in the performance of the business, between 118% and 130% (95% and 120%) 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 2018 and 2019 is 2 percentage points higher (lower) than expected, these factors would be between 120% and 129% (108% and 122%). Further information is available at: www.vontobel.com/compensation-report. 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	**31.12.2017**	**31.12.2016**	**31.12.2017**	**31.12.2016**
Holdings of rights at the beginning of the year	1,458,398	1,233,447	577,654	536,037
Allotted rights and transfers (addition)	375,579	394,296	127,831	141,643
Recorded performance shares	–514,518	–297,088	–225,000	–176,844
Forfeited rights and transfers (reduction)	–26,068	–72,154	0	0
Change of rights due to modified parameters	27,892	199,897	13,395	76,818
Holdings of rights as at the balance sheet date	**1,321,283**	**1,458,398**	**493,880**	**577,654**
CHF MN				
Personnel expense recorded over the vesting period for recorded performance shares	14.2	7.8	6.2	4.7
Market value of recorded performance shares on the allocation date	28.6	12.4	12.5	7.4
Charged as personnel expense in the year under review	18.6	17.1	7.0	6.9
Cumulative charge to personnel expense for outstanding rights to performance shares as at the balance sheet date	30.4	26.3	11.6	10.6
Estimated personnel expense for the remaining vesting periods including future terminations	18.9	19.3	6.8	7.3
Estimated personnel expense for the remaining vesting periods excluding future terminations	21.9	22.4	7.9	8.4
Other deferred compensation as at the balance sheet date				
In cash	3.9	3.2	0.0	–
Share-based compensation benefits	0.0	0.0	0.0	–
Number of shares	0.0	0.0	0.0	–
Personnel expense recorded in the year under review for share-based compensation	0.0	–8.9	0.0	–
Estimated personnel expense for share-based compensation for the remaining vesting periods	0.0	0.0	0.0	–

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 31.12.2017, fully secured loans and credits to and the promise of payment in favour of the members of Vontobel's governing bodies or related parties of CHF 2.5 mn were outstanding. As of 31 December 2016, margin calls fully secured against collateral and guarantees for members of governing bodies and significant shareholders totalled CHF 1.9 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.

30 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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Receivables	0.9	2.1	–1.2	–57
Liabilities	207.3	231.9	–24.6	–11

Reported liabilities consist of current account balances of related companies / persons as well as liabilities from financial hedging transactions.

Vontobel Foundation and other members of the shareholder pool
The Vontobel Foundation conducts business with Bank Vontobel AG at preferential terms.

Pension funds of Vontobel
The assets of these pension funds are managed by Vontobel Asset Management AG.

Risk related to balance sheet positions

31 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	31.12.2017 TOTAL
Liquidity risk							
Maturity structure of assets and liabilities							
Assets							
Cash	6,287.9						6,287.9
Due from banks	1,631.0		17.7	10.0			1,658.7
Cash collateral for securities borrowing agreements		8.5					8.5
Cash collateral for reverse-repurchase agreements			1,007.2				1,007.2
Trading portfolio assets	3,991.2						3,991.2
Positive replacement values	243.9						243.9
Other financial assets at fair value	3,490.9						3,490.9
Loans	2.3	143.2	1,867.3	473.8	496.5	327.4	3,310.5
Financial investments	15.9		172.7	194.2	1,321.4	84.7	1,788.9
Investments in associates[1]						0.9	0.9
Property and equipment[1]						159.7	159.7
Goodwill and other intangible assets[1]						291.1	291.1
Other assets	664.3						664.3
Total assets	**16,327.4**	**151.7**	**3,064.9**	**678.0**	**1,817.9**	**863.8**	**22,903.7**
Liabilities							
Due to banks	1,221.3						1,221.3
Cash collateral from repurchase agreements							0.0
Trading portfolio liabilities	158.2						158.2
Negative replacement values	725.6						725.6
Other financial liabilities at fair value	8,451.3						8,451.3
Due to customers	9,758.2						9,758.2
Provisions				2.5	38.1		40.6
Other liabilities	870.7				28.9	28.4	928.0
Total liabilities	**21,185.3**	**0.0**	**0.0**	**2.5**	**67.0**	**28.4**	**21,283.2**
Off-balance sheet							
Contingent liabilities and irrevocable commitments	126.7	556.0	0.3	0.1	14.7	0.5	698.3

1 Immobilized

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	31.12.2016 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 assets	**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				2.3	31.1		33.4
Other liabilities	628.7				25.3	25.0	679.0
Total liabilities	**17,796.1**	**0.0**	**0.0**	**2.3**	**56.4**	**25.0**	**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

32 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	31.12.2017 TOTAL
Assets				
Trading portfolio assets:				
Debt instruments	277.6	53.9	–	331.5
Equity instruments	2,651.9	–	0.0	2,651.9
Units in investment funds	166.8	0.1	0.3	167.2
Precious metals and cryptocurrencies	840.6	–	–	840.6
Positive replacement values	33.3	210.6	0.0	243.9
Other financial assets at fair value:				
Debt instruments [1]	2,590.7	829.0	–	3,419.7
Equity instruments	0.0	–	0.0	0.0
Units in investment funds	32.8	9.2	5.5	47.5
Structured products	–	23.7	–	23.7
Financial assets available-for-sale:				
Debt instruments	1,748.6	24.4	–	1,773.0
Equity instruments and other participations	0.2	–	14.8	15.0
Units in investment funds	0.7	0.2	0.0	0.9
Other assets	8.3	0.0	0.0	8.3
Total financial assets at fair value	**8,351.5**	**1,151.1**	**20.6**	**9,523.2**
Liabilities				
Trading portfolio liabilities:				
Debt instruments	100.8	5.2	–	106.0
Equity instruments	52.2	–	0.0	52.2
Units in investment funds	0.0	0.0	0.0	0.0
Negative replacement values	47.9	677.7	–	725.6
Other financial liabilities at fair value [2]	–	8,451.3	–	8,451.3
Other liabilities	0.6	0.0	74.4	75.0
Total financial liabilities at fair value	**201.5**	**9,134.2**	**74.4**	**9,410.1**

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 37.3 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 4,951.8 mn.

CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2016 TOTAL
Assets				
Trading portfolio assets:				
Debt instruments	333.9	258.8	–	592.7
Equity instruments	1,341.8	–	0.0	1,341.8
Units in investment funds	101.9	0.1	0.1	102.1
Precious metals and cryptocurrencies	479.2	–	–	479.2
Positive replacement values	21.2	151.1	0.0	172.3
Other financial assets at fair value:				
Debt instruments [1]	1,873.1	357.2	–	2,230.3
Equity instruments	0.0	–	0.0	0.0
Units in investment funds	42.3	9.1	6.1	57.5
Structured products	–	5.6	–	5.6
Financial assets available-for-sale:				
Debt instruments	2,057.5	32.3	–	2,089.8
Equity instruments and other participations	0.2	–	14.9	15.1
Units in investment funds	6.4	0.0	0.0	6.4
Other assets	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:				
Debt instruments	68.4	3.2	–	71.6
Equity instruments	28.1	–	0.0	28.1
Units in investment funds	0.0	0.0	0.0	0.0
Negative replacement values	18.1	497.3	–	515.4
Other financial liabilities at fair value [2]	–	6,354.8	–	6,354.8
Other liabilities	–	0.0	50.3	50.3
Total financial liabilities at fair value	**114.6**	**6,855.3**	**50.3**	**7,020.2**

1 In the case of interest rate instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 33.7 mn.
2 Level 2 of the balance sheet item “Other financial liabilities at fair value” contains listed issued products with a fair value of CHF 4,129.7 mn.

Level 1 instruments

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

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, precious metals and cryptocurrencies, generally accepted prices are applied.

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

Level 2 instruments

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

Since there is no active market pursuant to the definition of IFRS 13 for the products issued by Vontobel, their fair value is determined using valuation methods. In the case of issued options (warrants) and option components of structured products, generally recognized option pricing models and quoted prices in markets that are not active are used to determine their fair value, while the present value method is used to determine the fair value of the interest rate components of structured products. To measure the fair value of interest rate instruments where quoted prices are available but the low trading volume means there is no active market, the same rules apply to the use of mid-market prices and bid or ask prices as for the corresponding level 1 instruments. The valuation of interest rate instruments for which no quoted prices are available is carried out using generally recognized methods.

For the valuation of OTC derivatives, generally recognized valuation models and quoted prices in markets that are not active are used. Published net asset values are used in the case of investment funds.

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

Level 3 instruments

Level 3 instruments are financial instruments whose fair value is based on a valuation method that uses at least one significant input parameter that cannot be observed directly or indirectly in the market. They include the liability to acquire the minority interests in TwentyFour Asset Management LLP, the liability from an earn-out agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche, investment funds for which a binding net asset value is not published at least quarterly, and several unlisted equity instruments. An asset and a liability from earn-out agreements related to the acquisition of Finter Bank Zurich AG and of TwentyFour Asset Management LLP were settled during the financial year 2017 and the financial year 2016, respectively.

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

The fair value of the liability from the earn-out agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche depends on individual contractually agreed Key Performance Indicators for the acquired activities. The value of this liability is determined on the basis of 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]	31.12.2017 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[2]	31.12.2017 TOTAL FINANCIAL LIABILITIES
Balance sheet						
Holdings at the beginning of the year	6.2	14.9	3.7	24.8	–50.3	–50.3
Additions in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	–17.0	–17.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Redemptions	–0.4	0.0	–3.7	–4.1	0.0	0.0
Expense recognized in the income statement	–0.4	0.0	0.0	–0.4	–0.8	–0.8
Expense recognized in other comprehensive income	0.0	–0.1	0.0	–0.1	0.0	0.0
Income recognized in the income statement	0.4	0.0	0.0	0.4	0.0	0.0
Income recognized in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	–3.8	–3.8
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	–2.5	–2.5
Total book value at balance sheet date	**5.8**	**14.8**	**0.0**	**20.6**	**–74.4**	**–74.4**
Income in the financial year on holdings on balance sheet date						
Unrealized losses recognized in the trading income	–0.4	0.0	0.0	–0.4	0.0	0.0
Unrealized losses recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Expense recognized in operating expense	0.0	0.0	0.0	0.0	–0.8	–0.8
Unrealized losses recognized as other comprehensive income	0.0	–0.1	0.0	–0.1	0.0	0.0
Unrealized gains recognized in the trading income	0.4	0.0	0.0	0.4	0.0	0.0
Unrealized gains recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized as other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0

Of the gains and losses recognized in the income statement, CHF 0.0 mn were included in trading income, CHF 0.0 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, which was settled during the financial year 2017.
2 This item includes the liability to acquire minority interests in TwentyFour Asset Management LLP (31.12.17: CHF 57.4 mn) and the liability from an earn-out agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche (31.12.17: CHF 17.0 mn).

CHF MN	FAIR VALUE FINANCIAL INSTRUMENTS	AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS	OTHER ASSETS[1]	31.12.2016 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[2]	31.12.2016 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 (01.01.2016: CHF 5.3 mn), which was settled during the financial year 2016, as well as the liability to acquire the relevant minority interests (01.01.2016: 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 rate (31.12.17: 12.0 %; 31.12.16: 12.0 %) that will be used to discount future cash flows, as well as the long-term growth of these cash flows (31.12.17: 1.0 %; 31.12.16: 1.0 %). The following table shows how the measurement is affected by changes in these two assumptions.

Key assumptions

	VARIATION OF THE KEY ASSUMPTION	CHANGE IN THE FAIR VALUE AS OF 31.12.2017 CHF MN	CHANGE IN THE FAIR VALUE AS OF 31.12.2016 CHF MN
Discount rate	+1 percentage point	–4.4	–4.1
Discount rate	–1 percentage point	5.1	4.9
Long-term growth	+1 percentage point	2.5	2.1
Long-term growth	–1 percentage point	–2.1	–1.8

In the case of the liability from the earn-out agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche, a reasonably realistic change in input parameters has no significant impact on Vontobel's consolidated financial statements.

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

Day 1 profit

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

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

Reclassifications within the fair value hierarchy

In 2017 (previous year), positions with a fair value of CHF 95.7 mn (CHF 149.7 mn) were reclassified from level 1 to level 2, positions with a fair value of CHF 52.9 mn (CHF 115.4 mn) were reclassified from level 2 to level 1, and positions with a fair value of CHF 0.0 mn (CHF 0.0 mn) were reclassified from level 2 to level 3. In the event of changes in the availability of market prices (market liquidity) or of binding net asset values of investment funds, reclassifications are made at the end of the period under review.

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

				31.12.2017		31.12.2016	
CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE TOTAL	BOOK VALUE TOTAL	FAIR VALUE TOTAL	BOOK VALUE TOTAL
Assets							
Cash	6,287.9	0.0	–	6,287.9	6,287.9	6,374.0	6,374.0
Due from banks	–	1,658.7	–	1,658.7	1,658.7	1,502.7	1,502.7
Cash collateral for securities borrowing agreements	–	8.5	–	8.5	8.5	0.0	0.0
Cash collateral for reverse-repurchase agreements	–	1,007.2	–	1,007.2	1,007.2	823.1	823.1
Loans	–	3,351.4	–	3,351.4	3,310.5	2,626.1	2,601.9
Other assets [1]	90.2	346.0	–	436.2	436.2	434.9	434.9
Total	**6,378.1**	**6,371.8**	**0.0**	**12,749.9**	**12,709.0**	**11,760.8**	**11,736.6**
Liabilities							
Due to banks	–	1,221.3	–	1,221.3	1,221.3	1,139.0	1,139.0
Cash collateral from repurchase agreements	–	0.0	–	0.0	0.0	0.0	0.0
Due to customers	–	9,758.2	–	9,758.2	9,758.2	9,058.5	9,058.5
Other liabilities [1]	0.8	791.8	–	792.6	792.6	564.3	564.3
Total	**0.8**	**11,771.3**	**0.0**	**11,772.1**	**11,772.1**	**10,761.8**	**10,761.8**

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 and as well for securities-borowing 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. 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 and as well for securities-borowing agreements that have a maturity or a refinancing profile of over one year. Fair value is determined using the present value method.

33 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	243.9	0.0	243.9	142.0	95.8	6.1
Cash collateral for reverse-repurchase agreements	1,007.2	0.0	1,007.2	0.0	1,007.2	0.0
Cash collateral for securities borrowing agreements	8.5	0.0	8.5	0.0	8.1	0.4
Total 31.12.2017	**1,259.6**	**0.0**	**1,259.6**	**142.0**	**1,111.1**	**6.5**

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]	377.6	0.0	377.6	142.0	121.1	114.5
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 31.12.2017	**377.6**	**0.0**	**377.6**	**142.0**	**121.1**	**114.5**

1 Negative replacement values in the amount of CHF 348.0 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	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 31.12.2016	**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 31.12.2016	**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.

Off-balance sheet and other information

34 Off-balance sheet information

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Contingent liabilities				
Credit guarantees	416.6	201.8	214.8	106
Performance guarantees	8.5	12.8	–4.3	–34
Other contingent liabilities	183.0	207.7	–24.7	–12
Total	**608.1**	**422.3**	**185.8**	**44**
Irrevocable commitments				
Undrawn irrevocable credit facilities	90.2	32.0	58.2	182
of which payment obligation to client deposit protection	*15.4*	*15.8*	*–0.4*	*–3*

Of the aggregate sum of CHF 698.3 mn (previous year CHF 454.3 mn) comprising contingent liabilities and irrevocable commitments, a total of CHF 579.6 mn (CHF 300.1 mn) is secured by recognized collateral and CHF 118.7 mn (CHF 154.2 mn) are unsecured. Of which CHF 8.9 mn (contingent liabilities) and CHF 0.8 mn (irrevocable commitments) relate to activities in Liechtenstein, which are expected to be sold in the first quarter of 2018 (see note 40).

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	CHANGE TO 31.12.2016 IN %
Fiduciary transactions				
Other fiduciary placements	1,608.3	1,046.8	561.5	54
Total	**1,608.3**	**1,046.8**	**561.5**	**54**

Litigation

In 2014, the German tax authorities launched an investigation into Vontobel and a large number of other Swiss financial institutions. Vontobel held 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. Provisions of EUR 13.7 mn were reported in the balance sheet relating to remaining litigation risks in Germany.

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

35 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 1.6 mn, respectively, were recorded as of 31.12.2017 (31.12.2016: CHF 0.0 mn and CHF 1.0 mn). In the year under review, income from effective hedges of CHF –0.6 mn (31.12.2016: CHF –0.3 mn) was recognized in other comprehensive income. Income from non-effective hedges of CHF –0.0 mn (31.12.2016: CHF –0.0 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 0.0 mn and CHF 0.4 mn, respectively, were recorded as of 31.12.2017 (31.12.2016: CHF 0.2 mn and CHF 0.0 mn). In the case of financial liabilities used as hedging instruments, a fair value of CHF 43.5 mn (31.12.2016: CHF 41.4 mn) was recorded as of 31.12.2017. In the period under review, income from effective hedges of CHF –8.3 mn (31.12.2016: CHF 8.1 mn) was recognized in other comprehensive income. During the period under review and the prior period no income from non-effective hedges was recorded in the income statement.

36 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.

Client assets

	31.12.2017 CHF BN	31.12.2016 CHF BN	CHANGE TO 31.12.2016 CHF BN	CHANGE TO 31.12.2016 IN %
Assets under management	165.3	138.5	26.8	19
Other advised client assets	12.8	10.4	2.4	23
Structured products outstanding	8.5	6.4	2.1	33
Total advised client assets	**186.6**	**155.3**	**31.3**	**20**
Custody assets	59.9	40.1	19.8	49
Total client assets	**246.5**	**195.4**	**51.1**	**26**

Assets under management

	31.12.2017 CHF BN	31.12.2016 CHF BN	CHANGE TO 31.12.2016 CHF BN	IN %
Assets in self-managed collective investment instruments	48.3	37.4	10.9	29
Assets with management mandate	64.4	57.5	6.9	12
Other assets under management	52.6	43.6	9.0	21
Total assets under management (including double counts)	**165.3**	**138.5**	**26.8**	**19**
of which double counts	*4.4*	*3.7*	*0.7*	*19*

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	31.12.2017	31.12.2016
Total assets under management (incl. double counts) at the beginning of the year	138.5	136.3
Change attributable to net new money	5.9	–10.6
Change attributable to market value	18.8	4.9
Change attributable to other effects [1,2]	2.1	7.9
Total assets under management (incl. double counts) at the balance sheet date	**165.3**	**138.5**

1 Financial year 2016: Acquisition of Vescore AG as per 20 September 2016
2 Financial year 2017: Acquisition of the Eastern European client portfolio of Notenstein La Roche in December 2017

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 the borrowing and the repayment of loans, as well as the distribution of collective capital investments. 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.

37 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 2017, the volume of assets under management in Vontobel investment funds totalled CHF 42.6 bn (previous year CHF 37.4 bn). In the financial year 2017, Vontobel generated gross income of CHF 339.5 mn (previous year CHF 262.1 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 31.12.2016	0.1	47.9	0.3	48.3
Book value as of 31.12.2017	**3.3**	**30.8**	**0.6**	**34.7**

38 Future liabilities for finance lease, operating lease and the acquisition of fixed assets and intangible assets

CHF MN	OPERATING LEASE	31.12.2017 TOTAL	31.12.2016 TOTAL
Due within 1 year	28.0	28.0	26.3
Due within 1 to 2 years	24.9	24.9	25.2
Due within 2 to 3 years	24.6	24.6	22.9
Due within 3 to 4 years	24.3	24.3	22.8
Due within 4 to 5 years	23.6	23.6	22.5
Due in more than 5 years	76.2	76.2	69.9
Total minimum obligation	**201.6**	**201.6**	**189.6**

Of which CHF 0.6 mn relates to activities in Liechtenstein, which are expected to be sold in the first quarter of 2018 (see note 40).

In the year under review, general expense include CHF 27.5 mn (previous year CHF 29.7 mn) from operating lease. The future liabilities from operating leases mainly comprise lease agreements for premises occupied by Vontobel.

39 Acquisition of the Eastern European client portfolio of Notenstein La Roche

The acquisition of the Eastern European client portfolio of Notenstein La Roche was completed in December 2017. In the course of the acquisition, around 10 employees transferred to Vontobel and joined its existing Central & Eastern Europe team.

The assets and liabilities of the client portfolio were included in Vontobel's consolidated financial statements as follows:

Balance sheet

CHF MN	01.12.2017
Assets	
Cash	572.3
Loans	99.4
Intangible assets (excluding goodwill)	17.4
Goodwill	0.2
Other assets	0.1
Total assets	**689.4**
Liabilities	
Due to customers	671.7
Other liabilities	0.7
Equity	17.0
Total liabilities	**689.4**
Acquisition costs	17.0
of which paid in cash in 2017	*0.0*
of which recognized as a liability	*17.0*
Acquired cash and cash equivalents	572.3
Net inflow of cash and cash equivalents	**572.3**

The estimated acquisition price is CHF 17.0 mn and corresponds to a percentage of the income generated from the acquired clients in the first three years.

Intangible assets (excluding goodwill) comprise client relationships. The fair value was calculated using the multi-period excess earnings method. This is a level 3 valuation 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). The client relationships will be amortized over 10 years. With the exception of goodwill (residual amount), all other assets and liabilities consist of level 1 or level 2 valuations in the fair value hierarchy.

Goodwill was allocated to the Wealth Management division and an impairment test was carried out for the first time in the second half of 2017 (see note 20 “Goodwill and other intangible assets” for details.)

The inclusion of the Eastern European client portfolio of Notenstein La Roche in Vontobel's consolidated accounts – taking account of the amortization of client relationships in the financial year 2017 and excluding the below transaction and integration costs – resulted in an increase in operating income of CHF 1.2 mn and in net profit of CHF 0.7 mn. If the transaction had been completed on 1 January 2017, this would – all other things being equal – have resulted in operating income of CHF 1,071.7 mn and net profit of CHF 213.1 mn. Transaction and integration costs of CHF 1.9 mn were charged to the 2017 income statement.

40 Sale of the activities in Liechtenstein

In December 2017, Vontobel announced that as part of the focusing of its strategy in Wealth Management, its activities in Liechtenstein will be transferred to Kaiser Partner Privatbank AG. Both companies will cooperate closely in the securities business in the future. The transaction is expected to close in the first quarter of 2018. The assets and liabilities of the relevant activities are recorded in "Other assets" and "Other liabilities", respectively, and include the following items (excluding items relating to other Vontobel companies.)

Balance sheet

CHF MN	31.12.2017
Assets	
Cash	51.8
Due from banks	0.4
Positive replacement values	0.7
Loans	25.8
Financial investments	7.6
Other assets	0.3
Total assets	**86.6**
Liabilities	
Negative replacement values	0.6
Due to customers	138.3
Other liabilities	1.6
Total liabilities	**140.5**

The impact of the sale of the activities in Liechtenstein on the income statement is insignificant.

41 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 supplementary 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 3% and 18% or between 1.5% and 15.5% 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 year in which the insured was born and on the pension fund, the conversion rate at the ordinary retirement age is between 5.8% and 6.5%. 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 2017, 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 were set up according to the Swiss method of defined contributions but 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.

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.

The most recent actuarial calculation according to IAS 19 was carried out for these pension plans by independent experts as of 1 May 2017. Past service costs in the previous year include the impacts of changes to the regulations governing pension funds in Switzerland (primarily a reduction of conversion rates). The gain from the plan settlement in the previous year is attributable to the reduction of headcount in connection with the integration of the Vescore Group. There were no plan amendments or plan settlement in the year under review. 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.

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.

Defined benefit pension plans in Switzerland

CHF MN	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2017	**–881.4**	**901.4**	**0.0**	**20.0**
Current service cost	–31.5			–31.5
Past service cost	0.0			0.0
Gain/losses on settlement	0.0	0.0		0.0
Interest income/(interest expense)	–3.9	4.0	–	0.1
Administration cost	–0.4			–0.4
Others	0.0	0.0		0.0
Total cost recognized in personnel expense	**–35.8**	**4.0**	**–**	**–31.8**
Actuarial gains/losses on obligations				
of which changes in financial assumptions	–27.3			–27.3
of which changes in demographic assumptions	0.0			0.0
of which experience adjustments	–5.1			–5.1
Return on plan assets excluding interest income		44.3		44.3
Change in effect of asset ceiling excluding interest			–	–
Total cost recognized in other comprehensive income	**–32.4**	**44.3**	**–**	**11.9**
Employee contributions	–19.5	19.5		–
Employer contributions		30.4		30.4
Benefits paid resp. deposited	–0.2	0.2		–
Business combination	–4.7	4.1		–0.6
Others	0.0	0.0		0.0
Total at 31.12.2017	**–974.0**	**1,003.9**	**0.0**	**29.9**
of which active members	*724.5*			
of which pensioners	*249.5*			
of which reported in Other assets				*29.9*
of which reported in Other liabilities				*0.0*

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 35.8 mn, consisting of CHF 31.8 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.

CHF MN	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2016	**–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 31.12.2016	**–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.

Composition of plan assets

CHF MN	31.12.2017	31.12.2016
Quoted market price		
Cash and cash equivalents	86.5	87.4
Equity instruments	190.6	176.4
Debt instruments	220.7	242.1
Real estate	40.7	41.1
Derivatives	0.0	0.2
Equity funds	166.1	120.2
Bond funds	121.9	100.4
Real estate funds	75.9	55.1
Commodities funds	43.3	30.6
Other funds	46.1	25.9
Others	12.1	12.4
Total fair value	**1,003.9**	**891.8**
Non-quoted market price		
Debt instruments	0.0	1.8
Real estate	0.0	7.8
Others	0.0	0.0
Total fair value	**0.0**	**9.6**
Total plan assets at fair value	**1,003.9**	**901.4**
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	*62.9*	*86.8*
of which securities lent to Vontobel	*0.0*	*0.0*

Maturity profile of defined benefit obligation

IN YEARS	31.12.2017	31.12.2016
Weighted average duration of defined benefit obligation	11.0	10.8

Actuarial assumptions

Demographic assumptions (e.g. probability of death, disability or termination) are based on the BVG 2015 actuarial tables (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.

The discount rate is used to determine the present value of pension obligations and is based on the yields on high-quality corporate bonds in Swiss francs. Until the end of 2015, the interest rate used to discount all pension obligations was the rate corresponding to the average duration of the pension obligations of the actively insured and pensioners. In the first half of 2016, the calculation of the present value of pension obligations was refined. This refinement was treated as a change in accounting estimates in accordance with IAS 8. For the yields on this type of corporate bonds a regression line is calculated using a linear regression analysis. The individual pension obligations are then discounted using the interest rate on the regression line that applies to their duration.

In the following table, the item “Discount rate” shows the constant interest rate that would result in the same present value of pension obligations as if a discount were applied using the interest rates on the regression line. The plan-specific sensitivities are related to this interest rate (see below). The item “Interest rate used to determine net interest income” shows the interest rate that will be used in the following year to determine the interest income on plan assets and the interest expense on pension obligations. This interest rate corresponds to the interest rates on the regression line weighted with the individual discounted pension obligations.

Actuarial assumptions

IN %	31.12.2017	31.12.2016
Discount rate[1]	1.2	1.3
Interest rate used to determine net interest income	0.4	0.5
Expected rate of salary increases	1.0	1.0
Expected rate of pension increases	0.0	0.0

1 In the Annual Report 2016, the item “Discount rate” showed the interest rate used to determine net interest income in the financial year 2017. For reasons of transparency, both the discount rate used to determine the present value of pension obligations and the interest rate used to determine net interest income are now shown.

Estimated contributions to defined benefit pension plans in the following year

CHF MN	31.12.2017	31.12.2016
Employer contributions	28.2	26.3
Employee contributions	19.3	16.6

Plan-specific sensitivities

The following overview shows the impacts of an isolated change in the main actuarial assumptions on the present value of pension obligations as of 31 December 2017 and 31 December 2016. 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 31.12.2017	DEFINED BENEFIT OBLIGATION 31.12.2016
Current actuarial assumptions	974.0	881.4
Discount rate		
Reduction of 25 basis points	1,002.0	906.2
Increase of 25 basis points	947.7	858.1
Salary increases		
Reduction of 50 basis points	967.3	875.3
Increase of 50 basis points	980.9	887.7
Life expectancy		
Reduction in longevity by one year	958.2	867.0
Increase in longevity by one additional year	989.6	895.6

42 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	31.12.2017	31.12.2016
Accrued expense for long service awards and sabbatical leaves	1.5	1.4

43 Significant foreign currency rates

For the significant currencies, the following rates were used:

Significant foreign currency rates

	YEAR END RATES		AVERAGE RATES	
	31.12.2017	31.12.2016	2017	2016
1 EUR	1.17018	1.07200	1.11257	1.08904
1 GBP	1.31825	1.25585	1.27350	1.33938
1 USD	0.97450	1.01635	0.98252	0.98835

44 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 2017 financial statements and would therefore need to be disclosed.

45 Dividend payment

The Board of Directors will propose the payment of a dividend of CHF 2.10 per registered share with a par value of CHF 1.00 to the General Meeting of Shareholders of Vontobel Holding AG on 18 April 2018. This corresponds to a total payment of CHF 117.6 mn.[1]

1 Shares entitled to a dividend as of 31.12.2017

46 Authorization of the consolidated accounts

The Board of Directors discussed and approved the present annual report during the board meeting on 6 February 2018. It will be submitted for approval at the General Meeting on 18 April 2018.

Segment reporting

47 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.

Vontobel comprises the following divisions, which represent the operating and reportable segments according to IFRS 8. They provide the following services to clients:

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

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

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

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

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

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

Segment reporting

CHF MN	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2017 TOTAL
Net interest income	38.7	0.1	10.0	19.9	68.7
Other operating income	233.9	434.8	318.8	4.1	991.6
Total operating income	**272.6**	**434.9**	**328.8**	**24.0**	**1,060.3**
Personnel expense	113.1	172.2	115.3	132.0	532.6
General expense	17.1	43.6	54.1	90.2	205.0
Services from / to other segment(s)	77.9	49.5	41.6	–169.0	0.0
Depreciation of property, equipment and intangible assets	3.2	6.5	5.5	45.8	61.0
Valuation adjustments, provisions and losses	0.8	0.3	0.2	1.1	2.4
Total operating expense	**212.1**	**272.1**	**216.7**	**100.1**	**801.0**
Segment profit before taxes	**60.5**	**162.8**	**112.1**	**–76.1**	**259.3**
Taxes					50.3
Net profit					**209.0**
of which minority interests					*6.6*
Additional information					
Segment assets	3,051.0	374.4	9,694.5	9,783.8	22,903.7
Segment liabilities	7,570.5	801.7	12,528.6	382.4	21,283.2
Allocated equity according to BIS[1]	172.7	272.6	227.8	93.8	766.9
Client assets (CHF bn)	45.8	121.3	82.2	–2.8	246.5
Net new money (CHF bn)	1.0	3.6	1.4	–0.1	5.9
Capital expenditure	0.5	0.0	1.5	73.3	75.3
Employees (full-time equivalents)	408.2	404.9	383.1	492.0	1,688.2

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 291.1 mn from core capital for intangible assets has been included in the figures above of the divisions Wealth Management and Asset Management. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 79.6 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]	CONSOLIDA-TION	31.12.2017 TOTAL
Operating income related to external customers	533.4	250.5	126.9	149.5		1,060.3
Assets	15,398.1	734.7	131.8	7,949.7	–1,310.6	22,903.7
Property, equipment and intangible assets	366.5	80.2	2.6	1.5		450.8
Capital expenditure	73.6	0.6	0.5	0.6		75.3

1 Reporting is based on operating locations.
2 Mainly U.A.E.

Segment reporting

CHF MN	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2016 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
Total 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
Total 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	–13.2	0.6	0.0	–10.6
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 (Wealth Management 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 Wealth Management and Asset Management. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 93.8 mn from core capital for treasury shares is not included in the figures above.

Information on regions [1]

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES [2]	CONSOLIDA-TION	31.12.2016 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.

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
Vontobel Beteiligungen AG	Zurich	Holding	CHF	10.0	100
Bank Vontobel AG	Zurich	Bank	CHF	149.0	100
Bank Vontobel Europe AG	Munich	Bank	EUR	40.5	100
Bank Vontobel (Liechtenstein) AG	Vaduz	Bank	CHF	20.0	100
Vontobel Swiss Wealth Advisors AG	Zurich	Wealth management	CHF	0.5	100
Vontobel Wealth Management (Hong Kong) Ltd.	Hong Kong	Wealth management	HKD	200.0	100
Vontobel Fonds Services AG	Zurich	Fund management	CHF	4.0	100
Vontobel Asset Management AG	Zurich	Fund & Portfolio management	CHF	20.0	100
Vontobel Asset Management S.A.	Luxembourg	Portfolio management	EUR	2.6	100
Vontobel Asset Management UK Holdings Ltd.	London	Holding	GBP	26.0	100
TwentyFour Asset Management LLP	London	Portfolio management	GBP	1.9	60
Vontobel Asset Management, Inc.	New York	Portfolio management	USD	6.5	100
Vontobel Asset Management Asia Pacific Limited	Hong Kong	Financial Advisor	HKD	7.0	100
Vontobel Asset Management Australia Pty. Ltd.	Sydney	Portfolio management	AUD	1.0	100
Vontobel Securities AG	Zurich	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 Limited	Hong Kong	Brokerage	HKD	25.0	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 8 and 227 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

Participations removed from the scope of consolidation

PARTICIPATION	REGISTERED OFFICE	REASON FOR REMOVAL
Vescore AG	St. Gallen	Merged with Vontobel Asset Management AG
Vescore Deutschland GmbH	Munich	Merged with Vontobel Asset Management S.A.
Vescore Indices GmbH	St. Gallen	Merged with Vontobel Asset Management AG

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 2015/01, 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. Under Swiss GAAP, these kinds of financial assets are recorded at the lower of amortized cost or market. Impairment losses, any reversal of 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. Under Swiss GAAP, 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, 6 February 2018

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 128 to 207) for the year then ended at 31 December 2017, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 120 to 207) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 2017, Vontobel Holding AG reports total financial assets at fair value of CHF 9.5 bn and financial liabilities at fair value of CHF 9.4 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 129, 130 and 184 to 189 of the Annual Report. Please also refer to notes 14, 16 and 32 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 2017, Vontobel Holding AG reports goodwill totaling CHF 226.8 mn and other intangible assets totaling CHF 64.3 mn. In the financial year 2017, a subsidiary of Vontobel Holding AG acquired the Business with Eastern European Clients of Swiss Private Bank. 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 128, 129 and 132 of the Annual Report. Please also refer to notes 20 and 39 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 the Eastern European Clients of a Swiss Private Bank, 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 AG

Patrick Schwaller
Licensed audit expert
(Auditor in charge)

Stefan Lutz
Licensed audit expert

Vontobel Holding AG

Additional information

Review of business activities

Vontobel Holding AG, which is headquartered in Zurich, generated a net profit of CHF 302.4 million in the financial year 2017, compared to CHF 156.2 million in the previous year. This 94% increase was mainly due to significantly higher dividend income from participations, which rose from CHF 164.8 million in 2016 to CHF 394.6 million (+139%). 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 subsequently grew by 123% to CHF 422.9 million. Several subsidiaries paid higher dividends to Vontobel Holding AG in the year under review – especially one investment company, which sold the 4% participation in Helvetia in 2016 and paid the proceeds from the sale to Vontobel Holding AG in the form of a dividend during the year under review. This transfer resulted in an impairment of around CHF 75 million for Vontobel Holding AG. Rising personnel, administration, marketing and communication expenses led to a 28% increase in operating expense (personnel expense and general expense) to CHF 34.9 million.

The Board of Directors of Vontobel Holding AG will propose the distribution of an ordinary dividend of CHF 2.10 per registered share to the General Meeting of Shareholders of 18 April 2018. This represents an increase of 11% compared to the ordinary dividend paid in the previous year. In 2016, an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10 were distributed. As of 31 December 2017, the company's share capital totaled CHF 56.875 million, consisting of 56,875,000 registered shares with a par value of CHF 1.00 each. Of this total, 56,001,765 shares were entitled to a dividend as of the balance sheet date.

Key figures

Key figures

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Net profit	302.4	156.2	146.2	94
per registered share in CHF[1]	5.40	2.81	2.59	92
Dividend in percent of share capital[2,3]	210	200		
per registered share in CHF[2,3]	2.10	2.00	0.10	5
Shareholders' equity (before distribution of profits)	1,025.8	824.7	201.1	24
per registered share in CHF[1]	18.32	14.81	3.51	24
Operating income	422.9	189.3	233.6	123
Dividend income from participations	394.6	164.8	229.8	139
Personnel and general expense	34.9	27.3	7.6	28
Depreciation and valuation adjustments	77.0	2.5	74.5	
Financial expense	1.3	1.6	–0.3	–19
Operating income before taxes	305.3	159.3	146.0	92
Total assets	1,235.8	1,291.8	–56.0	–4
Share capital	56.9	56.9	0.0	0
Participations	1,076.3	1,156.8	–80.5	–7
Average return on equity in %	34.8	21.0		

1 Basis: dividend-bearing shares as per end of year
2 Financial year 2017: As per the proposal submitted to the General Meeting
3 Financial year 2016: Consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10

Income statement

Income statement

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Dividend income from participations	394.6	164.8	229.8	139
Securities income, fee and commission income and trading income	22.9	21.2	1.7	8
Other ordinary income	0.0	3.2	–3.2	–100
Gains on the sale of financial investments	5.4	0.1	5.3	
Operating income	**422.9**	**189.3**	**233.6**	**123**
Securities and fee and commission expense	0.1	0.1	0.0	0
Other ordinary expense	0.2	0.6	–0.4	–67
Operating expense	**0.3**	**0.7**	**–0.4**	**–57**
Net operating income	**422.6**	**188.6**	**234.0**	**124**
Personnel costs	7.8	6.9	0.9	13
Employee benefits and pension fund	0.7	0.7	0.0	0
Personnel expense	**8.5**	**7.6**	**0.9**	**12**
Occupancy expense, furniture and equipment	0.3	0.3	0.0	0
PR, marketing, annual report, consulting and audit fees	25.3	18.6	6.7	36
Other business and office expenses	0.8	0.8	0.0	0
General expense	**26.4**	**19.7**	**6.7**	**34**
Operating income before financial income, taxes, depreciation and valuation adjustments	**387.7**	**161.3**	**226.4**	**140**
Impairments on participations	77.6	3.5	74.1	
Reversal of impairments on participations	–0.6	–1.0	0.4	
Depreciation and valuation adjustments	**77.0**	**2.5**	**74.5**	
Operating income before financial income and taxes	**310.7**	**158.8**	**151.9**	**96**

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Operating income before financial income and taxes	**310.7**	**158.8**	**151.9**	**96**
Interest income	2.4	1.4	1.0	71
Interest income, Group companies	*2.3*	*1.4*	*0.9*	*64*
Foreign exchange income	–6.5	0.7	–7.2	
Financial income	**–4.1**	**2.1**	**–6.2**	**–295**
Interest expense	1.3	1.6	–0.3	–19
Interest expense, Group companies	*1.3*	*1.6*	*–0.3*	*–19*
Financial expense	**1.3**	**1.6**	**–0.3**	**–19**
Operating income before taxes	**305.3**	**159.3**	**146.0**	**92**
Ordinary income before taxes	**305.3**	**159.3**	**146.0**	**92**
Extraordinary / one-off income or income unrelated to the reporting period	0.0	0.0	0.0	
Extraordinary / one-off income and income unrelated to the reporting period	**0.0**	**0.0**	**0.0**	
Net profit for the year before taxes	**305.3**	**159.3**	**146.0**	**92**
Direct taxes	**2.9**	**3.1**	**–0.2**	**–6**
Net profit for the year	**302.4**	**156.2**	**146.2**	**94**

Balance sheet

Assets

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Current assets				
Total cash and short-term holdings of assets with a market price	0.4	2.3	–1.9	–83
Current accounts banks, Group companies	*0.4*	*2.3*	*–1.9*	*–83*
Other short-term receivables	108.0	44.1	63.9	145
Due from banks, Group companies	*0.0*	*6.3*	*–6.3*	*–100*
Other short-term receivables	*108.0*	*37.8*	*70.2*	*186*
Accrued income and prepaid expenses	0.5	0.6	–0.1	–17
Total current assets	**108.9**	**47.0**	**61.9**	**132**
Non-current assets				
Financial assets, Group companies	47.5	88.0	–40.5	–46
Participations	1,076.3	1,156.8	–80.5	–7
Total fixed assets	3.1	0.0	3.1	
Total intangible assets	0.0	0.0	0.0	
Total non-current assets	**1,126.9**	**1,244.8**	**–117.9**	**–9**
Total assets	**1,235.8**	**1,291.8**	**–56.0**	**–4**
of which subordinated assets due from Group companies	*4.0*	*46.5*	*–42.5*	*–91*

Liabilities and Shareholders' equity

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Liabilities				
Current liabilities				
Short-term interest-bearing liabilities	177.5	417.4	–239.9	–57
Due to banks, Group companies	*177.5*	*388.7*	*–211.2*	*–54*
Due to banks	*0.0*	*28.7*	*–28.7*	*–100*
Other short-term liabilities	6.9	24.1	–17.2	–71
Accrued expenses and deferred income	0.6	0.6	0.0	0
Total current liabilities	**185.0**	**442.1**	**–257.1**	**–58**
Long-term liabilities				
Provisions	25.0	25.0	0.0	0
Total long-term liabilities	**25.0**	**25.0**	**0.0**	**0**
Total liabilities	**210.0**	**467.1**	**–257.1**	**–55**
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	39.8	43.1	–3.3	–8
Statutory retained earnings	72.0	75.3	–3.3	–4
Retained earnings approved by resolution	10.2	6.9	3.3	48
Retained earnings brought forward	623.6	579.7	43.9	8
Net profit for the year	302.4	156.2	146.2	94
Voluntary retained earnings	936.2	742.8	193.4	26
Own shares of capital	–40.1	–51.1	11.0	
Total shareholders' equity	**1,025.8**	**824.7**	**201.1**	**24**
Total liabilities and shareholders' equity	**1,235.8**	**1,291.8**	**–56.0**	**–4**

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

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Due from governing bodies	0.0	0.0	0.0	
Due to governing bodies	3.9	4.4	–0.5	–11

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 29.

Direct taxes

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 CHF MN	IN %
Income tax	2.4	2.5	–0.1	–4
Tax on capital	0.5	0.4	0.1	25
Total	**2.9**	**2.9**	**0.0**	**0**
Status of tax assessment	2012	2012		

Bonds

In the financial years 2017 and 2016, there were no bonds or convertible bonds outstanding.

Collateral provided for liabilities of third parties and contingent liabilities

	31.12.2017 CHF MN	31.12.2016 CHF MN	CHANGE TO 31.12.2016 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	8,174.0	6,108.7	2,065.3	34
Total	**8,174.0**	**6,108.7**	**2,065.3**	**34**
of which guarantee commitments for Group companies	*8,039.5*	*5,976.2*	*2,063.3*	*35*

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 31.12.17, assets totalling CHF 0.5 mn (31.12.16: CHF 2.7 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 54,194 as of 31.12.17 (31.12.16: CHF 0).

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 205.

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 35, 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 179f. 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 87ff.

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 27.

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: 0 registered shares).

Amount of the authorized or conditional capital increase
See the consolidated financial statements, note 27.

Further details
See the consolidated financial statements, pages 119 to 207.

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 2017 financial statements and would therefore need to be disclosed.

Proposal of the Board of Directors

The Board of Directors proposes that the following amount available to the General Meeting of Shareholders be appropriated as follows:

Proposal of the Board of Directors

CHF MN	
Net profit for the year	302.4
Retained earnings prior year	623.6
Retained earnings	**926.0**
Retained earnings approved by resolution	10.2
Reserves from capital contributions	0.8
General statutory reserves [1]	20.8
Distributable statutory reserves	**21.6**
Own shares of capital [2]	–40.1
At the disposal of the General Meeting of Shareholders	**917.7**
Total dividend [3]	**117.6**
Allocation to general statutory retained earnings	0.0
Allocation to retained earnings by resolution	0.0
Carried forward to the new accounting period	800.1
At the disposal of the General Meeting of Shareholders	**917.7**

1 Eligible general statutory reserves that exceed the statutory minimum requirement (Art. 671 para. 3 and para. 4 of the Swiss Code of Obligations)
2 Restriction on the distribution of dividends equivalent to the cost of acquiring own shares (Art. 959a Abs. 2 Ziff. 3 lit. e of the Swiss Code of Obligations)
3 Depends on the number of dividend-entitled shares, max. 56.875 million, as of 31 December 2017. The treasury shares held by Vontobel Holding AG at the time of the distribution of the dividend are not entitled to a dividend.

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)	2.10
Coupon no.	18
Ex-dividend date	20 April 2018
Record date	23 April 2018
Payment date	24 April 2018

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, 6 February 2018

As statutory auditor, we have audited the financial statements of Vontobel Holding AG, which comprise the balance sheet, income statement and notes (pages 35, 72, 80, 175, 179, 180, 205 and 220 to 222), for the year ended 31 December 2017.

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 2017 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 judgment, 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 2017, Vontobel Holding AG reports the carrying amount of participations of CHF 1.1 bn, corresponding to 87.1% 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 220 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 2017.

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	Stefan Lutz
Licensed audit expert (Auditor in charge)	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

18 April 2018
Annual General Meeting 2018

27 July 2018
Publication half-year results 2018

2 April 2019
Annual General Meeting 2019

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