Vontobel

Half-Year Report 2018

COMMENTS ON THE FIGURES
The figures shown are rounded. Consequently, the total may differ from the figure calculated when the individual numbers are added together.

This report also appears in German. The German version is prevailing.

Contents

"Our future course is set"

Herbert J. Scheidt
Chairman of the Board of Directors

Dr Zeno Staub
Chief Executive Officer

"At a time when authenticity is becoming more and more crucial to build trust, companies with a clear identity have the advantage. Vontobel has strong roots and the necessary conviction to set us on a successful course for the future. This is articulated by our brand and our clear brand promise that clients can count on each day."

Shareholders' letter

Dear shareholders and clients

Vontobel performed successfully in the first half of 2018, delivering a good financial result and taking important steps to set the future course of the business. With the acquisition of Notenstein La Roche Privatbank AG, we are ideally complementing the above-average organic growth achieved in Wealth Management. We are strengthening our position as one of the leading private banks in Switzerland with the addition of new employees and locations. Clients of Notenstein La Roche will now be able to benefit from the range of opportunities and expertise offered by Vontobel as an internationally active Swiss wealth and asset manager, in the same way as our own clients.

Overall, our focus is still on achieving organic growth. By acquiring Notenstein, we are strengthening the foundations of our business and we aim to expand our activities through selected acquisitions where this approach is sensible and creates value. This strategy is based on the knowledge that our clients only believe in the quality of our services if we continue to generate growth as a result of our own actions and thus achieve success as a company. In the first six months of 2018, we therefore continued to invest selectively in new talents and technology across all our divisions, as we have done in recent years. In doing so, we are systematically expanding the range of services offered on our existing digital platforms and are continuously targeting new client groups. Our platform strategy has proved effective in our Financial Products business and we now want to replicate this success story in our Wealth Management business.

Our strong brand is another cornerstone of our success. It embodies our Vontobel identity and reflects the way in which we deepen existing client relationships and attract above-average numbers of new clients. We place the needs and interests of our clients at the center of all that we do. At a time when authenticity is becoming more and more crucial to build trust, companies with a clear identity have the advantage. Vontobel has strong roots and the necessary conviction to set us on a successful course for the future. This is articulated by our brand and our clear brand promise that clients can count on each day.

Our clients' trust in our strengths and performance is also reflected by our good financial result: In the first six months of 2018, Group net profit grew by 31% to CHF 132.7 million (first half of 2017: CHF 101.5 million) and earnings per share rose by 28% to CHF 2.28 (first half of 2017: CHF 1.78).

In a highly competitive operating environment, Asset Management generated a pre-tax profit of CHF 92.5 million (first half of 2017: CHF 69.5 million) and thus remained Vontobel's strongest earnings driver. Combined Wealth Management – comprising Wealth Management and the External Asset Managers business – displayed strong profit momentum in the first half of 2018, continuing the positive trend seen in recent years. Pre-tax profit grew by 46% to CHF 56.2 million compared to the first half of 2017 (CHF 38.4 million). Financial Products delivered another very solid pre-tax profit of CHF 51.9 million in the first half of 2018 (first half of 2017: CHF 51.5 million).

Vontobel's good financial result – with strong profit growth – is supported by a solid net inflow of new money across all divisions. Asset Management was also the strongest contributor in the area of new money. Our Fixed Income products were the main drivers of this high level of growth, demonstrating that Vontobel has successfully countered the global trend towards more moderate demand for fixed income products. Vescore products based on quantitative investment strategies and Vontobel's sustainability and global equity products also contributed to the strong net inflow of new money within Asset Management. Combined Wealth Management also experienced a dynamic net inflow of new money in the first six months of the year, with strong growth in Switzerland as well as in Latin American markets and in Italy. The total net inflow of new money generated across all divisions in the first half of 2018 was CHF 5.1 billion (first half of 2017: CHF 0.3 billion). Client assets reached a new record level of CHF 253.6 billion, compared to CHF 246.5 billion at the end of 2017.

Looking to the future, seizing opportunities

Vontobel's sustained success is founded on our ongoing commitment to identifying new opportunities at an early stage and seizing them for the benefit of our clients. We see change primarily as a source of opportunity – for our clients and thus also for Vontobel.

We harness new technologies to provide our clients with new and even better services in a digital world – combining user-friendly design with optimal efficiency. In Financial Products, our clients benefit from our cost leadership in the area of structured products. With deritrade®, we have created a digital ecosystem that allows us to bring innovative offerings to new groups of clients. For example, our multi issuer platform "mein-zertifikat" in Germany has now also been rolled out in Austria. The "Investment Scout" app that was launched in Switzerland in 2017 will be introduced to the German market in the course of 2018. The "mein-zertifikat" platform and Investment Scout app both enable private investors to select structured products, tailor them to their specific requirements and issue them.

In spring 2018, we became the first bank in Switzerland to offer "white labelling" products – allowing institutional clients to make use of Vontobel's product expertise under their own name to create a broader client offering. In 2017, we made our debut as a market participant in Hong Kong – the world's largest market for leverage products. After just a few months, Vontobel already ranks as one of the fastest-growing and profitable providers, with more than 500 warrants. This was achieved thanks to our globally integrated, efficient and fully digital processes. In the second half of 2018, Vontobel Financial Products will also launch its products in the Danish market as part of its regional expansion.

Mirroring the success story in Financial Products, Vontobel is this year building a digital platform for Wealth Management. This platform will enable us to create even more customized and interactive processes and to offer new services – all for the benefit of our clients – thus also allowing us to target new groups of clients. Vontobel believes that the power of digitization is a decisive factor that allows us to deliver an even more specific and relevant client experience. At the same time, we are expanding our teams of relationship managers based on our belief that even in a digital environment, people make all the difference. We have succeeded in hiring a number of experienced relationship managers – especially in Switzerland, Germany and the US.

As a high-conviction asset manager, Vontobel Asset Management offers its clients investment solutions that are distinctly different and don't follow the general trend. Our robust and proven portfolio management processes and our conviction that we can outperform the market over the cycle are factors that clearly set our solutions apart. In Asset Management, we are also actively considering the opportunities created by technology in order to further expand our existing strengths and deepen the client experience. Looking ahead, Vontobel Asset Management will further strengthen its successful internationally diversified boutique structure through measures including the expansion of its global sales organization. A series of experienced specialists have already joined our portfolio management and sales teams.

Our capital base remains strong

Vontobel will continue to have a solid capital position that significantly exceeds regulatory minimum requirements, even after the acquisition of Notenstein La Roche Privatbank AG. The purchase of Notenstein La Roche Privatbank AG was funded by Vontobel using own funds and through the successful placement of a CHF 450 million Additional Tier 1 (AT1) bond. By issuing this bond, Vontobel can ensure it has the financial flexibility to fund further growth, while maintaining the stability of our shareholder base in terms of the distribution of voting rights. At June 30, 2018, the BIS common equity tier 1 ratio (CET1 ratio) was 19.1% and the BIS total capital ratio was 26.4%. Since the Notenstein La Roche transaction was completed on July 2, 2018 – i.e. two days after the balance sheet date – we expect a BIS CET1 ratio at around 12% and a total capital ratio at around 18% at the end of 2018.

The return on equity was 15.1% in the first half of 2018, significantly exceeding our cost of capital and our own target return of over 12%.

Targeting a further increase in our already solid profitability

We will continue to pursue our current strategy through the remainder of 2018 – seizing new opportunities to serve the interests of our clients and thus also achieve further growth. Vontobel will continue to invest in its employees, in new technologies and, in particular, in expanding its relationship with clients. In the coming months, we will also focus our attention on the integration of Notenstein La Roche Privatbank AG. Following the legal completion of the transaction on July 2, 2018, the merger of Bank Vontobel AG with Notenstein La Roche Privatbank AG and its migration to Vontobel systems is due to be completed by the end of the third quarter of 2018. The integration costs of around CHF 50 million will be divided between the current financial year and 2019 and charged to the Corporate Center. Irrespective of those costs, the acquisition should already make a substantial profit contribution to Vontobel Wealth Management in 2019 since the increased client base will allow us to leverage our successful digital platform even more effectively and to realize synergies.

Against this backdrop, and with growth targets unchanged, we have raised our profitability targets for Wealth Management, increasing the target gross margin to at least 68 basis points (previously: 65 basis points) and adjusting the target cost/income ratio to less than 70% (previously 75%). At the same time, the mid-term profit targets that Vontobel aims to achieve by 2020 have been increased overall in connection with the Notenstein La Roche transaction. Based on the new targets, we want to generate a cost/income ratio of less than 72% (previously 75%) and a return on equity of more than 14% (previously 12%).

We see our past success as confirmation of the effectiveness of our strategy of focusing and specialization. We want to continue delivering profitable growth. In view of geopolitical risks and global challenges relating to trade policy, as well as the uncertainty prompted by the monetary policies of central banks, we expect to be faced with a relatively difficult market environment in the second half of 2018. However, thanks to the prudent and professional approach of our employees, we are convinced that we can continue to successfully address these challenges. For this reason, we aim to further increase our already solid profitability in 2018 against the previous year.

"Vontobel remains on track" was one of the headings in our last Annual Report – and this continues to be the case. On behalf of all our employees, whose great commitment we value, we wish to thank you for your trust in Vontobel and your support.

Herbert J. Scheidt
Chairman of the Board
of Directors

Dr Zeno Staub
Chief Executive Officer

Ratios

(6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Return on shareholders' equity (ROE) (%)[1]	15.1	12.9	13.2
Cost[2] / income ratio (%)	72.0	76.1	74.6
Equity ratio (%)	7.0	7.2	7.1
Basel III leverage ratio (%)	6.7	5.1	4.7

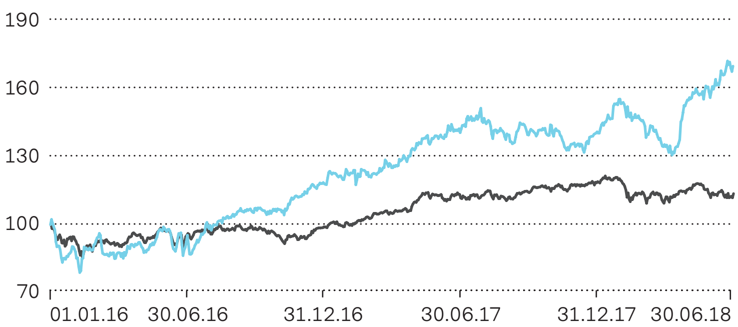
1 Group net profit annualized as a percentage of average equity based on monthly figures, both without minority interests
2 Operating expense, excl. provisions and losses

Share data

(6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Basic earnings per share (CHF)[1]	2.28	1.78	1.87
Diluted earnings per share (CHF)[1]	2.24	1.75	1.81
Equity per share outstanding at balance sheet date (CHF)	29.95	27.31	29.31
Price / book value per share	2.4	2.3	2.1
Price / earnings[2] per share	15.8	17.5	16.4
Share price at balance sheet date (CHF)	71.95	62.30	61.50
High (CHF)	72.95	63.45	66.35
Low (CHF)	57.00	53.25	57.25
Market capitalization nominal capital (CHF mn)	4,092.2	3,543.3	3,497.8
Market capitalization less treasury shares (CHF mn)	4,033.3	3,458.0	3,400.1
Undiluted weighted average number of shares	55,919,730	55,357,315	55,376,259

1 Basis: weighted average number of shares
2 Annualized

Performance of Vontobel Holding AG registered share (indexed)



Vontobel Holding AG registered share (Total Return)
Swiss Performance Index (SPI)

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

	30.06.2018	30.06.2017	31.12.2017
CET1 capital ratio (%)	19.1	19.3	18.4
CET1 capital (CHF mn)	1,174.7	1,088.4	1,098.6
Tier 1 capital ratio (%)	26.4	19.3	18.4
Tier 1 capital (CHF mn)	1,622.1	1,088.4	1,098.6
Risk weighted positions (CHF mn)	6,148.1	5,636.0	5,955.6

Risk ratio

CHF MN	30.06.2018	30.06.2017	31.12.2017
Average Value at Risk market risk	4.6	2.5	2.5

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

Rating

	30.06.2018	30.06.2017	31.12.2017
Moody's Rating Bank Vontobel AG (long-term deposit rating)	Aa3	Aa3	Aa3

Consolidated income statement

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE IN % TO 30.06.2017
Operating income	583.3	517.5	542.6	13
Operating expense	422.4	395.0	405.8	7
Group net profit	132.7	101.5	107.5	31
of which allocated to minority interests	*4.9*	*2.8*	*3.8*	*75*
of which allocated to the shareholders of Vontobel Holding AG	*127.7*	*98.7*	*103.7*	*29*

Segment profits before taxes

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE IN % TO 30.06.2017
Wealth Management	42.4	27.1	33.4	56
Asset Management	92.5	69.5	93.4	33
Investment Banking	65.7	62.8	49.3	5
Corporate Center	–39.8	–36.9	–39.2	

Consolidated balance sheet

	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE IN % TO 31.12.2017
Total assets	23,981.9	21,166.1	22,903.7	5
Shareholders' equity (excl. minority interests)	1,678.8	1,515.7	1,620.5	4
Loans	4,301.9	2,925.2	3,310.5	30
Due to customers	9,789.3	9,638.0	9,758.2	0

Client assets

	30.06.2018 CHF BN	30.06.2017 CHF BN	31.12.2017 CHF BN	CHANGE IN % TO 31.12.2017
Assets under management	168.6	146.5	165.3	2
of which under discretionary management	*108.6*	*95.1*	*107.1*	*1*
of which under non-discretionary management	*60.0*	*51.4*	*58.2*	*3*
Other advised client assets	13.4	11.0	12.8	5
Structured products outstanding	9.3	7.2	8.5	9
Total advised client assets	**191.2**	**164.7**	**186.6**	**2**
Custody assets	62.3	43.0	59.9	4
Total client assets	**253.6**	**207.7**	**246.5**	**3**

Net new money

CHF BN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Net new money	**5.1**	0.3	5.6

Headcount (full-time equivalents)

	30.06.2018	30.06.2017	31.12.2017	CHANGE IN % TO 31.12.2017
Number of employees Switzerland	1,370.8	1,315.5	1,353.8	1
Number of employees abroad	324.4	327.4	334.4	–3
Total number of employees	**1,695.2**	**1,642.9**	**1,688.2**	**0**

Vontobel

Broad-based growth and pleasing net profit in first half of 2018

The first few months of 2018 saw the return of volatility – and consequently a return to normality in the global financial markets. Increasing international trade barriers, growing geopolitical tensions and a slight slowdown in the global economy – with a simultaneous rise in inflation expectations – led to greater uncertainty in the markets. The demand for "secure" government bonds grew globally. At the same time, the yields on US Treasuries temporarily exceeded 3% as a result of a more restrictive US monetary policy and the value of the US dollar rose significantly. The tightening of the monetary reins in the US contrasts with the continued expansionary monetary policies of central banks in other industrialized nations. The US government's plans to introduce new trade tariffs and the retaliatory measures announced by affected countries caused significant setbacks for emerging markets investments. Thanks to strong performance in April, however, global equity markets remained generally robust, finishing the first half of 2018 up 1.6% in local currencies. Large-cap Swiss equities, in particular, fell out of favor with investors (SMI –8%). Risk premiums on equities remained above the long-term average, demonstrating investor caution – especially among private investors, who continue to hold large cash positions.

The European finance industry is continuing to undergo structural changes and is faced with ever fiercer competition. The prolonged 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 the adjustment of their product offering and in automation in response to the introduction of the 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 have applied within the EU since 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. In the first six months of 2018, we continued to systematically pursue our growth strategy, successfully expanded our client base in all divisions in our Swiss home market and internationally, and further developed our range of products and services. We also continued to demonstrate our considerable innovative strength.

In Investment Banking, for example, we launched cosmofunding, our digital platform serving public sector clients seeking financing as well as institutional investors, and we issued the open-end certificate on bitcoin. Wealth Management further developed its "Vontobel Wealth" platform, allowing us to provide digital services that ideally complement our personal advisory offering. We are harnessing regulatory developments as well as the ongoing digital transformation to further enhance our client services and to implement a more future-oriented approach. With the acquisition of Notenstein La Roche Privatbank AG that was announced in May 2018, we have created a further pillar for future growth. From the second half of 2018, the acquisition will enable us to ideally supplement our above-average organic growth in the area of Wealth Management, to strengthen our presence in our home market through the addition of further locations, and to reinforce our position as one of the leading private banks in Switzerland.

In the first half of 2018, the high level of trust that clients place in Vontobel and our successful positioning in the market were reflected by the strong net inflow of new money of CHF 5.1 billion, strong organic growth in operating income of 13% to almost CHF 600 million, and pleasing net profit of CHF 132.7 million (earnings per share: CHF 2.28). Compared to the IFRS net profit of CHF 101.5 million in the first half of 2017, the result increased by 31%; taking the adjusted net profit of CHF 106.1 million for the prior-year period as the basis, the increase was 25%. The return on equity reached 15.1% on an annualized basis in the first half of 2018, significantly exceeding our present target of 12% and our current cost of capital of around 9%.

Vontobel had a very comfortable capital position as at the end of June 2018. The BIS total capital ratio was strong at 26.4% and the common equity tier 1 ratio (CET1 ratio) was 19.1%. This was achieved as a result of the issuance on June 29, 2018, of a 2.625% Additional Tier 1 (AT1) bond in the amount of CHF 450 million by Vontobel Holding AG, which led to a significant strengthening of the capital base. It also reflects the fact that the acquisition of Notenstein La Roche Privatbank AG was not completed until July 2, 2018, meaning that it will only be consolidated in Vontobel's balance sheet and income statement in the second half of 2018. We therefore expect the total capital ratio to be around 18% and the CET1 ratio to reach a good 12% at the end of 2018. Both ratios will therefore significantly exceed the minimum requirements defined by FINMA of a total capital ratio of 12% and a CET1 ratio for category 3 banks – including Vontobel – of 7.8%.

Client assets reach new record level

Following the successful expansion of the business and the subsequent sustained net inflow of new money – and despite the slightly negative net impact of market and currency effects, as well as the elimination of assets relating to the Liechtenstein operation that was sold – total client assets grew by CHF 7.1 billion in the first six months of 2018, reaching a new record high of CHF 253.6 billion.

Total advised client assets – which consist of assets under management, other advised client assets and structured products – grew by 2% to CHF 191.2 billion compared to the end of 2017. Advised client assets are an important indicator for Vontobel in view of the significant value they generate; Vontobel provides advisory services and / or has discretionary 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 9% to CHF 9.3 billion, confirming that Vontobel Financial Products has successfully positioned itself in its home market and in European markets. In Hong Kong, where Vontobel has been operating since fall 2017, sales of leverage products increased strongly.

In the finance industry, like in other sectors, there is a growing trend towards specialization, with companies sharpening the focus of their activities. Against this backdrop, Vontobel is seeing a growing demand for its global execution and global custody solutions. In February 2018, the 100th bank joined Vontobel's transaction banking platform and the number of banks it serves had already reached 110 by mid-2018. The pleasing development of this business is reflected by the 4% increase in custody assets to CHF 62.3 billion at the end of June 2018

Client assets

CHF BN	30.06.2018	30.06.2017	31.12.2017
Assets under management	168.6	146.5	165.3
Other advised client assets	13.4	11.0	12.8
Structured products outstanding	9.3	7.2	8.5
Total advised client assets	**191.2**	**164.7**	**186.6**
Custody assets	62.3	43.0	59.9
Total client assets	**253.6**	**207.7**	**246.5**

The volume of assets under management entrusted to Vontobel rose to its highest ever level of CHF 168.6 billion at the end of June 2018. In Combined Wealth Management (i.e. Wealth Management and the External Asset Managers business), assets grew slightly to CHF 54.9 billion in the first half of 2018, a net increase of 2% due primarily to the sustained inflow of new money and despite the elimination of CHF 1.4 billion of assets under management due to the sale of the Liechtenstein operation to Kaiser Partner Privatbank.

On the institutional side, assets under management also rose by 1% to CHF 115.6 billion, reflecting the positive impact of the good inflow of new money, while the effects of currency shifts and market movements somewhat dampened the growth in assets under management – despite satisfactory relative performance.

Development of assets under management

CHF BN	30.06.2018	30.06.2017	31.12.2017
Combined Wealth Management	**54.9**	**48.5**	**54.0**
Wealth Management	*44.3*	*39.8*	*44.0*
External Asset Managers	*10.5*	*8.7*	*10.0*
Institutional clients	**115.6**	**100.9**	**114.1**
Asset Management [1]	*112.3*	*97.2*	*110.3*
Investment Banking [2]	*3.3*	*3.7*	*3.8*
Corporate Center [3]	**–1.9**	**–2.9**	**–2.8**
Total assets under management	**168.6**	**146.5**	**165.3**

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

Growth in new money slightly above 4–6% target range

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 6.2% on an annualized basis in the first half of 2018, exceeding our target range of 4–6%.

Building on its existing activities, Combined Wealth Management (Wealth Management and the External Asset Managers business) acquired CHF 1.7 billion of net new money. This corresponds to annualized growth in net new money of 6.4% and is therefore above the target range of 4–6%. The net inflow of new money in Wealth Management totaled CHF 1.3 billion – corresponding to growth in net new money of 5.7%. The External Asset Managers business delivered annualized growth in net new money of 9.3%, acquiring net assets of CHF 0.5 billion.

Asset Management generated net new money of CHF 3.8 billion, corresponding to an annualized growth rate of 7.2%, which was also above our target range of 4–6% and exceeded market growth. Significant inflows were generated in particular by fixed income products – especially the successful products of TwentyFour Asset Management, which are continuing to experience strong growth, as well as by the Vescore and Sustainable & Thematic Investing boutiques. The investment business with Raiffeisen also made a positive contribution to new money.

Development of net new money

CHF BN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Combined Wealth Management	**1.7**	**1.6**	**0.6**
Wealth Management	*1.3*	*1.0*	*0.0*
External Asset Managers	*0.5*	*0.6*	*0.6*
Institutional clients	**3.3**	**–1.3**	**5.1**
Asset Management [1]	*3.8*	*–1.7*	*5.3*
Investment Banking [2]	*–0.5*	*0.4*	*–0.2*
Corporate Center [3]	**0.1**	**0.0**	**–0.1**
Total net new money	**5.1**	**0.3**	**5.6**

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

The changes in the structure of assets by investment category observed in recent years reflect the systematic diversification of the boutiques within Asset Management, among other factors. The successful international expansion of the Fixed Income business is demonstrated by the growing proportion of fixed income securities, which increased by a further percentage point during the period under review, while the weighting of foreign equities declined slightly. Liquid assets and fiduciary investments continued to account for 10% of assets under management.

Assets under management by investment category

IN %	30.06.2018	30.06.2017	31.12.2017
Swiss equities	13	14	13
Foreign equities	36	37	37
Bonds	34	31	33
Alternative investments	2	3	2
Liquid assets, fiduciary investments	10	11	10
Other [1]	5	4	5

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 first half of 2018, the proportion of investments in Swiss francs declined slightly to 24%, while the proportion of investments in euro, US dollars and British pounds remained stable. In contrast, the proportion of investments in other currencies (mainly the Indian rupee and the Hong Kong dollar) grew slightly.

Assets under management by currency

IN %	30.06.2018	30.06.2017	31.12.2017
CHF	24	26	25
EUR	24	22	24
USD	29	30	29
GBP	8	8	8
Other	15	14	14

High level of investment in technology – improved profitability

In the first half of 2018, Vontobel once again made significant investments in new markets, talent, technologies and its brand presence and delivered a pleasing result despite these growth measures. IFRS net profit totaled CHF 132.7 million in the first half of 2018, an increase of 31% compared to the IFRS result and of 25% compared to the adjusted result for the first half of 2017. Net profit for the first half of 2017 of CHF 101.5 million included Vescore integration costs of CHF 4.6 million after taxes. Adjusted for this exceptional impact, the result for the prior-year period totaled CHF 106.1 million.

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 almost two-thirds of Vontobel's growing operating income that rose to CHF 583.3 million (+13%) in the period under review. Commission income increased by 13% to CHF 378.5 million due to higher average assets under management in the period under review. Advisory and management fees rose by 21% to CHF 323.7 million, and custody fees also rose by 21% to CHF 93.8 million.

The continued wait-and-see attitude of many investors, as well as the impact of MiFID II, were reflected by lower brokerage fees – also part of net commission income – which declined 12% to CHF 52.4 million.

The 16% increase in trading income to CHF 166.3 million was attributable to generally very strong demand for structured products – especially in the first quarter of 2018, a further improvement in market positioning in Switzerland and internationally, and 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". The first-time application of IFRS 9 (Financial Instruments) had no impact on the recognition of trading income, since Vontobel is continuing to recognize the impact of the change in own credit risk due to an accounting mismatch through profit or loss.

In the first half of 2018, activities related to the structured products and derivatives business contributed CHF 147.4 million (+11%) to trading income. Income from forex and precious metals trading increased by 82% to CHF 18.9 million compared to the first half of 2017.

Managing the bank's balance sheet while maintaining a conservative risk profile is especially challenging in a prolonged period of low interest rates. As a result of active and systematic treasury management as well as increased loans to clients, net interest income increased slightly (+8%) to CHF 37.4 million. Other income declined by 77% to CHF 1.3 million due to the non-recurrence of income from the sale of financial instruments.

Operating expense grew at a lower rate than income (+7%) to CHF 422.4 million. Personnel expense – the largest cost component – rose by 6% to CHF 276.6 million. At the end of June 2018, Vontobel employed 1,695 full-time equivalents, an increase of 7 from the end of 2017.

As a result of various digitization initiatives and the expansion of the business, general expense rose by 9% to CHF 111.3 million. This increase mainly reflects higher expenses for travel and representation, public relations and marketing, consulting and audit fees, and other general expense.

Reflecting the accelerated pace of capital expenditure, depreciation of property, equipment and intangible assets rose by 8% to CHF 32.1 million, as planned. During the period under review, Vontobel's capital expenditure on property, equipment and intangible assets totaled CHF 23.0 million, an increase of 6% compared to the first half of 2017 but significantly less than in the second half of 2017. Various digitization projects across all divisions, including initiatives relating to the implementation of MiFID II, were the main areas of capital expenditure.

Capital expenditure and depreciation

CHF MN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Capital expenditure	23.0	21.8	53.5
Depreciation	32.1	29.7	31.3

Structure of the income statement

(6 MONTHS)	30.06.2018 CHF MN	30.06.2018 IN %[1]	30.06.2017 IN %[1]	31.12.2017 IN %[1]
Net interest income after credit losses	37.2	6	7	6
Net fee and commission income	378.5	65	64	66
Trading income	166.3	29	28	27
Other income	1.3	0	1	1
Total operating income	**583.3**	**100**	**100**	**100**
Personnel expense	276.6	47	50	50
General expense	111.3	19	20	19
Depreciation of property, equipment and intangible assets	32.1	6	6	6
Provisions and losses	2.4	0	0	0
Total operating expense	**422.4**	**72**	**76**	**75**
Taxes	28.2	5	4	5
Group net profit	**132.7**	**23**	**20**	**20**

1 Share of operating income

The broadening of the operating income base combined with rigorous cost management led to a significant increase in operating efficiency in the first half of 2018. This resulted in a 4.1 percentage point improvement in the cost / income ratio to 72.0%, significantly exceeding the current mid-term target ratio of less than 75%.

IFRS net profit before taxes increased by 31% to CHF 160.9 million. The tax charge increased by almost the same rate (+34%) to CHF 28.2 million. This resulted in a tax rate of 17.5%, compared to 17.1% in the prior-year period. IFRS net profit after taxes and minority interests rose by 29% to CHF 127.7 million. Earnings per share totaled CHF 2.28, an increase of 28%.

As a wealth and asset manager with an international client structure and strong roots in its Swiss home market, Vontobel continues to be systemically affected by the strong Swiss franc, like companies in the Swiss export industry.

There were no significant shifts in the currency composition of the income statement in the period under review. The stronger US dollar accounted for a slightly larger proportion of income in the first half of 2018, while the proportion in Swiss francs declined. On the cost side, there was a further reduction in the proportion of costs generated in US dollars. As a result, 43% of income and 77% of operating expense at Vontobel were generated in Swiss francs. The US dollar remained the second most important currency, accounting for 30% of income and 9% of operating expense. This was followed by the euro, with 16% of income and 8% of costs.

Structure of income statement by currency

IN %	30.06.2018	30.06.2017	31.12.2017
Operating income			
CHF	43	46	44
EUR	16	16	17
USD	30	28	29
GBP	6	5	5
Other	5	5	5
Operating expense			
CHF	77	78	77
EUR	8	8	8
USD	9	10	10
GBP	4	3	3
Other	2	1	2

Strong growth in profit in Combined Wealth Management and Asset Management – Financial Products delivers stable profit contribution

Segment profits before taxes

CHF MN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Wealth Management	42.4	27.1	33.4
Asset Management	92.5	69.5	93.4
Investment Banking	65.7	62.8	49.3
of which External Asset Managers	*13.8*	*11.3*	*11.7*
Corporate Center	–39.8	–36.9	–39.2
Total	**160.9**	**122.5**	**136.8**

In Wealth Management, the business model has been selectively expanded in recent years – primarily through organic growth but also through acquisitions – and its focus has been sharpened. In the second half of 2017, the Eastern European client portfolio of Notenstein La Roche was 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 CHF 1.4 billion of clients assets, to Kaiser Partner Privatbank – with the transaction only being booked in the first half of 2018. 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. In addition, in the first half of 2018, operating income rose by 17% and pre-tax profit increased by 56%. The integration of Notenstein La Roche Privatbank AG in the second half of 2018 is expected to generate significant positive momentum from 2019 at the latest.

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. In the first half of 2018, renowned rating agencies presented us with more than 30 awards. The Asset Management division was once again the main earnings driver at Vontobel, with its pre-tax profit contribution growing by 33% compared to the prior-year period to CHF 92.5 million.

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. Its activities have also developed very successfully in Hong Kong – the world's largest market for leverage products, where Vontobel has been operating since fall 2017. In the first half of 2018, Investment Banking delivered a 5% increase in pre-tax profit to CHF 65.7 million, reflecting the successful positioning of Financial Products and the harnessing of economies of scale, as well as the expansion of the External Asset Managers and Transaction Banking businesses. Corporate Finance advised on some importants transactions in the Swiss capital market but saw volumes decline significantly from the exceptionally high level in the previous year. Vontobel Brokerage also experienced a decline in income due to the implementation of MiFID II.

Wealth & Asset Management (Wealth Management, Asset Management, External Asset Managers business) accounted for 74% 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 26% of pre-tax profit (excluding the Corporate Center) in the period under review.

The result for the Corporate Center decreased by 8% to CHF –39.8 million compared to the prior-year period, mainly due to reduced gains from the sale of financial instruments. In the second half of 2018 and in the financial year 2019, the result will be further impacted by costs related to the integration of Notenstein La Roche Privatbank AG.

Conservative risk management
Vontobel remains committed to a conservative risk management approach. Due to the strong increase in volatility, particularly in the first quarter of 2018, average Value at Risk in the Financial Products business increased strongly from CHF 2.5 million in the first half of 2017 to CHF 4.6 million in the period under review. It should be noted in this context that Vontobel has not relaxed its risk profile or limit system; instead, the marked increase in Value at Risk reflects developments in the financial markets. In the first half of 2018, Value at Risk was in fact significantly impacted by equity components, followed by interest rate and commodities components. The impact of currencies was marginal.

Value at Risk (VaR) for the positions in the Financial Products division

CHF MN	30.06.2018	30.06.2017	31.12.2017
Equities	3.2	1.5	1.2
Interest rates	1.2	1.2	1.2
Currencies	0.5	0.9	1.3
Commodities	1.1	0.8	0.9
Diversification effect	–1.5	–1.9	–2.1
Total	**4.6**	**2.5**	**2.5**

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

Continued comfortable capital position – even after the acquisition of Notenstein La Roche
Vontobel continues to have a solid capital position that significantly exceeds regulatory minimum requirements, even after the acquisition of Notenstein La Roche Privatbank AG. The purchase of Notenstein La Roche Privatbank AG was funded by Vontobel using own equity and through the successful placement of a 2.625% Additional Tier 1 (AT1) bond in the amount of CHF 450 million. This financing structure ensures Vontobel has the flexibility to fund further growth in the future. At June 30, 2018, the BIS common equity tier 1 ratio (CET1 ratio) was strong at 19.1% and the BIS total capital ratio was 26.4%. Since the Notenstein La Roche transaction was completed on July 2, 2018 – i.e. two days after the balance sheet date – we expect the BIS CET1 ratio to reach a good 12% and the total capital ratio to be around 18% at the end of 2018.

The first-time application of IFRS 9 (Financial Instruments) led to several reclassifications and remeasurements in the balance sheet, particularly in respect of financial instruments. Further information is provided in the section “Changes due to IFRS 9”, pages 42 ff.

Vontobel reported shareholders’ equity of CHF 1.7 billion according to IFRS at June 30, 2018, an increase of 4% compared to the end of 2017. Vontobel’s very solid capital position is reflected by its equity ratio of 7.0% and a leverage ratio under Basel III of 6.7%. Furthermore, Vontobel’s balance sheet can be described as highly liquid, since its Liquidity Coverage Ratio averaged 202.8% for the period under review and thus significantly exceeded the minimum requirement of 90% defined by FINMA for 2018.

Total assets grew by 5% to CHF 24.0 billion in the period under review. On the liabilities side of the balance sheet, client deposits were almost unchanged at CHF 9.8 billion. Liabilities arising from the structured products business increased by 9% from CHF 8.5 billion to CHF 9.3 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 a 22% increase in “Other financial assets at fair value” to CHF 4.2 billion, while trading portfolio assets decreased by –13% to CHF 3.5 billion. Loans to clients rose by almost CHF 1 billion or 30% to CHF 4.3 billion.

Allocation of regulatory capital required (BIS) as of 30 June 2018

CHF MN	CREDIT RISKS	MARKET RISKS	OPERATIONAL RISKS	GOODWILL ETC.	TOTAL
Wealth Management	43.3	0.0	37.4	89.8	170.5
Asset Management	10.2	0.0	65.1	194.7	270.0
Investment Banking	38.8	155.5	42.7	5.7	242.7
Corporate Center	32.4	61.2	5.1	0.0	98.7
Total	**124.7**	**216.7**	**150.3**	**290.2**	**781.9**

Of the total regulatory capital of CHF 781.9 million (December 31, 2017: CHF 766.9 million) required under BIS rules, i.e. on the basis of 8% of risk weighted assets and after the required deductions from core capital, 35% was allocated to Asset Management, 31% to Investment Banking and 22% to Wealth Management.

95% of client assets come from Swiss home market and international focus markets
Client assets by client domicile as of 30 June 2018

CHF BN	ASSETS UNDER MANAGEMENT	OTHER ADVISED CLIENT ASSETS	STRUCTURED PRODUCTS OUTSTANDING	TOTAL ADVISED CLIENT ASSETS	CUSTODY ASSETS	TOTAL CLIENT ASSETS
Home market	**69.4**	**0.4**	**7.4**	**77.2**	**61.9**	**139.1**
Switzerland[1]	*69.4*	*0.4*	*7.4*	*77.2*	*61.9*	*139.1*
Focus markets	**86.6**	**12.8**	**1.9**	**101.3**	**0.1**	**101.3**
Germany	*16.1*	*5.5*	*1.9*	*23.5*	*0.0*	*23.5*
Italy	*10.4*	*0.0*	*0.0*	*10.4*	*0.0*	*10.4*
UK	*18.4*	*0.0*	*0.0*	*18.4*	*0.0*	*18.4*
US	*20.8*	*0.0*	*0.0*	*20.8*	*0.0*	*20.8*
Emerging Markets[2]	*20.9*	*7.3*	*0.0*	*28.2*	*0.1*	*28.2*
Other markets	**12.6**	**0.2**	**0.0**	**12.7**	**0.4**	**13.1**
Total client assets	**168.6**	**13.4**	**9.3**	**191.2**	**62.3**	**253.6**

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

Vontobel's successful business expansion is also reflected by the growth of its asset base over the last five years. Since mid-2014, total client assets have increased by 47%, mainly driven by organic growth with the acquisition of significant new money and above-average investment performance. In this context, the international client base expanded somewhat more rapidly than the client base in Vontobel's home market of Switzerland. As at mid-2018, 55% of client assets comprise the assets of clients domiciled in Switzerland, underscoring the high level of confidence that clients in our home market have in Vontobel's expertise and financial solidity.

The integration of Notenstein La Roche Privatbank AG in the second half of 2018 will further strengthen our position in Switzerland. Today, 95% of client assets come from the Swiss market and Vontobel's focus markets.

Strategic priorities

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.

Increased profitability targets for 2020 take account of positive impacts of acquisition of Notenstein La Roche Privatbank AG

Building on these strategic priorities, the Board of Directors and Executive Board have defined ambitious targets for growth, profitability, capital and dividends for 2020. In summer 2018, the profitability targets for Vontobel and Combined Wealth Management were increased to take account of the positive impacts that the acquisition of Notenstein La Roche Privatbank is expected to have on profitability.

In specific terms, this means **Vontobel** wants to:

- **Outgrow the market** in all core activities with top-line growth and net new money growth of 4–6 % , excluding market performance effects

- Generate a higher **return on equity** of more than 14 %, (original target: more than 12 %), clearly exceeding the cost of capital; achieve a **cost / income ratio** of less than 72 % (original target: 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

- **Combined 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 68 basis points (previously 65 basis points); ensure profitable growth with a cost/income ratio of less than 70% (previously 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)	new >14%
Efficiency	
Cost/income ratio	new <72%
Capital strength	
Tier 1 capital ratio (CET1)	>12%
Total capital ratio	>16%
Dividend	
Payout ratio	>50%

1 Excluding market performance

Wealth Management

Vontobel has actively shaped Wealth Management in recent years with a focus on achieving organic growth. At the same time, it was always ready to consider acquisitions, such as the takeover of Finter Bank in 2015 or the acquisition of the Eastern European portfolio of Notenstein La Roche with around CHF 2 billion of assets in 2017. All of these efforts always centered on the interests of clients. This strategy has proved effective, resulting in record client assets and strong profit growth in the first half of 2018.

In May 2018, Vontobel was also able to announce the acquisition of Notenstein La Roche Privatbank AG and the transaction was successfully completed in July 2018. The client portfolio of Notenstein La Roche comprises around CHF 16.5 billion of client assets, of which around 90% will be managed in Wealth Management. The remaining assets will be managed by External Asset Managers (EAM). By acquiring Notenstein La Roche, Vontobel is expanding its portfolio of wealthy clients that is already experiencing good organic growth. It is also strengthening its presence in its home market with the additional locations served by Notenstein La Roche and is underscoring its position as one of the leading private banks in Switzerland. Notenstein La Roche was consolidated with effect from July 2018.

Managed client assets grew 1% in the first half of 2018, even though CHF 1.4 billion of managed client assets in Liechtenstein were sold as part of the focusing of the business. The increase in assets was driven by strong annualized growth in net new money of 5.7%. As a result of the record client assets, we succeeded in increasing our operating income to CHF 154.9 million (+17%). Reflecting strict cost discipline and ongoing digitization – and despite significant capital expenditure – operating expense grew by only 7%. As a result, Wealth Management delivered a significant increase in pre-tax profit to CHF 42.4 million (+56%) in the first half of 2018. This result is also reflected by the cost/income ratio, which improved from 79.3% in the first half of 2017 to 72.5% in the first half of 2018.

We measure the quality of our services from various perspectives – with the clearest indicators being the achievement of a high level of client satisfaction and the generation of above-average inflows of assets in recent years relative to our peers. Our strong investment expertise is shown by the impressive performance of our advisory and discretionary management mandates, as well as our extensive knowledge in the area of Swiss equities, supplemented by the targeted launch of thematic investments. Investments in family-run companies have proved to be a particularly strong driver of performance, combined with investments in disruptive e-commerce and e-sports stocks. Our digital solution “Vontobel Wealth” is today a pioneering offering in a peer group comparison. We want to defend this competitive advantage and will therefore continuously develop our digital channel in the future.

At Vontobel, we see changes as a source of opportunity and harness them for the benefit of our clients wherever possible. We have therefore implemented wide-ranging regulatory requirements such as MiFID II and the Automatic Exchange of Information fully on schedule. We have used these regulatory developments as well as the ongoing digital transformation as a means of further enhancing our client services and of implementing 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 even more effectively. To support this approach, we also completely revised our product and service offering. The development of our innovative and proprietary Vontobel 3-alpha-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 further improving 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 the personal advice offered to clients by our relationship managers.

Vontobel Wealth Management has been actively managing client assets with foresight for decades 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, Chur, Geneva, Lausanne, Locarno, Lugano, Lucerne, Olten, Schaffhausen, St. Gallen, Winterthur, Munich, Hamburg und Hong Kong. It is also present in New York through its SEC-registered company Vontobel Swiss Wealth Advisors AG.

Segment results

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Net interest income after credit losses	25.6	15.9	22.6	9.7	61
Net fee and commission income	119.3	106.6	108.6	12.7	12
Trading income and other operating income	10.0	9.4	9.3	0.6	6
Total operating income	**154.9**	**131.9**	**140.5**	**23.0**	**17**
Personnel expense	61.3	55.4	57.7	5.9	11
General expense	7.7	7.7	9.4	0.0	0
Services from / to other segment(s)	40.8	40.0	37.9	0.8	2
Depreciation of property, equipment and intangible assets	2.4	1.5	1.7	0.9	60
Provisions and losses	0.3	0.2	0.4	0.1	50
Total operating expense	**112.5**	**104.8**	**107.1**	**7.7**	**7**
Segment profit before taxes	**42.4**	**27.1**	**33.4**	**15.3**	**56**

Key figures

IN %	30.06.2018	30.06.2017	31.12.2017
Cost[1] / income ratio	72.5	79.3	75.9
Change of assets under management	0.8	2.1	10.6
of which net new money	*2.9*	*2.6*	*0.0*
of which change in market value	*1.1*	*0.8*	*5.6*
of which other effects[2]	*–3.2*	*–1.3*	*5.0*
Operating income / average assets under management (bp)[3,4]	70	67	67
Profit before taxes / average assets under management (bp)[3,4]	19	14	16

Client assets

	30.06.2018 CHF BN	30.06.2017 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	CHANGE TO 31.12.2017 IN %
Assets under management	44.3	39.8	44.0	0.3	1
Other advised client assets	1.5	1.4	1.8	–0.3	–17
Total advised client assets	**45.9**	**41.2**	**45.8**	**0.1**	**0**
Average assets under management[4]	44.1	39.4	41.7	2.4	6

Net new money

CHF BN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Net new money	1.3	1.0	0.0

Personnel

	30.06.2018	30.06.2017	31.12.2017	CHANGE TO 31.12.2017	CHANGE TO 31.12.2017 IN %
Employees (full-time equivalents)	397.0	390.3	408.2	–11.2	–3
of which relationship managers	*196.5*	*186.4*	*202.4*	*–5.9*	*–3*

1 Operating expense excl. provisions and losses
2 As of 30.06.2018: Sale of the Liechtenstein operation in February 2018
As of 30.06.2017: The decrease in assets under management reflects the reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.
As of 31.12.2017: Acquisition of the Eastern European client portfolio of Notenstein La Roche in December 2017
3 Annualized
4 Calculation based on average values for individual months

Asset Management

The combination of Vontobel's positioning as a high-conviction asset manager and its targeted diversification strategy is continuing to prove successful. In the first half of 2018, advised client assets grew compared to the prior-year period, reaching a new record level of CHF 124.2 billion. At 7.2%, the annualized growth in net new money exceeded our target range of 4–6% and was also above the market average. Inflows were broadly diversified across Equities, Fixed Income and Multi Asset strategies. A proportion of inflows originated from our investment business with Raiffeisen. The impressive quality of our products also contributed to the growth in assets. Our range of sustainable investments is one area of focus of our growth strategy. Advised client assets totaled CHF 15 billion and these strategies attracted more than CHF 1 billion of new money during the second quarter.

In the first half of 2018, the impressive investment performance and quality of our products were recognized by renowned rating agencies, which presented us with more than 30 awards. Reflecting our active management approach, many of our investment funds have 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, other rating agencies also recognized our investment funds, with Lipper naming Vontobel the leading provider in the categories "Emerging Markets Equity", "Commodities" and "Mixed Asset CHF Balanced" in four European countries. In addition, our expertise was recognized at the UK Pension Awards ceremony in London, where Vontobel was named "Emerging Markets Manager of the Year" in view of the performance of our mtx Sustainable Leaders and Emerging Markets Debt strategies. Our TwentyFour Asset Management boutique in London was named "Specialist Fixed Income Group of the Year" for the third time in succession and it received a Performance Award for its Unconstrained Fixed Income and UK Fixed Income strategies. In the Capital Fonds-Kompass 2018 awards, Vontobel Asset Management was named as one of the top fund providers in Germany.

The gross margin in Asset Management stabilized after declining in recent years due, in particular, to the more diversified business model and the resulting changes in the composition of assets. Its good margin reflects the broad diversification of our products across Equities, Fixed Income, Multi Asset and quantitative strategies for institutional and fund clients.

As a result of the systematic execution of our growth strategy, we delivered a significant increase in operating income to CHF 234.8 million in the first half of 2018, up 16% from CHF 201.7 million in the first half of 2017. Despite capital expenditure, operating expense grew at a much lower rate (+8%) than income. This resulted in a higher segment result of CHF 92.5 million or a 33% increase in profit compared to the prior-year period. With its substantial profit contribution, Asset Management was once again the main earnings driver at Vontobel.

We want to pursue our successful growth strategy as a high-conviction asset manager in the future. Consequently, we retain our portfolio managers through our long-term compensation system, under which employees receive part of their bonus in the form of blocked shares. To further strengthen their loyalty to their own products and to ensure an even closer alignment with the interests of our clients, some portfolio managers are subject to variable compensation agreements. 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 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, St. Gallen, New York, Frankfurt, London, Luxembourg, Madrid, Milan, Munich, Hong Kong and Sydney.

Segment results

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Net interest income after credit losses	0.2	0.1	0.0	0.1	100
Net fee and commission income	234.9	200.2	231.6	34.7	17
Trading income and other operating income	–0.4	1.4	1.6	–1.8	
Total operating income	**234.8**	**201.7**	**233.2**	**33.1**	**16**
Personnel expense	88.7	82.3	89.9	6.4	8
General expense	26.3	21.9	21.7	4.4	20
Services from / to other segment(s)	22.5	25.4	24.1	–2.9	–11
Depreciation of property, equipment and intangible assets	4.1	2.5	4.0	1.6	64
Provisions and losses	0.7	0.1	0.1	0.6	600
Total operating expense	**142.3**	**132.2**	**139.8**	**10.1**	**8**
Segment profit before taxes	**92.5**	**69.5**	**93.4**	**23.0**	**33**

Key figures

IN %	30.06.2018	30.06.2017	31.12.2017
Cost[1] / income ratio	60.3	65.5	59.9
Change of assets under management[2]	2.8	6.4	13.8
of which net new money	*3.6*	*–1.9*	*5.5*
of which change in market value	*–1.3*	*8.3*	*8.3*
of which other effects[3]	*0.5*	*0.0*	*0.0*
Operating income / average assets under management (bp)[4,5]	42	43	45
Profit before taxes / average assets under management (bp)[4,5]	16	15	18

Client assets

	30.06.2018 CHF BN	30.06.2017 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	CHANGE TO 31.12.2017 IN %
Assets under management	112.3	97.2	110.3	2.0	2
of which Vontobel funds	*29.7*	*22.7*	*28.7*	*1.0*	*3*
of which managed on behalf of other segments	*1.9*	*2.9*	*2.8*	*–0.9*	*–32*
Other advised client assets	11.9	9.6	11.0	0.9	8
Total advised client assets	**124.2**	**106.8**	**121.3**	**2.9**	**2**
Average assets under management[5]	112.2	94.8	104.7	7.5	7

Net new money

CHF BN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Net new money	3.8	–1.7	5.3

Personnel

	30.06.2018	30.06.2017	31.12.2017	CHANGE TO 31.12.2017	CHANGE TO 31.12.2017 IN %
Employees (full-time equivalents)	406.4	398.5	404.9	1.5	0

1 Operating expense excl. provisions and losses
2 Adjusted for assets that are managed on behalf of other segments
3 Reclassification due to the sale of Bank Vontobel (Liechtenstein) AG
4 Annualized
5 Calculation based on average values for individual months

Investment Banking

Vontobel is one of the world's leading providers of structured investment products and leverage products, with a market share of over 11% in Europe and 31% 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 290,000 issued products spanning many 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 made our market debut in the Netherlands and France and on the Hong Kong stock exchange – one of the world's largest markets in terms of trading volumes – in 2017. Our entry into the Danish market is planned for 2018. In addition to several new markets, we are mainly focused on expanding our activities in our existing markets.

In the first six months of 2018, clients around the world traded a total of CHF 24.0 billion of Vontobel products. Growth was driven mainly by Asia, where the volume increased to CHF 11.1 billion. Our performance in Hong Kong thus continued to exceed our expectations in the first half of 2018. Growth excluding Asia was 7%, reflecting improved market share across the majority of our markets in Europe. We also further strengthened our position in our Swiss home market.

This success is attributable to our client proximity and our state-of-the-art digital ecosystem, which allows us to rapidly enter new markets and serve new target groups. Vontobel Investment Banking has 16 different platforms and web-based offerings. With our unique and leading multi issuer platform Vontobel deritrade® MIP, we enable asset managers and banks to independently compare, create and manage structured products from different issuers for their clients. In the first half of 2018, a total of CHF 3.2 billion of products was purchased on this platform – a significant increase of 45% 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 2017 in order to select a structured product tailored to their individual preferences and have it issued immediately via their iPhone or iPad. Financial Products also unveiled innovative new products, including the launch in July of "cosmofunding", a platform for private placements and loans that enables municipalities and SMEs to gain direct access to investors.

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 period 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 discretionary mandates as well as comprehensive regulatory knowhow for our clients. We are continuing to develop our Vontobel EAMNet digital platform – a pioneering solution compared to the offerings of our peers with a very user-friendly design. Overall, our efforts were rewarded by our clients with impressive growth in net new money of 9.3%. As a result, assets under management reached a new record level of CHF 10.5 billion.

Vontobel Corporate Finance advised a total of 17 companies on capital market or M&A transactions in the first six months of 2018 and was thus able to further expand its leading position in the Swiss equity capital market and in the area of public takeover bids, among others. However, income declined somewhat from the exceptionally high level seen in the first half of 2017. Brokerage also experienced a reduction in income due to regulatory changes under MiFID II.

In the first half of 2018, Investment Banking grew its operating income by 11% to CHF 187.9 million, driven by further gains in market share in Financial Products as well as the achievement of good growth in the External Asset Managers business. Pre-tax profit rose by 5% to CHF 65.7 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

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Net interest income after credit losses	5.6	4.7	5.3	0.9	19
Net fee and commission income	41.8	42.5	33.5	–0.7	–2
Trading income and other operating income	140.5	121.6	121.2	18.9	16
Total operating income	**187.9**	**168.8**	**160.0**	**19.1**	**11**
Personnel expense	63.1	59.4	55.9	3.7	6
General expense	31.6	24.7	29.4	6.9	28
Services from / to other segment(s)	23.0	19.2	22.4	3.8	20
Depreciation of property, equipment and intangible assets	3.2	2.7	2.8	0.5	19
Provisions and losses	1.2	0.0	0.2	1.2	
Total operating expense	**122.2**	**106.0**	**110.7**	**16.2**	**15**
Segment profit before taxes	**65.7**	**62.8**	**49.3**	**2.9**	**5**

Key figures

IN %	30.06.2018	30.06.2017	31.12.2017
Cost[1] / income ratio	64.4	62.8	69.1
Change of assets under management	0.1	13.8	11.3
of which net new money	*0.1*	*9.2*	*3.2*
of which change in market value	*0.0*	*4.6*	*8.1*

Client assets

	30.06.2018 CHF BN	30.06.2017 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets under management	13.8	12.4	13.8	0.0	0
Structured products outstanding	9.3	7.2	8.5	0.8	9
Total advised client assets	**23.1**	**19.6**	**22.3**	**0.8**	**4**
Custody assets	62.3	43.0	59.9	2.4	4
Total client assets	**85.3**	**62.6**	**82.2**	**3.1**	**4**

Net new money

CHF BN (6 MONTHS)	30.06.2018	30.06.2017	31.12.2017
Net new money	0.0	1.0	0.4

Personnel

	30.06.2018	30.06.2017	31.12.2017	CHANGE TO 31.12.2017	IN %
Employees (full-time equivalents)	393.4	376.9	383.1	10.3	3

Of which External Asset Managers

(6 MONTHS)	30.06.2018	30.06.2017	31.12.2017	CHANGE TO 30.06.2017	IN %
Operating income (CHF mn)	29.2	25.9	26.7	3.3	13
Profit before taxes (CHF mn)	13.8	11.3	11.7	2.5	22
Cost[1] / income ratio (%)	51.2	56.0	56.1		
Assets under management (CHF bn)	10.5	8.7	10.0		
Net new money (CHF bn)	0.5	0.6	0.6		
Operating income / average assets under management (bp)[2,3]	57	62	57		

1 Operating expense excl. provisions and losses
2 Annualized
3 Calculation based on average values for individual months

Corporate Center

Vontobel has a long tradition of corporate responsibility and sustainability, which are part of our corporate culture. We strive to take greater account of sustainability aspects across every area of our business and we view this as a permanent and pressing commitment. Since the 1990s, Vontobel has continuously expanded its sustainable investing activities and is seeking to play a leading role in this area. The volume of sustainable investments at Vontobel rose from CHF 13.9 billion at December 31, 2017 to almost CHF 15.6 billion at June 30, 2018, corresponding to growth of over 10 %. All three divisions contributed to this increase. Structured products focusing on sustainable investment themes more than doubled, and in Wealth Management, mandates managed according to sustainability criteria experienced significant growth. In addition, Vontobel now incorporates ESG criteria into the investment process of several funds. Examples include the investment strategy focusing on emerging markets bonds denominated in local currencies. More than CHF 1 billion of the sustainable new money generated comprises inflows into investment funds in the "mtx" strategy group that invest in emerging markets equities, among others. ISS-oekom rated Vontobel's sustainability performance this year for the first time and awarded it "Prime" status. This means that Vontobel ranks among the top 6 % in its peer group of 44 asset managers worldwide.

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 or 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 market position for Vontobel.

Vontobel has long adopted a future-oriented approach to 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. At the start of 2018, Vontobel agreed a mutual settlement with the authorities in the German state of North Rhine-Westphalia and paid a one-off sum of approximately EUR 13.3 million. Provisions covering the full amount were already recorded in prior years.

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. 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.

In June 2018, Vontobel successfully placed a CHF 450 million Additional Tier 1 (AT1) bond with a coupon of 2.625 %. The proceeds of this capital market transaction are being used primarily to finance the acquisition of the private bank Notenstein La Roche and to strengthen the total capital ratio following the integration.

Operating income decreased slightly in the first half of 2018 compared to the prior-year period. This was reflected by a lower pre-tax result of CHF –39.8 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

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Net interest income after credit losses	5.7	13.9	6.0	–8.2	–59
Net fee and commission income	–17.6	–15.7	–14.4	–1.9	
Trading income and other operating income	17.4	16.8	17.4	0.6	4
Total operating income	**5.6**	**15.0**	**9.0**	**–9.4**	**–63**
Personnel expense	63.4	65.0	67.0	–1.6	–2
General expense	45.7	47.5	42.7	–1.8	–4
Services from / to other segment(s)	–86.3	–84.6	–84.4	–1.7	
Depreciation of property, equipment and intangible assets	22.4	23.0	22.8	–0.6	–3
Provisions and losses	0.2	1.0	0.1	–0.8	–80
Total operating expense	**45.4**	**51.9**	**48.2**	**–6.5**	**–13**
Segment profit before taxes	**–39.8**	**–36.9**	**–39.2**	**–2.9**	

Personnel

	30.06.2018	30.06.2017	31.12.2017	CHANGE TO 31.12.2017	IN %
Employees (full-time equivalents)	498.4	477.2	492.0	6.4	1

Capital and liquidity

Eligible and required capital

CHF MN	30.06.2018	31.12.2017
Eligible capital		
Equity according to balance sheet	1,678.8	1,620.5
Paid-in capital	*56.9*	*56.9*
Disclosed reserves	*1,542.9*	*1,440.8*
Net profit for the current financial year	*127.7*	*202.4*
Deduction for treasury shares	*–48.7*	*–79.6*
Deduction for minority interests	0.0	0.0
Deduction for dividends (current estimate)	–59.8	–119.4
Deduction for goodwill	–226.5	–226.8
Deduction for intangible assets	–58.0	–64.3
Deduction for deferred tax assets	–17.5	–20.0
Addition (deduction) for losses (gains) due to changes in own credit risk	–5.7	0.6
Deduction for unrealised gains related to financial investments	–48.8	–4.1
Deduction for defined benefit pension fund assets (IAS 19)	–35.8	–29.9
Other adjustments	–52.0	–58.0
Net eligible BIS common equity tier 1 capital (CET1)	**1,174.7**	**1,098.6**
Additional tier 1 capital (AT1)	447.4	0.0
Net eligible BIS tier 1 capital	**1,622.1**	**1,098.6**
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)	**1,622.1**	**1,098.6**

Risk-weighted positions		
Credit risks	1,968.2	1,892.6
Receivables	*1,857.3*	*1,812.1*
Price risk relating to equity instruments in the banking book	*110.9*	*80.5*
Non-counterparty related risks	155.7	158.6
Market risks	2,145.2	2,079.3
Interest rates	*1,248.5*	*1,187.3*
Equities	*349.5*	*328.9*
Currencies	*220.6*	*242.8*
Gold	*39.7*	*69.8*
Commodities	*286.9*	*250.5*
Operational risk	1,879.0	1,825.1
Total risk-weighted positions	**6,148.1**	**5,955.6**

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

For 2018, the liquidity coverage ratio has to exceed 90%. The main factors influencing Vontobel's liquidity coverage ratio are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows, and reverse-repurchase agreements maturing within 30 calendar days as cash inflows.

Capital ratios in accordance with FINMA Circular 16/01

AS A PERCENTAGE OF RISK-WEIGHTED POSITIONS	30.06.2018	31.12.2017
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%)[1]	19.1	18.4
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%)[2]	26.4	18.4
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%)[3]	26.4	18.4
CET1 available to cover BCBS minimum capital and buffer requirements after deduction of AT1 and T2 capital requirements which are filled by CET1	19.1	14.9
CET1 available	19.1	14.2
T1 available	24.0	16.0
Eligible regulatory capital available	26.4	18.4

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

The countercyclical buffer requirement (as a percentage of risk-weighted positions) is 0.0.
All investments in the financial sector (<10%) are risk-weighted for CAD calcuations (30.06.2018: CHF 8.5 mn; 31.12.2017: CHF 8.5 mn).

Leverage ratio in accordance with FINMA Circular 15/03

	30.06.2018	31.12.2017
Net eligible BIS tier 1 capital in CHF mn	1,622.1	1,098.6
Total leverage ratio exposure in CHF mn	24,359.0	23,438.1
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	6.7	4.7

Liquidity coverage ratio in accordance with FINMA Circular 15/02

AVERAGE	1ST HALF YEAR 2018	2ND QUARTER 2018	1ST QUARTER 2018
Total stock of high quality liquid assets (HQLA) in CHF mn	7,052.2	7,018.7	7,085.7
Total net cash outflows in CHF mn	3,477.8	3,320.3	3,635.3
Liquidity Coverage Ratio LCR in %	202.8	211.4	194.9

Consolidated income statement

Consolidated income statement

(6 MONTHS)	NOTE	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Interest income		45.5	41.0	41.9	4.5	11
Interest expense		8.1	6.3	7.9	1.8	29
Net interest income		**37.4**	**34.7**	**34.0**	**2.7**	**8**
Credit loss (expense)/recovery		–0.2	0.0	–0.2	–0.2	
Net interest income after credit losses	1	**37.2**	**34.7**	**33.8**	**2.5**	**7**
Fee and commission income		501.7	433.2	469.3	68.5	16
Fee and commission expense		123.2	99.6	110.0	23.6	24
Net fee and commission income	2	**378.5**	**333.6**	**359.3**	**44.9**	**13**
Trading income	3	**166.3**	**143.5**	**145.3**	**22.8**	**16**
Other income	4	**1.3**	**5.7**	**4.2**	**–4.4**	**–77**
Total operating income		**583.3**	**517.5**	**542.6**	**65.8**	**13**
Personnel expense	5	276.6	262.1	270.5	14.5	6
General expense	6	111.3	101.8	103.2	9.5	9
Depreciation of property, equipment and intangible assets	7	32.1	29.7	31.3	2.4	8
Provisions and losses	8	2.4	1.4	0.8	1.0	71
Total operating expense		**422.4**	**395.0**	**405.8**	**27.4**	**7**
Profit before taxes		**160.9**	**122.5**	**136.8**	**38.4**	**31**
Taxes	9	28.2	21.0	29.3	7.2	34
Group net profit		**132.7**	**101.5**	**107.5**	**31.2**	**31**
of which allocated to minority interests		*4.9*	*2.8*	*3.8*	*2.1*	*75*
of which allocated to shareholders of Vontobel Holding AG		*127.7*	*98.7*	*103.7*	*29.0*	*29*

Share information (CHF)

Basic earnings per share[1]		2.28	1.78	1.87	0.50	28
Diluted earnings per share[1]		2.24	1.75	1.81	0.49	28

1 Basis: weighted average number of shares
The reporting of interest income has changed. The figures for the previous year were adapted accordingly.

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

(6 MONTHS)	NOTE	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Group net profit according to the income statement		**132.7**	**101.5**	**107.5**	**31.2**	**31**
Other comprehensive income, net of tax	10					
Other comprehensive income that will be reclassified to the income statement						
Currency translation adjustments:						
Income during the reporting period		1.4	–7.6	9.2	9.0	
Gains and losses transferred to the income statement		0.0	0.0	0.0	0.0	
Total currency translation adjustments		1.4	–7.6	9.2	9.0	
Debt instruments in financial investments [1]:						
Income during the reporting period		–8.1	2.4	–5.1	–10.5	
Gains and losses transferred to the income statement		0.2	–2.3	–1.2	2.5	
Total debt instruments in financial investments		–7.9	0.1	–6.3	–8.0	
Cash flow hedges:						
Income during the reporting period		–0.9	0.2	–0.7	–1.1	
Gains and losses transferred to the income statement		0.0	0.0	0.0	0.0	
Total cash flow hedges		–0.9	0.2	–0.7	–1.1	
Total other comprehensive income that will be reclassified to the income statement		**–7.4**	**–7.3**	**2.2**	**–0.1**	
Other comprehensive income that will not be reclassified to the income statement						
Income from equity instruments in financial investments		–0.8				
Income from defined benefit pension plans		0.8	11.8	–2.2	–11.0	–93
Total other comprehensive income that will not be reclassified to the income statement		**0.0**	**11.8**	**–2.2**	**–11.8**	**–100**
Total other comprehensive income, net of tax		**–7.4**	**4.5**	**0.0**	**–11.9**	
Comprehensive income		**125.3**	**106.0**	**107.5**	**19.3**	**18**
of which allocated to minority interests		*4.9*	*2.7*	*4.3*	*2.2*	*81*
of which allocated to shareholders of Vontobel Holding AG		*120.4*	*103.3*	*103.2*	*17.1*	*17*

1 In the financial year 2017, this item also included other comprehensive income from those equity securities and units in investment funds that were classified as “available-for-sale” under IAS 39.

Consolidated balance sheet

Assets

	30.06.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Cash	6,441.3	6,287.9	153.4	2
Due from banks	984.5	1,658.7	–674.2	–41
Cash collateral for securities borrowing agreements	6.7	8.5	–1.8	–21
Cash collateral for reverse-repurchase agreements	989.2	1,007.2	–18.0	–2
Trading portfolio assets	3,479.2	3,991.2	–512.0	–13
Positive replacement values	198.2	243.9	–45.7	–19
Other financial assets at fair value	4,248.5	3,490.9	757.6	22
Loans	4,301.9	3,310.5	991.4	30
Financial investments	1,909.7	1,788.9	120.8	7
Investments in associates	0.5	0.9	–0.4	–44
Property and equipment	156.9	159.7	–2.8	–2
Goodwill and other intangible assets	284.5	291.1	–6.6	–2
Other assets	980.8	664.3	316.5	48
Total assets	**23,981.9**	**22,903.7**	**1,078.2**	**5**

Liabilities and equity

	30.06.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Due to banks	583.6	1,221.3	–637.7	–52
Cash collateral from repurchase agreements	74.5	0.0	74.5	
Trading portfolio liabilities	147.7	158.2	–10.5	–7
Negative replacement values	817.5	725.6	91.9	13
Other financial liabilities at fair value	9,170.7	8,451.3	719.4	9
Due to customers	9,789.3	9,758.2	31.1	0
Debt issued	447.4	0.0	447.4	
Provisions	26.3	40.6	–14.3	–35
Other liabilities	1,246.1	928.0	318.1	34
Total liabilities	**22,303.1**	**21,283.2**	**1,019.9**	**5**
Share capital	56.9	56.9	0.0	0
Treasury shares	–48.7	–79.6	30.9	
Capital reserve	–178.7	–160.3	–18.4	
Retained earnings	1,909.0	1,854.7	54.3	3
Other components of shareholders' equity	–59.6	–51.2	–8.4	
Shareholders' equity	**1,678.8**	**1,620.5**	**58.3**	**4**
Minority interests	0.0	0.0	0.0	
Total equity	**1,678.8**	**1,620.5**	**58.3**	**4**
Total liabilities and equity	**23,981.9**	**22,903.7**	**1,078.2**	**5**

Statement of equity

Statement of equity

CHF MN	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE
Balance as of 01.01.2017	**56.9**	**–93.8**	**–157.8**
Group net profit			
Other comprehensive income that will be reclassified to the income statement			
Other comprehensive income that will not be reclassified to the income statement			
Comprehensive income	**0.0**	**0.0**	**0.0**
Dividend payment[2]			
Purchase of treasury shares		–38.3	
Sale of treasury shares		7.2	1.0
Share-based compensation expense			18.9
Allocations from share-based compensation		59.2	–33.8
Change in minority interests			0.0
Change in liability to purchase minority interests			–4.1
Other effects	0.0	0.0	0.0
Ownership-related changes	**0.0**	**28.1**	**–18.0**
Balance as of 30.06.2017	**56.9**	**–65.7**	**–175.8**
Balance as of 01.01.2018	**56.9**	**–79.6**	**–160.3**
Impact of changes to the accounting principles			
Balance as of 01.01.2018 after adjustments	**56.9**	**–79.6**	**–160.3**
Group net profit			
Other comprehensive income that will be reclassified to the income statement			
Other comprehensive income that will not be reclassified to the income statement			
Comprehensive income	**0.0**	**0.0**	**0.0**
Dividend payment[3]			
Purchase of treasury shares		–34.8	
Sale of treasury shares		6.4	0.8
Share-based compensation expense			20.0
Allocations from share-based compensation		59.3	–33.5
Change in minority interests			0.0
Change in liability to purchase minority interests			–5.7
Other effects	0.0	0.0	0.0
Ownership-related changes	**0.0**	**30.9**	**–18.4**
Balance as of 30.06.2018	**56.9**	**–48.7**	**–178.7**

1 “Unrealized income from debt instruments in financial investments”, “Currency translation adjustments” and “Cash flow hedges” are reported in the balance sheet item “Other components of shareholders' equity”.
2 In the financial year 2017, this item also included other comprehensive income from those equity securities and units in investment funds that were classified as “available-for-sale” under IAS 39.
3 Vontobel Holding AG paid a dividend (gross) of CHF 2.10 per registered share with a par value of CHF 1.00 in April 2018 (previous year CHF 2.00 consisting of an ordinary dividend of CHF 1.90 and a special dividend of CHF 0.10).

RETAINED EARNINGS	UNREALIZED INCOME FROM DEBT INSTRUMENTS IN FINANCIAL INVESTMENTS[1,2]	CURRENCY TRANSLATION ADJUSTMENTS[1]	CASH FLOW HEDGES[1]	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
1,754.5	**4.6**	**–49.6**	**–0.7**	**1,514.1**	**0.0**	**1,514.1**
98.7				98.7	2.8	101.5
	0.1	–7.5	0.2	–7.2	–0.1	–7.3
11.8				11.8	0.0	11.8
110.5	**0.1**	**–7.5**	**0.2**	**103.3**	**2.7**	**106.0**
–111.8				–111.8	–4.3	–116.1
				–38.3	0.0	–38.3
				8.2	0.0	8.2
				18.9	0.0	18.9
				25.4	0.0	25.4
	0.0	0.0		0.0	0.0	0.0
				–4.1	1.6	–2.5
0.0	0.0			0.0	0.0	0.0
–111.8	**0.0**	**0.0**	**0.0**	**–101.7**	**–2.7**	**–104.4**
1,753.2	**4.7**	**–57.1**	**–0.5**	**1,515.7**	**0.0**	**1,515.7**
1,854.7	**–1.6**	**–48.4**	**–1.2**	**1,620.5**	**0.0**	**1,620.5**
44.8	–1.1			43.7		43.7
1,899.5	**–2.7**	**–48.4**	**–1.2**	**1,664.2**	**0.0**	**1,664.2**
127.7				127.7	4.9	132.7
	–7.9	1.4	–0.9	–7.4	–0.0	–7.4
0.0				0.0	0.0	0.0
127.7	**–7.9**	**1.4**	**–0.9**	**120.4**	**4.9**	**125.3**
–118.3				–118.3	–5.1	–123.4
				–34.8	0.0	–34.8
				7.2	0.0	7.2
				20.0	0.0	20.0
				25.8	0.0	25.8
	0.0	0.0		0.0	0.0	0.0
				–5.7	0.2	–5.5
0.0	0.0			0.0	0.0	0.0
–118.3	**0.0**	**0.0**	**0.0**	**–105.8**	**–4.9**	**–110.7**
1,909.0	**–10.6**	**–46.9**	**–2.1**	**1,678.8**	**0.0**	**1,678.8**

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 01.01.17	56,875,000	56.9	0	0.0
Balance as of 31.12.17	56,875,000	56.9	0	0.0
Balance as of 30.06.18	**56,875,000**	**56.9**	**0**	**0.0**

Treasury shares

	NUMBER	CHF MN
Balance as of 01.01.2017	2,106,367	93.8
Purchases	676,627	38.3
Decreases	–1,414,404	–66.4
Balance as of 30.06.2017	1,368,590	65.7
Purchases	331,150	20.3
Decreases	–111,403	–6.4
Balance as of 31.12.2017	1,588,337	79.6
Purchases	538,981	34.8
Decreases	–1,308,657	–65.7
Balance as of 30.06.2018	**818,661**	**48.7**

Consolidated cash flow statement

Consolidated cash flow statement

CHF MN (6 MONTHS)	30.06.2018	30.06.2017
Cash flow from operating activities		
Group net profit (incl. minorities)	132.7	101.5
Reconciliation to net cash flow from operating activities		
Non-cash positions in Group results:		
Depreciation and valuation adjustments of property, equipment and intangible assets	32.1	29.7
Credit loss expense / (recovery)	0.2	0.0
Income from investments in associates	0.4	0.1
Deferred income taxes	6.1	2.5
Change in provisions	–14.1	0.9
Net income from investing activities	3.5	0.4
Other non-cash income	12.4	18.3
Net (increase) / decrease in assets relating to banking activities:		
Due from / to banks, net	–622.4	–295.5
Cash collateral for securities borrowing and reverse-repurchase agreements	19.8	–110.3
Trading positions and replacement values, net	619.5	–376.3
Other financial assets / liabilities at fair value, net	–35.1	172.0
Loans / due to customers, net	–960.6	256.2
Other assets	–486.3	–482.3
Net increase / (decrease) in liabilities relating to banking activities:		
Cash collateral from securities lending and repurchase agreements	74.5	0.0
Other liabilities	502.7	590.0
Taxes paid	–22.0	–30.8
Cash flow from operating activities	**–736.8**	**–123.6**
Cash flow from investing activities		
Investments in subsidiaries and associates	0.0	–28.7
Disposal of subsidiaries and associates	21.9	0.0
Purchase of property, equipment and intangible assets	–23.0	–21.8
Disposal of property, equipment and intangible assets	0.0	0.0
Investment in financial instruments	–342.7	–234.5
Divestment of financial instruments	280.9	352.7
Cash flow from investing activities	**–62.9**	**67.7**
Cash flow from financing activities		
Net movements in treasury shares	–27.6	–30.1
Dividends paid	–123.4	–116.1
Issued debt instruments	447.4	0.0
Cash flow from financing activities	**296.3**	**–146.2**
Effects of exchange rate differences	–1.8	–0.1
Net increase / (decrease) in cash and cash equivalents	**–505.1**	**–202.2**
Cash and cash equivalents, beginning of the year	7,918.9	7,787.0
Impact of changes to the accounting principles	–0.4	
Cash and cash equivalents at the balance sheet date	**7,413.4**	**7,584.8**

Consolidated cash flow statement

CHF MN (6 MONTHS)	30.06.2018	30.06.2017
Cash and cash equivalents comprise at the balance sheet date		
Cash	6,441.3	6,536.3
Due from banks on demand	972.1	1,048.5
Total	**7,413.4**	**7,584.8**
Further information:		
Dividends received	38.0	44.6
Interest received	70.7	73.7
Interest paid	7.7	8.4

Accounting principles

1. Basis of presentation

Vontobel's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). This half-year report meets the requirements set out in IAS 34 – Interim Financial Reporting. Since it does not contain all of the information and disclosures required in the Annual Report, this interim report should be read in conjunction with the audited consolidated financial statements in the Annual Report 2017. With the exception of the following changes, the accounting principles applied in this report are the same as in the consolidated financial statements dated December 31, 2017.

2. Changes in financial reporting

2.1 Changes in accounting principles

2.1.1 Standards and interpretations that have been implemented

The following new or revised standards and interpretations were applied by Vontobel for the first time in the financial year 2018:

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 financial liabilities, the identification of impairment of financial assets, and hedge accounting. It is to be applied for the first time from January 1, 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 January 1, 2019. Early adoption is permitted.

The classification and measurement of financial assets is based on the contractual cash flows from financial instruments and on the business model in which the instruments are held. In the case of debt instruments, the following categories exist:

- Recognition at amortized cost using the effective interest method;
- Recognition at fair value, with changes in fair value being recognized in other comprehensive income and transferred to profit or loss when the instrument is sold;
- Recognition at fair value, with changes in fair value being recognized in profit or loss.

In the event of an accounting mismatch, the fair value option can be applied for 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 fair value are generally recognized through profit or loss. If an equity instrument is not held for trading purposes, it can be irrevocably classified at initial recognition as an instrument that is measured at fair value. However, with the exception of dividends, all of its income components are recognized in other comprehensive income and are not transferred to profit or 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, however, that the impact of the change in own credit risk of financial liabilities, for which the fair value option is applied, is now recorded in other comprehensive income. If this treatment would create or enlarge an accounting mismatch in profit or loss, the impact of the change in own credit risk should, however, continue to be recorded in profit or loss.

It is primarily financial assets that are measured at amortized cost or whose changes in fair value are recognized in other comprehensive income that fall within the scope of application of the new impairment model. At 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 credit risk since the initial recognition of the financial asset, the present value of lifetime expected credit losses is recorded through profit or loss.

The new general model for hedge accounting enables companies to better reflect their risk management activities in their financial statements since it provides more options to apply hedge accounting and allows flexibility in how an economic relationship between the hedged item and the hedging instrument is shown.

When applying IFRS 9 for the first time (including the amendment regarding prepayment features with negative compensation), Vontobel did not adjust the figures for the prior year and recognized the cumulative impact of the first-time application of IFRS 9 in the opening balance sheet as of January 1, 2018, in accordance with the transitional provisions. The impacts on the consolidated financial statements are shown on pages 42 to 47.

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, according to which 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.

The application of IFRS 15 did not have any impact on Vontobel's balance sheet and income statement as of January 1, 2018, or in the first half of 2018. In the segment reporting, net fee and commission income is now reported separately for the individual segments to enable reconciliation with the corresponding item in the income statement. Figures for the previous year have been adapted in line with this increased disclosure. The disclosure relating to commission and fee income is provided in note 2.

IAS 19 – Plan Amendment, Curtailment or Settlement
In February 2018, the IASB published amendments to IAS 19, which concern the recognition of plan amendments, curtailments or settlements during the reporting period. The amendments state that if this type of event occurs, companies must determine the current service cost and net interest for the remainder of the reporting period using current actuarial assumptions. In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments apply prospectively to plan amendments, curtailments or settlements occurring on or after January 1, 2019. Early application is permitted. At Vontobel, the new IAS 19 provisions have been applied early to changes in the regulations of pension funds in Switzerland (see note 5 "Personnel expense"). In the first half of 2018, this resulted in a reduction in personnel expense and in the income from defined benefit pension plans recognized in other comprehensive income, each in the amount of CHF 0.2 mn (before taxes). The early application of the new provisions had no impact on consolidated shareholders' equity as of June 30, 2018.

Other new standards and interpretations

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 40 – Transfers of Investment Properties;
- IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- IFRS 4 – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”;
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration;
- Annual Improvements 2014–2016 (with first-time application from January 1, 2018).

2.1.2 Other changes

Impairment losses on financial investments and loans, and reversals of impairment losses, were previously recognized in the income statement in the items “Other income” or “Valuation adjustments, provisions and losses” (now “Provisions and losses”). Due to the adoption of IFRS 9, all changes in expected credit losses under the impairment model are now recognized in the item “credit loss (ex–pense) / recovery” as a component of net interest income.

For the purpose of comparisons: In the income statement and segment reporting for the financial year 2017, CHF 0.2 mn (1H17: CHF 0.0 mn, 2H17: CHF 0.2 mn) was reclassified from the income statement item “Provisions and losses” to the item “credit loss (expense) / recovery”. This reclassification has no impact on net profit and consolidated shareholders’ equity for the prior year.

2.2 Changes in estimates

No material changes in estimates.

Changes due to IFRS 9

IFRS 9 accounting principles

Initial recognition
Purchases and disposals of financial assets are recognized in the balance sheet at the trade date. At the time of initial recognition, financial assets or financial liabilities are classified according to IFRS 9 criteria, assigned to the relevant category and measured at the fair value of the consideration paid or received, including directly attributable transaction costs. In the case of trading portfolio assets and liabilities and other financial instruments at fair value ("Fair value through profit and loss"), the transaction costs are immediately recognized through profit or loss.

Measuring fair value, fair value hierarchy and recognition of "day 1 profit"
For information on the measurement of fair value of financial instruments, the valuation techniques used, the fair value hierarchy and day 1 profit, please refer to note 11 "Fair value of financial instruments".

Trading portfolio assets and trading portfolio liabilities ("fair value through profit or loss")
Financial assets or financial liabilities held for trading purposes are recognized at fair value in "Trading portfolio assets" or "Trading portfolio liabilities". All income components are recognized in "Trading income".

Derivative financial instruments ("fair value through profit or loss") and hedge accounting
Derivative instruments are recognized as positive and negative replacement values at fair value. Provided no hedge accounting is applied for the relevant derivatives, all income components are recognized in "Trading income".

Other financial assets at fair value ("fair value through profit or loss")
This balance sheet item contains financial assets that are not held for trading purposes but fall within the category "fair value through profit or loss" due to IFRS 9 criteria. An exception are those equity securities that Vontobel assigned to the category "financial investments" at initial recognition. They are treated the same way in the income statement as trading portfolio assets.

Other financial liabilities at fair value ("fair value through profit or loss")
This balance sheet item contains issued structured products for which the fair value option is applied. They are managed, measured and reported to the Board of Directors and the Executive Board on a fair value basis according to a documented strategy. They are treated the same way in the income statement as trading portfolio liabilities (information on the treatment of the impact of changes in own credit risk is provided in Note 3 "Trading income"). Income from issued structured products is therefore treated in the same way as income from the corresponding hedging positions.

Financial investments ("fair value through other comprehensive income")
This balance sheet item contains long-term equity investments (e.g. investments in infrastructure companies) on the one hand, and on the other hand debt instruments held within a business model whose objective is both selling debt instruments and collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial investments are recognized at fair value.

In the case of equity investements, dividends are recognized in net interest income and all other income components are recognized in other comprehensive income. Realized income is not transferred to profit or loss.

In the case of debt instruments, changes in fair value are recognized in other comprehensive income. The change in expected credit losses is shown in "Net interest income", and the reverse entry is recognized in other comprehensive income. If a debt instrument is sold, expected credit losses and cumulative changes in fair value are transferred from other comprehensive income to the items "Net interest income" and "Other income". Interest is accrued in the period in which it is earned using the effective interest method and recognized in "Net interest income". For further information on expected credit losses, see the section "Impairment model".

Cash, due from banks, cash collateral for securities borrowing agreements, cash collateral for reverse-repurchase agreements and loans ("amortized cost")
These positions are held to collect contractual cash flows, that are solely payments of principal and interest on the principal amount outstanding. The cash holdings in the balance sheet item "Cash" are recognized at nominal value and other positions are recognized at amortized cost less expected credit losses. Securities received in the context of securities borrowing agreements or reverse-repurchase agreements are not recognized in the balance sheet, since the risks and rewards of ownership are not transferred to Vontobel.

The change in expected credit losses is shown in "Net interest income". Interest on positions that are not past due is accrued in the period in which it is earned using the effective interest method and recognized in “Net interest income”. Negative interest is shown as interest expense.

For further information on expected credit losses, see the section “Impairment model”.

Due to banks, cash collateral from securities lending agreements, cash collateral from repurchase agreements, due to customers and debt issued (“amortized cost”)
These positions are recognized at amortized cost. Interest is accrued in the period in which it is incurred using the effective interest method and recognized in “Net interest income”. Negative interest is shown as interest income. Securities that are transferred in the context of securities lending and repurchase agreements are not derecognized since the risks and rewards resulting from ownership are not transferred. Additional Tier 1 bond positions held due to market making activities are classed as repaid and are offset in the balance sheet item “Debt issued”.

Impairment model
At Vontobel, it is mainly financial assets recognized at amortized cost, debt instruments in financial investments and credit risks from off-balance-sheet items that are subject to the IFRS 9 impairment model. Vontobel applies the impairment model individually for all relevant financial instruments.

At Vontobel, a financial instrument is assigned to stage 1 of the impairment model at the time of initial recognition. Vontobel has elected under IFRS 9 to continue to allocate all financial instruments with an internal or external rating of at least “investment grade” to stage 1 after initial recognition. At Vontobel, this applies to the vast majority of financial instruments. If a financial instrument displays a significantly increased credit risk (risk of default) compared to the time of initial recognition and if any (internal or external) rating no longer corresponds to at least “investment grade”, it is transferred to stage 2. The main indicators of a significant increase in credit risk are: a missed payment and a material deterioration in the rating, credit risk-related market data (e.g. increase in the risk premium) or borrower-related (idiosyncratic) factors. If a payment is more than 30 days past due, a financial instrument is, in principle, always transferred to stage 2. If there is objective evidence of impairment, the financial instrument is transferred to stage 3. Objective evidence of impairment includes missed payments, substantial financial difficulties on the part of the borrower, a material reduction in the market price of a debt instrument due to borrower-specific factors, and a material reduction in the value of the collateral received.

The financial investments held by Vontobel generally consist solely of liquid debt instruments from high-quality borrowers that have been assigned an external rating in the high “investment grade” range by a recognized rating agency. The creditworthiness of the borrowers is monitored continuously based on changes in external ratings, market factors as well as internal assessments. If a debt instrument no longer meets the internal rules governing creditworthiness, it is generally sold within a very short period of time. In exceptional cases where the instrument is not sold, checks are carried out at the next balance sheet date to determine whether there has been a significant increase in the credit risk or whether there is objective evidence of impairment. Since the debt instruments are highly liquid, the 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 debt instrument is classed as impaired.

The secured loans provided to investment clients (“lombard lending”) and exposures to professional counterparties – with the exception of the financial investments described above – are generally only entered into on a secured basis, with securities serving as easily realizable collateral. Further information about the daily procedures to ensure that adequate collateral is in place and the methods and processes used to carefully manage counterparty risks resulting from unsecured exposures is provided in the Annual Report 2017 in chapter 5 of the notes on risk management and risk control. The daily management and control of counterparty risks minimizes the probability that a stage 1 exposure will have to be transferred to stages 2 or 3.

The expected credit losses in stage 1 of the impairment model correspond to the present value of expected credit losses resulting from possible default events within 12 months of the balance sheet date (“12-month losses”). The expected credit losses in stages 2 and 3 correspond to the present value of all expected credit losses over the remaining lifetime of the financial instrument (“lifetime expected credit losses”). The change in expected credit losses is recognized in “Net interest income”.

The expected credit losses on financial instruments with an external or comparable internal rating in stages 1 and 2 are calculated by multiplying the exposure at default (EAD) with the probability of default (PD) and the loss given default (LGD). The interest rate effect is considered if material. The probabilities of default are generally determined using the rating transition matrixes of rating agencies or internal ratings, and the loss given default is determined based on market observations. The forecasts of future events that are incorporated into the calculation of expected credit losses are based, among other things, on market observations and market estimates, early warning signals, and industry and segment analysis. The value of collateral is taken into account when calculating expected credit losses. For this reason, lombard loans in particular – which account for by far the largest proportion of the balance sheet item “Loans” – and cash collateral for reverse-repurchase agreements in stages 1 and 2 generally only entail minimal expected credit losses.

The expected credit losses of financial instruments in stage 3 are calculated after taking account of collateral valued at the liquidation value using an individual assessment of the unsecured portion of the loan. They are generally derecognized at the point in time when a legal title confirms the conclusion of the realization proceedings.

Balance sheet adjustments

Following the adoption of IFRS 9, the following changes were made to the opening balance sheet as of January 1, 2018, compared to the balance sheet as of December 31, 2017, under IAS 39:

Assets

	IFRS 9 AND IAS 39 MEASUREMENT CATEGORY	IAS 39 31.12.2017 CHF MN	ADJUSTMENTS DUE TO IFRS 9 RECLASSIFI-CATIONS CHF MN	REMEASURE-MENTS CHF MN	CREDIT LOSSES CHF MN	IFRS 9 01.01.2018 CHF MN
Cash	1	6,287.9				6,287.9
Due from banks	1	1,658.7			–0.4	1,658.3
Cash collateral for securities borrowing agreements	1	8.5				8.5
Cash collateral for reverse-repurchase agreements	1	1,007.2				1,007.2
Trading portfolio assets	2	3,991.2				3,991.2
Positive replacement values	2	243.9				243.9
Other financial assets at fair value	2	3,490.9	3.1			3,494.0
Debt instruments		*3,419.7*				*3,419.7*
Equity instruments		*0.0*	*2.2*			*2.2*
Units in investment funds		*47.5*	*0.9*			*48.4*
Structured products		*23.7*				*23.7*
Loans	1	3,310.5			–0.3	3,310.2
Financial investments	3	1,788.9	–3.1	56.8	0.0	1,842.6
Debt instruments		*1,773.0*				*1,773.0*
Equity instruments		*15.0*	*–2.2*	*56.8*		*69.6*
Units in investment funds		*0.9*	*–0.9*			*0.0*
Investments in associates	n/a	0.9				0.9
Property and equipment	n/a	159.7				159.7
Goodwill and other intangible assets	n/a	291.1				291.1
Other assets	1, 2	664.3			0.2	664.5
Total assets		**22,903.7**	**0.0**	**56.8**	**–0.5**	**22,960.0**

1 = amortized cost
2 = fair value through profit or loss
3 = fair value through other comprehensive income

Liabilities and equity

	IFRS 9 AND IAS 39 MEASUREMENT CATEGORY	IAS 39 31.12.2017 CHF MN	ADJUSTMENTS DUE TO IFRS 9 RECLASSIFI-CATIONS CHF MN	REMEASURE-MENTS CHF MN	CREDIT LOSSES CHF MN	IFRS 9 01.01.2018 CHF MN
Due to banks	1	1,221.3				1,221.3
Trading portfolio liabilities	2	158.2				158.2
Negative replacement values	2	725.6				725.6
Other financial liabilities at fair value	2	8,451.3				8,451.3
Due to customers	1	9,758.2				9,758.2
Provisions	n/a	40.6			0.1	40.7
Other liabilities	1, 2	928.0		12.5		940.5
Total liabilities		**21,283.2**	**0.0**	**12.5**	**0.1**	**21,295.8**
Share capital	n/a	56.9				56.9
Treasury shares	n/a	–79.6				–79.6
Capital reserve	n/a	–160.3				–160.3
Retained earnings	n/a	1,854.7	1.4	44.3	–0.9	1,899.5
Unrealized income on financial investments*	n/a	–1.6	–1.4		0.3	–2.7
Currency translation adjustments	n/a	–48.4				–48.4
Cash flow hedges	n/a	–1.2				–1.2
Minority interests	n/a	0.0				0.0
Total equity		**1,620.5**	**0.0**	**44.3**	**–0.6**	**1,664.2**
Total liabilities and equity		**22,903.7**	**0.0**	**56.8**	**–0.5**	**22,960.0**

* Under IFRS 9: "Unrealized income from debt instruments in financial investments"
1 = amortized cost
2 = fair value through profit or loss

Reclassifications due to IFRS 9

With the adoption of IFRS 9, essentially all of the equity securities and units in investment funds that were recognized in the balance sheet item "Financial investments" under IAS 39 now fall within the category "Fair value through profit or loss", which is why they are now shown in the balance sheet item "Other financial assets at fair value". For long-term equity investments (e.g. in infrastructure companies), Vontobel has elected to recognize them in the category "Fair value through other comprehensive income", which is why they continue to be shown in the balance sheet item "Financial investments" under IFRS 9. When financial assets are sold, only the unrealized income from debt instruments is transferred to profit or loss under IFRS 9. They therefore remain in the equity component "Unrealized income from debt instruments in financial investments", while unrealized income from equity securities and investment funds is transferred to "retained earnings".

Under IAS 39, the fair value option was applied to financial instruments in the balance sheet item "Other financial assets at fair value". Under IFRS 9, the applicable requirements are no longer met. Based on categorization criteria, however, the relevant financial instruments continue to fall within the category "Fair value through profit or loss" under IFRS 9. This means there are no changes to the recognition, measurement and disclosure of these financial instruments.

Vontobel will continue to record the impact of the change in own credit risk in profit or loss (see note 3, "Trading income") due to an accounting mismatch. Consequently, there are no changes relating to this point.

Remeasurements due to IFRS 9

Under IAS 39, unquoted equity securities were generally recognized at cost less impairment. With the adoption of IFRS 9, this special provision no longer applies. As a result, the fair value of the corresponding items is now estimated based on a proportionate share of the net asset value, taking account of further measurement-relevant factors. The increase in deferred tax liabilities due to remeasurements is recognized in other liabilities.

Expected credit losses due to IFRS 9

With the adoption of IFRS 9, expected credit losses for financial instruments that fall under the new impairment model were calculated. The following table shows the expected credit losses for balance sheet items recognized at amortized cost, financial investments and off-balance-sheet items as of January 1, 2018.

	STAGE 1 CHF MN	STAGE 2 CHF MN	STAGE 3 CHF MN	TOTAL CHF MN
Cash	0.0	0.0	0.0	0.0
Due from banks	0.2	0.2	0.0	0.4
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
Loans	0.3	0.0	18.5	18.8
Financial investments (debt instruments)	0.4	0.0	0.0	0.4
Other assets	0.0	0.0	0.0	0.0
Off-balance sheet positions	0.1	0.0	0.0	0.1
Total	**1.0**	**0.2**	**18.5**	**19.7**

Expected credit losses as of January 1, 2018, in stage 3 correspond to specific allowances for credit losses as of December 31, 2017, which is why no corresponding adjustment was necessary. Expected credit losses as of January 1, 2018, in stages 1 and 2 were charged to retained earnings, since there were no corresponding allowances for credit losses or provisions as of December 31, 2017. They led to a reduction in the carrying amount of the relevant balance sheet items. Debt instruments in financial investments, for which the expected credit losses as of January 1, 2018, led to an increase in the equity component "Unrealized income from debt instruments in financial investments", are an exception. The expected credit losses on off-balance-sheet items were recognized in provisions. The increase in deferred tax assets due to expected credit losses is recognized in other assets. The deferred tax effect on expected credit losses of financial investments was recognized in the equity component "Unrealized income from debt instruments in financial investments."

Details on consolidated income statement

1 Net interest income

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Interest income from banks and customers	23.9	17.8	21.3	6.1	34
Interest income from securities borrowing and reverse-repurchase agreements	1.4	3.1	4.0	–1.7	–55
Interest income from financial liabilities	2.7	2.3	2.2	0.4	17
Total interest income from financial instruments at amortized cost	**28.0**	**23.2**	**27.5**	**4.8**	**21**
Dividend income from equity instruments in financial investments	3.4	3.4	0.2	0.0	0
Interest income from debt instruments in financial investments	14.1	14.4	14.2	–0.3	–2
Total interest and dividend income from financial assets at fair value	**17.5**	**17.8**	**14.4**	**–0.3**	**–2**
Total interest income	**45.5**	**41.0**	**41.9**	**4.5**	**11**
Interest expense from securities lending and repurchase agreements	1.3	1.0	1.0	0.3	30
Interest expense from other financial liabilities at amortized cost	2.7	2.0	3.3	0.7	35
Interest expense from financial assets	4.1	3.3	3.6	0.8	24
Total interest expense from financial instruments at amortized cost	**8.1**	**6.3**	**7.9**	**1.8**	**29**
Credit loss (expense) / recovery on debt instruments in financial investments	0.0	0.0	0.0	0.0	
Other credit loss (expense) / recovery	–0.2	0.0	–0.2	–0.2	
Total credit loss (expense) / recovery	**–0.2**	**0.0**	**–0.2**	**–0.2**	
Total	**37.2**	**34.7**	**33.8**	**2.5**	**7**

2 Net fee and commission income

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Brokerage fees	52.4	59.4	52.4	–7.0	–12
Custody fees	93.8	77.5	87.3	16.3	21
Advisory and management fees	323.7	268.1	307.0	55.6	21
Corporate finance	8.4	9.9	3.6	–1.5	–15
Other commission income from securities and investment transactions	19.1	15.4	15.8	3.7	24
Total fee and commission income from securities and investment transactions	**497.4**	**430.3**	**466.1**	**67.1**	**16**
Other fee and commission income	**4.3**	**2.9**	**3.2**	**1.4**	**48**
Brokerage fees	14.0	9.8	9.4	4.2	43
Other commission expense	109.2	89.8	100.6	19.4	22
Total commission expense	**123.2**	**99.6**	**110.0**	**23.6**	**24**
Total	**378.5**	**333.6**	**359.3**	**44.9**	**13**

Vontobel offers its clients a broad range of services that represent its main earnings stream. Fee and commission income can be divided into two categories: Fees for services provided over time (e.g. portfolio management and investment advisory in the fund business and Wealth Management), which constitute by far the largest portion of Vontobel's fee and commission income, and fees for services provided at a point in time (e.g. brokerage fees).

Fees for services provided over time are generally recorded as a percentage of the average amount of relevant assets under management during the period when the service is rendered and recognized in profit or loss on a proportionate basis over the relevant period. They are invoiced to the client (e.g. private clients or investment funds) at least quarterly and charged to the relevant client assets. In the case of some services, additional performance-based fees may be incurred (e.g. performance fees in the funds business). They are recognized in profit or loss when it is highly probable that they will be collected, which is generally only the case once all performance criteria have been met. The measurement period for performance fees is usually a maximum of one year.

Fees for services provided at a point in time are generally determined as a percentage of the corresponding transaction volume. They are invoiced to the client after the service has been rendered and charged to the corresponding client assets. At the same time, they are recognized in profit or loss.

Based on the nature of Vontobel's commission business, as described above, the related claims, accruals and deferrals at the balance sheet date, and the corresponding impairment loss, are generally immaterial. The deferred commission income as at the balance sheet date is generally recognized in profit or loss in the following period. Subsequent changes to income are immaterial in Vontobel's fee and commission business.

3 Trading income

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Securities	–293.3	353.9	535.3	–647.2	
Other financial instruments at fair value	440.7	–220.8	–406.5	661.5	
Forex and precious metals	18.9	10.4	16.5	8.5	82
Total	**166.3**	**143.5**	**145.3**	**22.8**	**16**

Trading income as of 30.06.2018 includes income of CHF 6.2 mn (6 months ending 30.06.2017: CHF 1.9 mn; 6 months ending 31.12.2017: CHF 0.6 mn), which is attributable to changes in fair value due to a change in Vontobel's own credit risk. Of the total impact, CHF –0.1 mn was realized as of 30.06.2018 (6 months ending 30.06.2017: CHF –0.6 mn; 6 months ending 31.12.2017: CHF –0.2 mn), while the remaining CHF 6.3 mn (6 months ending 30.06.2017: CHF 2.5 mn; 6 months ending 31.12.2017: CHF 0.8 mn) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF 9.5 mn, of which CHF 3.8 mn was realized and CHF 5.7 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.

To determine unrealized income due to a change in own credit risk, the first step is the calculation of the risk premium of the instrument at the balance sheet date. This is the difference between the fair value of the instrument at the balance sheet date and the value that would result without taking account of own credit risk at the balance sheet date. In a second step, the risk premium of the instrument at the time of issue is determined and reduced in relation to the period between the balance sheet date and the time of issue on the one hand, and the total lifetime of the instrument on the other hand ("adjusted risk premium at the time of issue"). In a third step, cumulative unrealized income is calculated as the difference between the risk premium at the balance sheet date and the adjusted risk premium at the time of issue. The unrealized income for the period is the result of the change in cumulative unrealized income during the corresponding period. The realized income due to the change in own credit risk is essentially calculated in the same way and is the result of the difference between the risk premium at the time of redemption of the product and the adjusted risk premium at the time of issue.

Under IFRS 9, the impact of the change in own credit risk of financial liabilities, for which the fair value option is applied, is generally recorded in other comprehensive income. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, the corresponding impact should be recorded in profit or loss. At Vontobel, the fair value option is applied exclusively to issued structured products. They essentially consist of an interest component and an option component. The risks from the interest component are hedged with a portfolio of bonds, interest rate swaps and credit default swaps. The risks from the option component are hedged with a portfolio of derivatives and the corresponding underlyings. The structured products in the balance sheet item "Other liabilities at fair value" and the corresponding hedging transactions are managed at portfolio level to achieve the highest possible hedge and consequently the lowest possible fluctuations in value at portfolio level. Market risks in the form of general interest rate risks, currency risks and option risks are subject to low sensitivity and volume limits, resulting in low Value-at-Risk and stress exposure figures. In terms of fluctuations in value due to changes in credit risk premiums, there is a close economic relationship between the assets and liabilities sides in two respects. On the one hand, the Vontobel credit risk premiums included in the structured products (liabilities side) and the issuer's credit risk premiums contained in the hedging positions (assets side) are subject to general market movements (increase or decrease in credit risk premiums). On the other hand, in view of the significant importance of the issuing business for Vontobel, the credit risk premiums on hedging positions observable in the market have an impact on Vontobel's credit risk premium. As of June 30, 2018, the balance sheet item "Other financial liabilities at fair value" corresponded to 38 % of the Vontobel Group's total assets and 546 % of shareholders' equity. To assess whether the impact of the change in own credit risk ("impact on the liabilities side") should be recognized in profit or loss or in other comprehensive income, Vontobel has, for the period 2008 to 2017, compared the income from changes in credit risk premiums on the assets side ("impact on the assets side") with the income from changes in credit risk premiums from the entire issuing business ("net impact" as the total from the impact on the assets side and the impact on the liabilities side). The (absolute) net impact over this period – particularly in times of increased volatility of the credit risk premiums – is significantly lower than the (absolute) impact on the assets side. This means that the impact on the liabilities side has a compensating effect on the impact on the assets side. In addition, the net impact is significantly less volatile than the impact on the assets side. If the impact of a change in own credit risk was recognized in other comprehensive income, net profit over this period would also have been much more volatile.

For this reason, Vontobel has concluded that it is appropriate to recognize the impact of the change in own credit risk in profit or loss. As a result, income from structured products is recognized fully in profit or loss and is thus treated in the same way as the corresponding hedging positions. The treatment of the impact of the change in own credit risk of these liabilities reflects a material judgement.

4 Other income

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Real estate income	**0.0**	0.0	0.0	0.0	
Income from the sale of property and equipment	**0.0**	0.0	0.0	0.0	
Income from the sale of debt instruments in financial investments[1]	**–0.1**	3.5	2.5	–3.6	
Impairments of financial investments[2]		0.0	–0.1	0.0	
Income from investments in associates	**0.4**	0.2	0.5	0.2	100
Other income	**1.0**	2.0	1.3	–1.0	–50
Total	**1.3**	**5.7**	**4.2**	**–4.4**	**–77**

1 In the financial year 2017, this item included income from the sale of equity securities and units in investment funds that were classified as “available-for-sale” under IAS 39.
2 In the financial year 2017, this item included impairment losses and reversals on equity securities and units in investment funds that were classified as “available-for-sale” under IAS 39.

5 Personnel expense

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	CHANGE TO 30.06.2017 IN %
Salaries and bonuses	235.7	217.4	228.0	18.3	8
Pension and other employee benefit plans[1]	12.4	17.8	18.0	–5.4	–30
Other social contributions	19.9	19.0	17.8	0.9	5
Other personnel expense	8.6	7.9	6.7	0.7	9
Total	**276.6**	**262.1**	**270.5**	**14.5**	**6**

Personnel expense includes the expense for share-based compensation of CHF 17.4 mn (6 months ending 30.06.2017: CHF 15.9 mn; 6 months ending 31.12.2017: CHF 16.7 mn), of which CHF 13.6 mn (6 months ending 30.06.2017: CHF 12.7 mn; 6 months ending 31.12.2017: CHF 12.9 mn) relates to performance shares and CHF 3.8 mn (6 months ending 30.06.2017: CHF 3.2 mn; 6 months ending 31.12.2017: CHF 3.8 mn) to the awarding of bonus shares at preferential terms as well as deferred compensation in cash of CHF 1.6 mn (6 months ending 30.06.2017: CHF 1.3 mn; 6 months ending 31.12.2017: CHF 1.1 mn).

1 As of 30.06.2018: Expense from pension and other employee benefit plans includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 7.4 mn (primarily the reduction of conversion rates).

6 General expense

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Occupancy expense	16.0	16.7	16.3	–0.7	–4
IT, telecommunications and other equipment	39.2	38.9	32.8	0.3	1
Travel and representation, public relations, marketing	20.7	18.8	24.3	1.9	10
Consulting and audit fees	14.9	12.9	13.9	2.0	16
Other general expense	20.5	14.5	15.9	6.0	41
Total	**111.3**	**101.8**	**103.2**	**9.5**	**9**

7 Depreciation of property, equipment and intangible assets

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Depreciation of property and equipment	25.9	25.9	25.2	0.0	0
Amortization of other intangible assets	6.2	3.8	5.5	2.4	63
Impairments of property and equipment	0.0	0.0	0.6	0.0	
Total	**32.1**	**29.7**	**31.3**	**2.4**	**8**

8 Provisions and losses

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Increase in provisions	1.8	1.3	5.3	0.5	38
Release of provisions	–0.1	–0.2	0.0	0.1	
Recoveries	0.1	0.0	0.0	0.1	
Other	0.6	0.3	–4.5	0.3	100
Total	**2.4**	**1.4**	**0.8**	**1.0**	**71**

9 Taxes

(6 MONTHS)	30.06.2018 CHF MN	30.06.2017 CHF MN	31.12.2017 CHF MN	CHANGE TO 30.06.2017 CHF MN	IN %
Current income taxes	22.1	18.5	24.8	3.6	19
Deferred income taxes	6.1	2.5	4.5	3.6	144
Total	**28.2**	**21.0**	**29.3**	**7.2**	**34**

10 Tax effects to other comprehensive income

			30.06.2018
CHF MN (6 MONTHS)	AMOUNT BEFORE TAX	TAX INCOME/ (EXPENSE)	AMOUNT NET OF TAX
Translation differences during the reporting period	1.4	0.0	1.4
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	–10.2	2.1	–8.1
Income from debt instruments in financial investments transferred to the income statement	0.3	–0.1	0.2
Income from cash flow hedges during the reporting period	–0.9	0.0	–0.9
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from equity instruments in financial investments	–1.0	0.2	–0.8
Income from defined benefit pension plans	1.0	–0.2	0.8
Total other comprehensive income	**–9.4**	**2.0**	**–7.4**

			30.06.2017
CHF MN (6 MONTHS)	AMOUNT BEFORE TAX	TAX INCOME/ (EXPENSE)	AMOUNT NET OF TAX
Translation differences during the reporting period	–7.6	0.0	–7.6
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	3.3	–0.9	2.4
Income from debt instruments in financial investments transferred to the income statement	–3.1	0.8	–2.3
Income from cash flow hedges during the reporting period	0.2	0.0	0.2
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from equity instruments in financial investments			
Income from defined benefit pension plans	15.1	–3.3	11.8
Total other comprehensive income	**7.9**	**–3.4**	**4.5**

			31.12.2017
CHF MN (6 MONTHS)	AMOUNT BEFORE TAX	TAX INCOME/ (EXPENSE)	AMOUNT NET OF TAX
Translation differences during the reporting period	9.2	0.0	9.2
Translation differences transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	–6.6	1.5	–5.1
Income from debt instruments in financial investments transferred to the income statement	–1.4	0.2	–1.2
Income from cash flow hedges during the reporting period	–0.8	0.1	–0.7
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from equity instruments in financial investments			
Income from defined benefit pension plans	–2.9	0.7	–2.2
Total other comprehensive income	**–2.5**	**2.5**	**0.0**

Risk related to balance sheet

11 Fair value of financial instruments

11a 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	30.06.2018 TOTAL
Assets				
Trading portfolio assets	3,426.0	53.2	0.1	3,479.3
Debt instruments	*267.4*	*53.2*	-	*320.6*
Equity instruments	*2,374.5*	-	*0.0*	*2,374.5*
Units in investment funds	*155.5*	*0.0*	*0.1*	*155.6*
Precious metals and cryptocurrencies	*628.6*	-	-	*628.6*
Positive replacement values	50.5	147.7	0.0	198.2
Other financial assets at fair value	2,933.9	1,309.0	5.6	4,248.5
Debt instruments[1]	*2,873.0*	*1,271.6*	-	*4,144.6*
Equity instruments	*0.0*	-	*1.9*	*1.9*
Units in investment funds	*60.9*	*0.3*	*3.7*	*64.9*
Structured products	-	*37.1*	-	*37.1*
Financial investments	1,817.3	23.7	68.7	1,909.7
Debt instruments	*1,817.3*	*23.7*	-	*1,841.0*
Equity instruments	*0.0*	-	*68.7*	*68.7*
Other assets	0.0	0.0	1.1	1.1
Total financial assets at fair value	**8,227.7**	**1,533.6**	**75.5**	**9,836.8**
Liabilities				
Trading portfolio liabilities	143.0	4.7	0.0	147.7
Debt instruments	*101.1*	*4.7*	-	*105.8*
Equity instruments	*41.9*	-	*0.0*	*41.9*
Units in investment funds	*0.0*	*0.0*	*0.0*	*0.0*
Negative replacement values	173.2	644.3	-	817.5
Other financial liabilities at fair value[2]	-	9,170.7	-	9,170.7
Other liabilities	0.0	0.0	76.1	76.1
Total financial liabilities at fair value	**316.2**	**9,819.7**	**76.1**	**10,212.0**

1 In the case of debt 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 27.3 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 4'830.6 mn.

Financial instruments measured at fair value

CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2017 TOTAL
Assets				
Trading portfolio assets	3,936.9	54.0	0.3	3,991.2
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	2,623.5	861.9	5.5	3,490.9
Debt instruments[1]	*2,590.7*	*829.0*	*-*	*3,419.7*
Units in investment funds	*32.8*	*9.2*	*5.5*	*47.5*
Structured products	*-*	*23.7*	*-*	*23.7*
Financial investments	1,749.5	24.6	14.8	1,788.9
Debt instruments	*1,748.6*	*24.4*	*-*	*1,773.0*
Equity instruments	*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	153.0	5.2	0.0	158.2
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 debt 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.

Level-1-Instrumente

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 debt 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 debt 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 debt 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-Instrumente

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, debt 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 debt 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 debt 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-Instrumente

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 primarily 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 from an earn-out agreement related to the acquisition of Finter Bank Zurich AG was settled in the financial year 2017.

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 unquoted equity securities is based on the proportionate share of the net asset value, taking account of any further measurement-relevant factors.

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

Level 3 financial instruments

CHF MN (6 MONTHS)	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INVESTMENTS	OTHER ASSETS	30.06.2018 TOTAL FIANCIAL ASSETS	OTHER LIABILITIES[1]	30.06.2018 TOTAL FINANCIAL LIABILITIES
Balance sheet						
Holdings at the beginning of the year	5.8	14.8	0.0	20.6	–74.4	–74.4
Impact of changes to the accounting principles	2.2	54.9	0.0	57.1	0.0	0.0
Additions in scope of consolidations	0.0	0.0	0.0	0.0	0.0	0.0
Disposals from scope of consolidation	0.0	0.0	1.1	1.1	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	–0.6	0.0	0.0	–0.6	0.0	0.0
Redemptions	0.0	0.0	0.0	0.0	2.3	2.3
Expense recognized in the income statement	–2.1	0.0	0.0	–2.1	–0.4	–0.4
Expense recognized in other comprehensive income	0.0	–1.0	0.0	–1.0	0.0	0.0
Income recognized in the income statement	0.4	0.0	0.0	0.4	0.0	0.0
Income recognized in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	–5.3	–5.3
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	1.7	1.7
Translation differences	0.0	0.0	0.0	0.0	0.0	0.0
Total book value at balance sheet date	**5.7**	**68.7**	**1.1**	**75.5**	**–76.1**	**–76.1**
Income in the financial year on holdings on balance sheet date						
Unrealized losses recognized in the trading income	–2.2	0.0	0.0	–2.2	0.0	0.0
Unrealized losses recognized in other income	–0.0	0.0	0.0	0.0	0.0	0.0
Expense recognized in operating expense	0.0	0.0	0.0	0.0	–0.4	–0.4
Unrealized losses recognized as other comprehensive income	0.0	–1.0	0.0	–1.0	0.0	0.0
Unrealized gains recognized in the trading income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized as other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0

Of the gains and losses recognized in the income statement, CHF –1.7 mn were included in trading income, CHF 0.0 mn in other income and CHF –0.4 mn in operating expense.

1 This item contains the liability to acquire the minority interests in TwentyFour Asset Management LLP (30.06.2018: CHF 63.1 Mio.; 31.12.2017: CHF 57.4 Mio.) and the liability from an earn-out-agreement relating to the acquisition of the Eastern client portfolio of Notenstein La Roche (30.06.2018: CHF 13.0 Mio.; 31.12.2017: CHF 17.0 Mio.).

Level 3 financial instruments

CHF MN (6 MONTHS)	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INVESTMENTS	OTHER ASSETS[1]	30.06.2017 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[2]	30.06.2017 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 consolidations	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Redemptions	–0.3	0.0	0.0	–0.3	0.0	0.0
Expense recognized in the income statement	–0.4	0.0	0.0	–0.4	–0.4	–0.4
Expense recognized in other comprehensive income	0.0	–0.1	0.0	–0.1	0.0	0.0
Income recognized in the income statement	0.1	0.0	0.0	0.1	0.0	0.0
Income recognized in other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	–3.0	–3.0
Reclassifications to level 3	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications from level 3	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	0.5	0.5
Total book value at balance sheet date	**5.6**	**14.8**	**3.7**	**24.1**	**–53.2**	**–53.2**
Income in the financial year on holdings on balance sheet date						
Unrealized losses recognized in the trading income	–0.4	0.0	0.0	–0.4	0.0	0.0
Unrealized losses recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Expense recognized in operating expense	0.0	0.0	0.0	0.0	–0.4	–0.4
Unrealized losses recognized as other comprehensive income	0.0	–0.1	0.0	–0.1	0.0	0.0
Unrealized gains recognized in the trading income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized in other income	0.0	0.0	0.0	0.0	0.0	0.0
Unrealized gains recognized as other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0

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

1 This item contains an asset from an earn-out agreement relating to the acquisition of Finter Bank Zurich AG.
2 This item contains the liability to acquire the minority interests in TwentyFour Asset Management LLP.

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 (30.06.18: 12.0%; 31.12.17: 12.0%) that will be used to discount future cash flows, as well as the long-term growth of these cash flows (30.06.18: 1.0%; 31.12.17: 1.0%). The following table shows how the measurement is affected by changes in these two assumptions.

Key assumptions

	VARIATION OF THE KEY ASSUMPTION	CHANGE IN THE FAIR VALUE AS OF 30.06.2018 IN CHF MN	CHANGE IN THE FAIR VALUE AS OF 31.12.2017 IN CHF MN
Discount rate	+1 percentage point	–4.6	–4.4
Discount rate	–1 percentage point	5.5	5.1
Long-term growth	+1 percentage point	2.8	2.5
Long-term growth	–1 percentage point	–2.4	–2.1

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 satements.

A change in the net asset value of investment funds or unquoted equity securities 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 only recognized in “Trading income” or “Other comprehensive income” when the prices of equivalent financial instruments or the underlying inputs become observable or when day 1 profit is realized. During the financial year and the previous year, no positions with deferred day 1 profit were recorded.

Reclassifications within the fair value hierarchy

In the first half 2018 (first respectively second half-year of 2017), positions with a fair value of CHF 17.1 mn (6 months ending 30.06.17: CHF 55.3 mn; 6 months ending 31.12.17:

CHF 40.4 mn) were reclassified from level 1 to level 2 and positions with a fair value of CHF 36.1 mn (6 months ending 30.06.17: CHF 21.5 mn; 6 months ending 31.12.17: CHF 31.4 mn) were reclassified from level 2 to level 1. 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.

11b 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

					30.06.2018		31.12.2017
CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE TOTAL	BOOK VALUE TOTAL	FAIR VALUE TOTAL	BOOK VALUE TOTAL
Assets							
Cash	6,441.3	0.0	-	6,441.3	6,441.3	6,287.9	6,287.9
Due from banks	-	984.5	-	984.5	984.5	1,658.7	1,658.7
Cash collateral for securities borrowing agreements	-	6.7	-	6.7	6.7	8.5	8.5
Cash collateral for reverse-repurchase agreements	-	989.2	-	989.2	989.2	1,007.2	1,007.2
Loans	-	4,373.5	-	4,373.5	4,301.9	3,351.4	3,310.5
Other assets [1]	32.9	651.4	-	684.3	684.3	436.2	436.2
Total	**6,474.2**	**7,005.3**	**0.0**	**13,479.5**	**13,407.9**	**12,749.9**	**12,709.0**
Liabilities							
Due to banks	-	583.6	-	583.6	583.6	1,221.3	1,221.3
Cash collateral from repurchase agreements	-	74.5	-	74.5	74.5	0.0	0.0
Due to customers	-	9,789.3	-	9,789.3	9,789.3	9,758.2	9,758.2
Debt issued	455.2	0.0	-	455.2	447.4	0.0	0.0
Other liabilities [1]	0.6	797.8	-	798.4	798.4	792.6	792.6
Total	**455.8**	**11,245.2**	**0.0**	**11,701.0**	**11,693.2**	**11,772.1**	**11,772.1**

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-borrowing 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, cash collateral from repurchase and for reverse-repurchase and as well for securities-borrowing agreements that have a maturity or a refinancing profile of over one year as well as debt issued. Fair value is determined using the present value method. For the valuation of debt issued the bid price is used.

Off-balance sheet and other information

12 Off-balance sheet information

	30.06.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Contingent liabilities	352.1	608.1	–256.0	–42
Irrevocable commitments	115.9	90.2	25.7	28
Commitments for capital increases and capital contributions	0.2	0.2	0.0	0
Fiduciary transactions	2,021.3	1,608.3	413.0	26
Contract volumes of derivatives	28,061.1	27,550.4	510.7	2

13 Litigation

Vontobel agreed a mutual settlement with the authorities in the German state of North Rhine-Westphalia in connection with untaxed assets held by German clients and paid a one-off sum of approximately EUR 13.3 million in the first half of the year 2018 for which appropriate provisions for litigation risks and process risks were available.

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.

14 Client assets

	30.06.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets under management	168.6	165.3	3.3	2
Other advised client assets	13.4	12.8	0.6	5
Structured products outstanding	9.3	8.5	0.8	9
Total advised client assets	**191.2**	**186.6**	**4.6**	**2**
Custody assets	62.3	59.9	2.4	4
Total client assets	**253.6**	**246.5**	**7.1**	**3**

Client assets

Client assets is a broader term than assets under management and comprises all bankable assets that are managed by or deposited with Vontobel, including assets that are held solely for transaction or custody purposes and for which further services are provided, as well as investment products offered by Financial Products to give private and institutional clients access to all asset classes and markets.

Assets under management

	30.06.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets in self-managed collective investment instruments	51.2	48.3	2.9	6
Assets with management mandate	63.6	64.4	–0.8	–1
Other assets under management	53.8	52.6	1.2	2
Total assets under management (including double counts)	**168.6**	**165.3**	**3.3**	**2**
of which double counts	*4.5*	*4.4*	*0.1*	*2*

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

Development of assets under management

CHF BN	30.06.2018	30.06.2017	31.12.2017
Total assets under management (incl. double counts) at the beginning of the period	165.3	138.5	138.5
Change attributable to net new money	5.1	0.3	5.9
Change attributable to market value	–1.0	8.2	18.8
Change attributable to other effects [1]	–0.9	–0.5	2.1
Total assets under management (incl. double counts) at the balance sheet date	**168.6**	**146.5**	**165.3**

1 As of 30.06.2018: Sale of the Liechtenstein operation in February 2018
As of 30.06.2017: The decrease in assets under management reflects the reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.
As of 31.12.2017: 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 borrowing and the repayment of loans. The calculation of the net inflow or outflow of new money is performed at the level "total assets under management" (excl. double counts). If there is a change in the service provided, resulting in the reclassification of assets under management as assets held for custody purposes or vice versa, this is recorded as an outflow of new money or an inflow of new money, respectively. Securities-related and currency-related changes in market value, interest income and dividends, fee charges, loan interest paid and the impacts of acquisitions and disposals in Vontobel's subsidiaries or businesses do not constitute inflows or outflows of assets.

15 Events after the balance sheet date

Vontobel acquired 100% of Notenstein La Roche Privatbank AG from Raiffeisen Switzerland on July 2, 2018. This acquisition complements Vontobel's organic growth in wealth management and in business with External Asset Managers (EAM). Beyond that Vontobel strengthens its presence in its Swiss home market through the addition of 13 locations where Notenstein La Roche operates. Notenstein La Roche will be integrated into Vontobel, with the realization of existing synergies.

The contractually agreed purchase price is estimated to be around CHF 700 million and will be paid in cash in two tranches. The purchase price consists of the capital of Notenstein La Roche as of the acquisition date plus 1.78% of assets under management at signing in the amount of CHF 16.4 billion. Due to the short period of time between the acquisition date and the approval of the Half-Year Report 2018, the definitive purchase price, purchase price allocation and other disclosures required under IFRS 3 can only be provided in the Annual Report 2018.

Vontobel financed the acquisition through available capital and a CHF 450 million Additional Tier 1 (AT1) bond with a coupon of 2.625%, which was placed in the market at an issue price of 100% in June 2018. The AT1 bond was recognized in the balance sheet item "Debt issued" at issuance. Further information on the treatment of the AT1 bond in the consolidated financial statements is provided in "IFRS 9 accounting principles".

Apart from that no events have occurred since the balance sheet date that affect the relevance of the information provided in the half-year 2018 financial statements and would therefore need to be disclosed.

Segment reporting

16 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 enompasses 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 renegotiated periodically according to the same principle as if they were concluded between independent third parties (“at arm’s length”).

Segment reporting

CHF MN (6 MONTHS)	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	30.06.2018 TOTAL
Net interest income after credit losses	25.6	0.2	5.6	5.7	37.2
Net fee and commission income	119.3	234.9	41.8	–17.6	378.5
Trading income and other operating income	10.0	–0.4	140.5	17.4	167.6
Total operating income	**154.9**	**234.8**	**187.9**	**5.6**	**583.3**
Personnel expense [1]	61.3	88.7	63.1	63.4	276.6
General expense	7.7	26.3	31.6	45.7	111.3
Services from / to other segment(s)	40.8	22.5	23.0	–86.3	0.0
Depreciation of property, equipment and intangible assets	2.4	4.1	3.2	22.4	32.1
Provisions and losses	0.3	0.7	1.2	0.2	2.4
Total operating expense	**112.5**	**142.3**	**122.2**	**45.4**	**422.4**
Segment profit before taxes	**42.4**	**92.5**	**65.7**	**–39.8**	**160.9**
Taxes					28.2
Net profit					**132.7**
of which minority interests					*4.9*
Additional information					
Segment assets	3,509.6	466.5	10,083.6	9,922.3	23,981.9
Segment liabilities	7,330.3	853.2	13,245.3	874.4	22,303.1
Allocated equity according to BIS [2]	170.5	270.0	242.7	98.7	781.9
Client assets (CHF bn)	45.9	124.2	85.3	–1.9	253.6
Net new money (CHF bn)	1.3	3.8	0.0	0.1	5.1
Capital expenditure	0.0	0.0	0.8	22.2	23.0
Employees (full-time equivalents)	397.0	406.4	393.4	498.4	1,695.2

1 Personnel expense includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 7.4 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 business units (Wealth Management CHF 2.0 mn; Asset Management CHF 1.5 mn; Investment Banking CHF 1.7 mn; Corporate Center CHF 2.2 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 284.5 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 divison. The deduction of CHF 48.7 mn from core capital for treasury shares is not included in the figures above.

Information on regions [1]

CHF MN (6 MONTHS)	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES [2]	CONSOLI-DATION	30.06.2018 TOTAL
Operating income related to external customers	322.1	139.7	62.1	59.4		583.3
Assets	15,771.7	723.9	84.7	9,364.7	–1,963.2	23,981.9
Property, equipment and intangible assets	359.3	78.4	2.4	1.3		441.4
Capital expenditure	21.9	0.9	0.3	0.0		23.0

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

Segment reporting

CHF MN (6 MONTHS)	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	30.06.2017 TOTAL
Net interest income after credit losses	15.9	0.1	4.7	13.9	34.7
Net fee and commission income	106.6	200.2	42.5	–15.7	333.6
Trading income and other operating income	9.4	1.4	121.6	16.8	149.2
Total operating income	**131.9**	**201.7**	**168.8**	**15.0**	**517.5**
Personnel expense	55.4	82.3	59.4	65.0	262.1
General expense	7.7	21.9	24.7	47.5	101.8
Services from / to other segment(s)	40.0	25.4	19.2	–84.6	0.0
Depreciation of property, equipment and intangible assets	1.5	2.5	2.7	23.0	29.7
Provisions and losses	0.2	0.1	0.0	1.0	1.4
Total operating expense	**104.8**	**132.2**	**106.0**	**51.9**	**395.0**
Segment profit before taxes	**27.1**	**69.5**	**62.8**	**–36.9**	**122.5**
Taxes					21.0
Net profit					**101.5**
of which minority interests					*2.8*
Additional information					
Segment assets	2,559.9	477.0	6,895.2	11,234.0	21,166.1
Segment liabilities	7,002.8	743.7	10,070.6	1,833.3	19,650.4
Allocated equity according to BIS[1]	145.2	270.0	209.9	98.8	723.9
Client assets (CHF bn)	41.2	106.8	62.6	–2.9	207.7
Net new money (CHF bn)	1.0	–1.7	1.0	0.0	0.3
Capital expenditure	0.0	0.0	0.0	21.8	21.8
Employees (full-time equivalents)	390.3	398.5	376.9	477.2	1,642.9

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

The reporting of interest income has changed. The figures were adapted accordingly.

Information on regions[1]

CHF MN (6 MONTHS)	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES[2]	CONSOLI-DATION	30.06.2017 TOTAL
Operating income related to external customers	260.4	112.4	63.3	81.4		517.5
Assets	14,806.0	606.2	142.3	7,114.8	–1,503.2	21,166.1
Property, equipment and intangible assets	342.4	77.3	2.9	1.5		424.1
Capital expenditure	21.2	0.1	0.2	0.3		21.8

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

Segment reporting

CHF MN (6 MONTHS)	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2017 TOTAL
Net interest income after credit losses	22.6	0.0	5.3	6.0	33.8
Net fee and commission income	108.6	231.6	33.5	–14.4	359.3
Trading income and other operating income	9.3	1.6	121.2	17.4	149.5
Total operating income	**140.5**	**233.2**	**160.0**	**9.0**	**542.6**
Personnel expense	57.7	89.9	55.9	67.0	270.5
General expense	9.4	21.7	29.4	42.7	103.2
Services from / to other segment(s)	37.9	24.1	22.4	–84.4	0.0
Depreciation of property, equipment and intangible assets	1.7	4.0	2.8	22.8	31.3
Provisions and losses	0.4	0.1	0.2	0.1	0.8
Total operating expense	**107.1**	**139.8**	**110.7**	**48.2**	**405.8**
Segment profit before taxes	**33.4**	**93.4**	**49.3**	**–39.2**	**136.8**
Taxes					29.3
Net profit					**107.5**
of which minority interests					*3.8*
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)	0.0	5.3	0.4	–0.1	5.6
Capital expenditure	0.5	0.0	1.5	51.5	53.5
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.

The reporting of interest income has changed. The figures were adapted accordingly.

Information on regions[1]

CHF MN (6 MONTHS)	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES[2]	CONSOLI-DATION	31.12.2017 TOTAL
Operating income related to external customers	272.8	138.1	63.6	68.1		542.6
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	52.4	0.5	0.3	0.3		53.5

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

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

Vontobel Holding AG Additional Tier 1 (AT1) bond

Size	CHF 450 mn
ISIN	CH041 904 256 6
Coupon	2.625%

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
Additional Tier 1 (AT1) bond	Baa3(hyb)

Financial calendar

November 1, 2018
Business update third quarter 2018

February 12, 2019
Publication annual results 2018

April 2, 2019
Annual General Meeting 2019

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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.

Vontobel
The German Brand Award recognizes successful brands, consistent brand management and sustainable brand communication. In the elite category “Excellence in Branding” that is presented in recognition of outstanding brand management and spans different industries, Vontobel was named “Winner – Corporate Brand of the Year” in 2018. Vontobel also took first place in the “Excellence in Brand Strategy Management and Creation” class within the “Brand Design” category and won the “Industry Excellence in Branding” class within the category “Banking & Financial Services”.

In 2018, Vontobel received an award from the jury of the renowned “Corporate Design Prize” in the “Corporate Design / Redesign” category.

ISS-oekom has rated Vontobel’s sustainability performance this year for the first time and has awarded it “Prime” status. This means that Vontobel ranks among the top 6 % in its peer group of 44 asset managers worldwide.

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

Vontobel Asset Management was named “Emerging Markets Manager of the Year” at the UK Pension Awards ceremony in London, for the performance of our mtx Sustainable Leaders and Emerging Markets Debt strategies.

TwentyFour Asset Management received platinum and gold awards from Portfolio Adviser Fund Awards in the Unconstrained Fixed Income and the UK Fixed Income categories.

Vontobel Asset Management has been selected by Capital Fonds-Kompass as one of the best fund providers in Germany.

Asia Asset Management named Vontobel Asset Management “Best Manager” in the categories, Emerging Markets Debt, Emerging Markets Equity and Global Infrastructure.

Investment Banking
At the Swiss Derivative Awards 2018, Vontobel ranked as first in the category “Top Service” for the eighth time in succession.

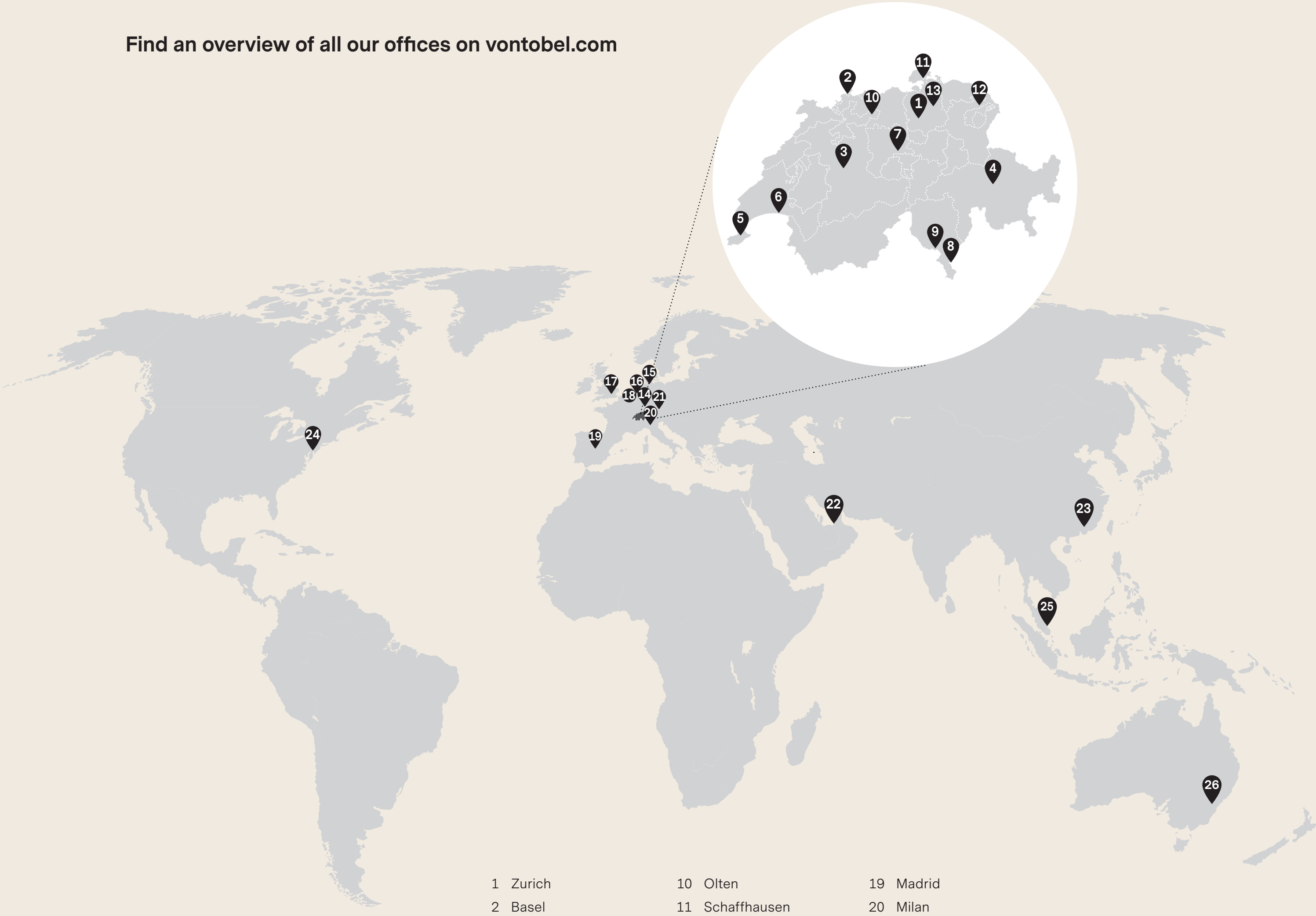
In the Extel Survey 2018, Vontobel’s Brokerage team took first place in the segment “Swiss Equities” for the eighth consecutive time.

Our locations

At Vontobel, we actively shape the future. We master what we do – and we only do what we master.

From Zurich, Frankfurt am Main and London over New York and Dubai to Hong Kong – throughout 26 offices, we service our clients.

Find an overview of all our offices on vontobel.com



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Vontobel uses only recycled paper for printing. It takes about 1.5 times less energy and 2.5 times less water to produce recycled paper than it does to produce paper from fresh fiber. Recycled paper also cuts greenhouse gas emissions by more than 20%. We offset the remaining emissions with various CO_2 projects around the world.

Further information:
vontobel.com/sustainability

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Concept
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Layout & implementation
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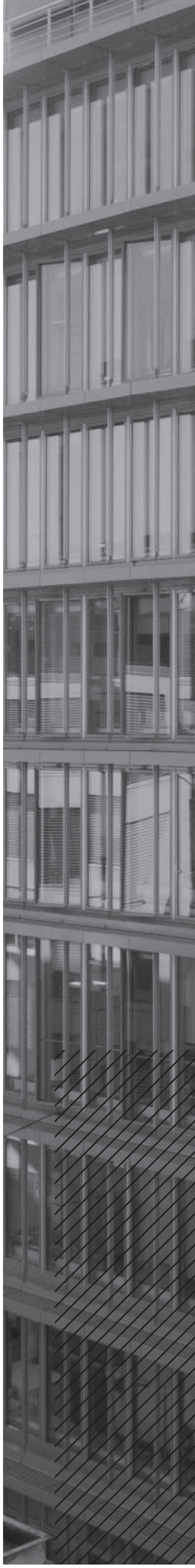
Printing company
Neidhart + Schön Print AG



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