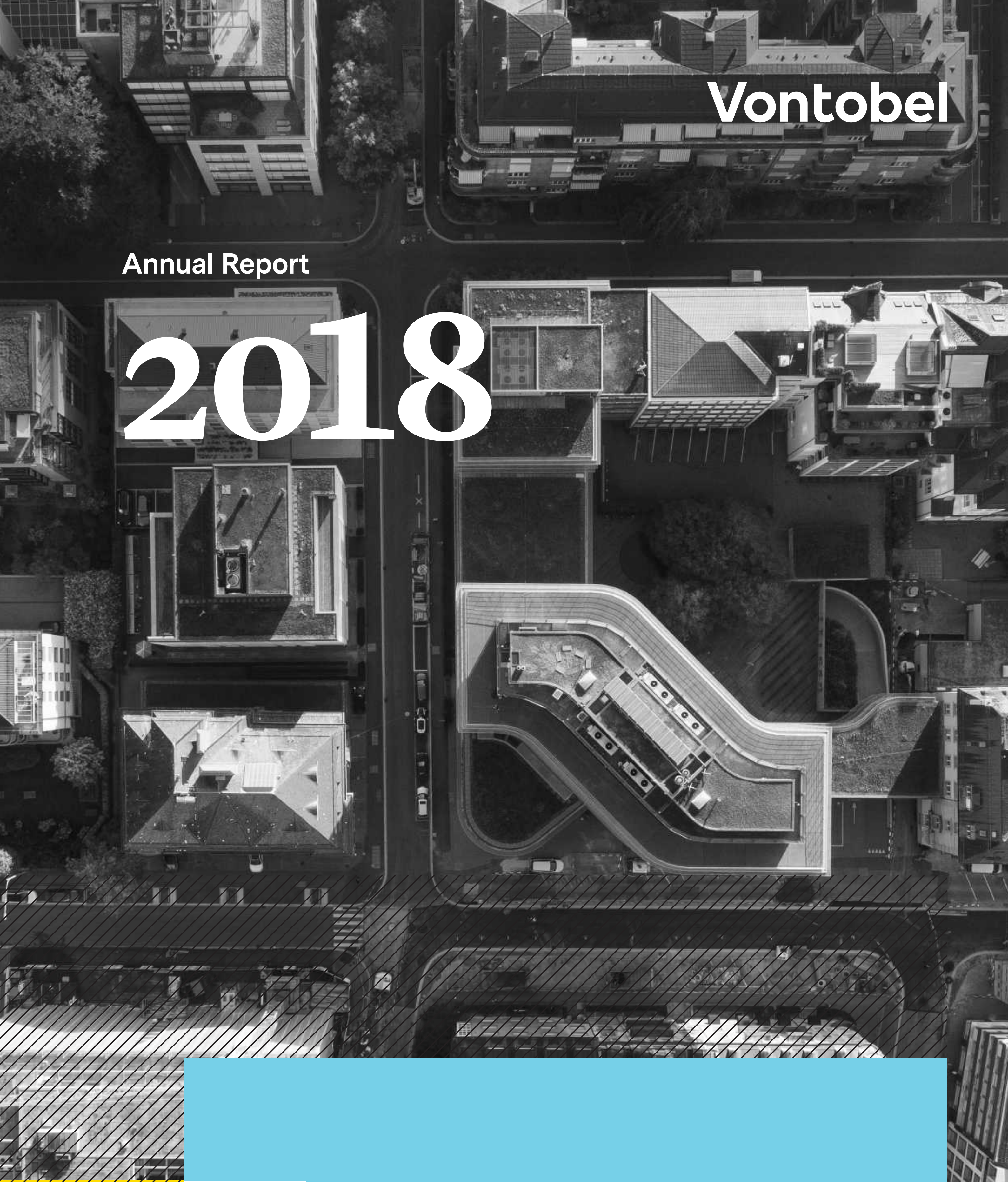
Vontobel

Annual Report

2018



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vontobel.com/sustainability

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Vontobel Holding AG

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“We see things from the client’s perspective and act accordingly. We will leverage our expertise, using the power of digitalization to benefit our clients, delivering the best possible client experience. Coupled with our high-quality product offering, this will form the basis for the realization of further profitable organic growth.”

Herbert J. Scheidt
Chairman of the Board of Directors

Dr Zeno Staub
Chief Executive Officer

Shareholders' letter

Dear shareholders and clients

Vontobel delivered a good result for the financial year 2018. In the first half of the year, we made targeted use of the opportunities created by the more favorable operating environment and strengthened the entrepreneurial foundations of our company through organic growth across all business areas. As expected, the second half of the year was characterized by increasingly difficult markets and growing political uncertainty around the globe, which led to high levels of volatility in the financial markets. Against this backdrop, Vontobel remained on course and systematically implemented its five strategic priorities. As a result of our special client focus and our expertise, we generated organic growth across all business areas in the last financial year. We gained market share in our Swiss home market and our international target markets. At the same time, we successfully exploited new business opportunities. In addition, we created the basis for future growth through targeted transactions, such as the acquisition of Notenstein La Roche and of the US-based private clients portfolio of Lombard Odier.

This is reflected by the present result: With net profit of CHF 232.2 million, Vontobel exceeded the previous year's result by 11%. Adjusted for Notenstein La Roche integration costs, net profit totaled CHF 249.2 million, corresponding to an increase of 14%. Advised client assets totaled CHF 192.6 billion at the end of 2018, thus exceeding the previous year's level (CHF 186.6 billion). The net inflow of new money at Group level was CHF 5.0 billion (CHF 5.9 billion), reflecting renewed contributions across all businesses.

Vontobel is also well on track towards achieving its profitability targets. In connection with the acquisition of Notenstein La Roche, we increased our 2020 profitability targets compared to our original plan, bringing it to an ambitious level in view of the current market environment. We now want to achieve a cost/income ratio of less than 72% (previous target: 75%) and a return on equity of more than 14% (12%). Adjusted for Notenstein La Roche integration costs, the cost/income ratio was 74.7% in 2018. The return on equity was 13.0% (13.1%).

Combined Wealth Management generates strong net new money from organic growth

Vontobel continued to achieve strong organic growth in Combined Wealth Management in 2018. The strongest inflows were once again generated in the Swiss market. We also delivered organic growth in Italy and Latin America in particular. Adjusted for the flow of funds from Notenstein La Roche, net new asset growth totaled CHF 3.3 billion or 6.1%, and was thus even slightly higher than our target range of 4–6%. The combination of this strong organic growth and the acquisition of Notenstein La Roche resulted in CHF 67.2 billion of advised client assets in Combined Wealth Management (CHF 55.8 billion) despite the strong stock market correction towards the end of the year. In total, i.e. including the assets acquired from Notenstein La Roche, Vontobel recorded CHF 2.2 billion of net new money in Combined Wealth Management.

Notenstein La Roche additionally boosts growth

Last year, we made an important investment in the future with the acquisition of Notenstein La Roche – thus creating a broader basis for future growth. In July 2018, Vontobel acquired Notenstein La Roche for consideration of CHF 658 million and successfully integrated the business in only three months. With this acquisition, Vontobel has optimally complemented the foundations for organic growth in Wealth Management and in the business with External Asset Managers (EAMs). Furthermore, the seven additional Notenstein La Roche locations acquired by Vontobel will enable us to strengthen our own home market, underscoring our position as one of the leading private banks in Switzerland. As of the closing of the transaction, Notenstein La Roche held around CHF 15.9 billion of advised client assets in its wealth management business and its business with EAMs.

Increasing profitability and significant improvement in results driven by growth

Vontobel's continued organic growth and the acquisitions completed in the past are increasingly leading to economies of scale in Combined Wealth Management, resulting in higher levels of profitability. This is reflected by the improvement in the cost/income ratio from 74.0% in the prior year to 71.3% in 2018. The gross margin in Combined Wealth Management was 68 basis points (66 basis points).

In connection with the Notenstein La Roche transaction, the previous profitability target for Wealth Management defined in the mid-term 2020 strategy was increased. The target cost/income ratio was reduced from 75% to 70% and the target gross margin was increased from 65 basis points to 68 basis points.

Combined Wealth Management recorded a 46% increase in pre-tax profit to CHF 121.6 million in 2018 (CHF 83.5 million). In the financial year 2018, net integration costs for Notenstein La Roche totaled CHF 20.3 million (before taxes). Further integration costs of around CHF 10 million

are expected in 2019. As a result, total integration costs will be below the initial estimates of CHF 50 million.

Vontobel wants to continue to achieve strong organic growth in Combined Wealth Management in the future. In the current year, we will align our advisory and product offering even more closely with the needs and expectations of our clients. With the help of digitalization, we are now able to offer individually tailored solutions faster and more efficiently than ever before. In our new Digital Hub in Zurich, relationship managers from Wealth Management and digital experts are working side by side in one place to develop new solutions for our clients.

We are also striving to achieve growth in our international target markets in Wealth Management. In spring 2019, Vontobel will therefore acquire the US-based private clients portfolio of Lombard Odier. Both companies signed a corresponding agreement in October 2018. Furthermore, Lombard Odier will, in future, recommend Vontobel as the preferred partner for wealth management clients in the US seeking a highly qualified, SEC-registered Swiss wealth manager. Lombard Odier is advising US wealth management clients, as well as a number of US private brokerage clients, who will be given the opportunity to switch to an advisory or discretionary management agreement with Vontobel.

Success of Asset Management's diversification strategy

The Asset Management division was once again our main earnings driver in 2018. Its pre-tax profit totaled CHF 180.3 million (CHF 162.8 million). The result was driven by the successful diversification strategy that it has pursued consistently for a number of years. The continued international expansion of the business also had a positive effect, and the global sales network was selectively expanded during 2018.

The strengthening of Asset Management's sales network and the high quality of its products are reflected by the net new money growth rate of 3.0%. In the low-margin Private Labelling Service, a consolidation measure relating to one client resulted in an outflow of CHF 1.4 billion. Excluding this impact, the net new asset growth rate was 4.2% and was thus within the target range of 4–6%. Strong inflows were generated in particular by the fixed income boutique, including TwentyFour Asset Management, as well as by Vescore and Sustainable & Thematic Investing. Advised client assets totaled CHF 117.5 billion at the end of 2018 (CHF 121.3 billion).

Vontobel is convinced that professional, active asset management can make a difference – especially in difficult market conditions. In periods of market volatility, it is important to identify the right regions, industries, segments and companies and to invest in them selectively. The good relative performance delivered by our Quality Growth strategies underscores our claim of being an active asset manager that makes the difference and thus creates value for our clients.

Following a phase of strong growth over several years, Vontobel Asset Management has set itself the goal of achieving further organic growth within its ambitious target range, even in challenging markets. We will focus in particular on the high-margin business. In Asset Management, we will make targeted investments in digitalization, focusing on those areas where new technologies can drive further improvements in our products and enhance the client experience. We will also further strengthen our sales power with a focus on the US and, in particular, on Japan.

Leading provider of financial products in difficult markets

In 2018, Vontobel Financial Products continued to leverage the strengths of its platform strategy to consolidate and further expand its market share in Switzerland and internationally, despite the weak market environment. Vontobel is today one of the leading providers of investment and leverage products with a market share of 13.1% in Europe and 28.4% in our Swiss home market, measured in terms of exchange-traded volumes in the target segment. Thanks to its high level of competitiveness, Financial Products achieved a satisfactory turnover in 2018. This is particularly impressive in a weak market environment in which the fourth quarter was characterized by especially low volumes as a result of the general mood of caution among investors. In these difficult markets, Financial Products generated pre-tax profit of CHF 63.1 million (CHF 89.1 million).

To consolidate its strong position, Financial Products continued to make targeted investments in innovations in 2018 to exploit new business opportunities. The app allowing private investors to select a structured product tailored to their individual preferences and have it issued immediately via their smartphone was introduced in Germany following its successful launch in Switzerland. With cosmofunding, we have developed a digital platform for private placements and loans for Swiss companies and public-sector bodies. After a good six months, the level of demand for private placements and loans on this innovative platform already exceeded CHF 1 billion.

With the new Pension Investments platform, Vontobel Financial Products is digitalizing the Swiss market for pension products. Relationship managers from more than 70 banks, as well as 550 External Asset Managers, can use the Pension Investments platform to offer to their clients pension solutions and banking services from a single source at significantly lower costs.

In 2019, Vontobel Financial Products will continue to pursue the proven strategy it has followed in recent years. This includes further leveraging our strong market position to strengthen our cost leadership, developing new digital client solutions and entering new markets. For example, Vontobel has offered a comprehensive custody solution for digital assets since the start of the year. We expanded our footprint in Scandinavia in January, with Vontobel leverage products now also being traded in Denmark. In addition, we have continuously expanded our warrants product offering in Hong Kong, the largest market for structured products.

Robust capital position and attractive dividend
Vontobel continues to have a solid capital position that significantly exceeds regulatory minimum requirements, even after the acquisition of Notenstein La Roche. The purchase of Notenstein La Roche was financed by Vontobel using own funds and through the successful placement of a CHF 450 million Additional Tier-1 (AT1) bond. With this financing structure, 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, since this is not affected by the AT1 bond. The BIS common equity tier 1 ratio (CET1 ratio) was 12.3% and the BIS Total Capital Ratio was 18.9% at the end of 2018. Vontobel's return on equity of 13.0% significantly exceeds our cost of capital and comes close to our own target return on equity of more than 14%.

Based on the good financial result for 2018, the Board of Directors will once again propose an attractive dividend of CHF 2.10 per share to the next General Meeting of Shareholders. Based on the year-end closing price, the dividend yield is 4.2%.

Higher profitability and continued growth
Vontobel remains on course – even in a more challenging environment with higher volatility, difficult interest rates markets, a weaker global economy, geopolitical uncertainty and pressure on margins. In recent years, we have made targeted investments in talents, powerful technology and a strong brand and we will continue to do so in the future, in line with our entrepreneurial approach. We see things from the client's perspective and act accordingly. We will leverage our expertise even more than before using the power of digitalization to benefit our clients, delivering the best possible client experience. Coupled with our high-quality product offering, this will form the basis for the realization of further profitable organic growth.

We wish to thank you, our clients, shareholders and employees, for your trust and loyalty, which both motivate and compel us to achieve future success.

Herbert J. Scheidt
Chairman of the
Board of Directors

Dr Zeno Staub
Chief Executive Officer

Ratios

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Return on shareholders' equity (ROE) (%)[1]	13.0	13.1	18.0	12.4	8.7
Cost[2] / income ratio (%)	76.5	75.3	68.2	77.0	80.3
Equity ratio (%)	6.5	7.1	7.8	8.1	7.6
Basel III leverage ratio (%)	4.9	4.7	5.2	5.1	6.0

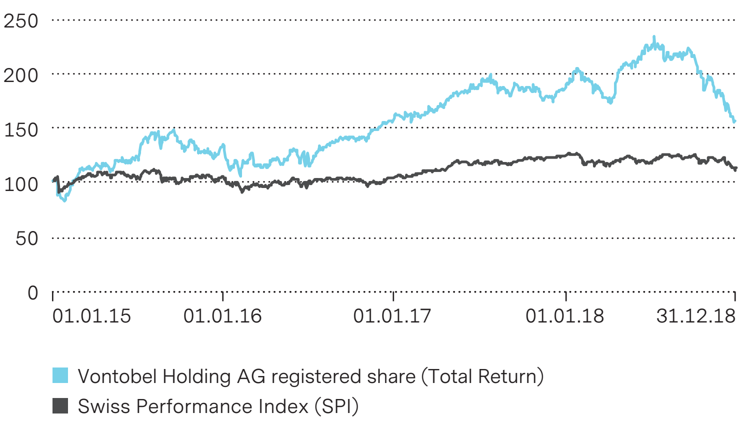
1 Group net profit as a percentage of average equity based on monthly figures, both without minority interests
2 Operating expense, excl. provisions and losses

Share data

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Basic earnings per share (CHF)[1]	3.96	3.65	4.72	3.20	2.24
Diluted earnings per share (CHF)[1]	3.88	3.56	4.59	3.11	2.19
Equity per share outstanding at balance sheet date (CHF)	30.81	29.31	27.65	26.02	25.65
Dividend per share (CHF)[2]	2.10	2.10	2.00	1.85	1.55
Price / book value per share	1.6	2.1	1.9	1.8	1.5
Price / earnings per share	12.7	16.8	11.3	14.8	16.7
Share price at balance sheet date (CHF)	50.40	61.50	53.45	47.50	37.50
High (CHF)	76.05	66.35	54.15	53.45	37.50
Low (CHF)	49.60	53.25	36.90	30.25	30.10
Market capitalization nominal capital (CHF mn)	2,866.5	3,497.8	3,040.0	2,701.6	2,437.5
Market capitalization less treasury shares (CHF mn)	2,786.3	3,400.1	2,927.4	2,601.7	2,063.6
Undiluted weighted average number of shares	55,769,779	55,376,259	55,082,263	55,375,938	60,042,271

1 Basis: weighted average number of shares
2 Financial year 2018: As per proposal submitted to the General Meeting

Performance of Vontobel Holding AG registered share (indexed)



Source: Bloomberg

Share information

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

BIS capital ratios

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
CET1 capital ratio (%)	12.3	18.4	19.0	17.9	21.3
CET1 capital (CHF mn)	835.1	1,098.6	1,018.4	895.1	1,117.3
Tier 1 capital ratio (%)	18.9	18.4	19.0	17.9	21.3
Tier 1 capital (CHF mn)	1,282.7	1,098.6	1,018.4	895.1	1,117.3
Risk weighted positions (CHF mn)	6,801.1	5,955.6	5,360.8	5,001.9	5,236.1

Risk ratio

CHF MN	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Average Value at Risk market risk	5.4	2.5	2.7	3.0	5.9

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

Rating

	31.12.2018	31.12.2017	31.12.2016
Moody's Rating Bank Vontobel AG (long-term deposit rating)	Aa3	Aa3	Aa3

Consolidated income statement

CHF MN	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Operating income	1,157.8	1,060.1	1,081.1	988.6	884.4
Operating expense	881.6	800.8	759.8	764.7	711.6
Group net profit	232.2	209.0	264.4	180.1	134.5
of which allocated to minority interests	*11.5*	*6.6*	*4.6*	*2.9*	*0.0*
of which allocated to the shareholders of Vontobel Holding AG	*220.7*	*202.4*	*259.8*	*177.2*	*134.5*

Segment profits before taxes

CHF MN	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Wealth Management	93.0	60.5	47.2	46.1	57.1
Asset Management	180.3	162.8	163.5	138.5	108.2
Investment Banking	91.7	112.1	84.6	77.0	66.1
Corporate Center	–88.7	–76.1	26.0	–37.7	–58.6

Consolidated balance sheet

CHF MN	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Total assets	26,037.3	22,903.7	19,393.9	17,604.8	18,472.8
Shareholders' equity (excl. minority interests)	1,703.5	1,620.5	1,514.1	1,425.2	1,411.5
Loans	4,904.6	3,310.5	2,601.9	2,365.1	2,116.2
Due to customers	12,649.2	9,758.2	9,058.5	8,775.8	8,960.6

Client assets

CHF BN	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Assets under management	171.1	165.3	138.5	136.3	123.8
of which under discretionary management	*107.3*	*107.1*	*90.2*	*93.9*	*82.3*
of which under non-discretionary management	*63.8*	*58.2*	*48.3*	*42.4*	*41.5*
Other advised client assets	13.5	12.8	10.4	6.0	6.6
Structured products outstanding	7.9	8.5	6.4	5.5	6.5
Total advised client assets	**192.6**	**186.6**	**155.3**	**147.8**	**136.9**
Custody assets	54.7	59.9	40.1	39.4	53.8
Total client assets	**247.3**	**246.5**	**195.4**	**187.2**	**190.7**

Net new money

CHF BN	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Net new money	5.0	5.9	–10.6	8.0	6.2

Personnel (full-time equivalents)

	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Number of employees Switzerland	1,662.2	1,353.8	1,347.0	1,201.2	1,135.5
Number of employees abroad	333.5	334.4	327.4	292.7	242.1
Total number of employees	**1,995.7**	**1,688.2**	**1,674.4**	**1,493.9**	**1,377.6**

Our brand

Our Beliefs and Behaviors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business review

Vontobel is on course: strong organic growth and a good 2018 result – successful integration of Notenstein La Roche

After a decade-long bull market, 2018 saw a strong stock market correction. The expectation of a slowdown in global economic growth, accompanied by the tightening of monetary policy, increasing barriers to international trade and geopolitical tensions, led to greater uncertainty and higher market volatility. This is reflected by the development of global equity markets, which closed the year down 7% in local currencies. Large-cap Swiss equities also fell out of favor with investors (SMI –10%). Risk premiums for equities remained above the long-term average, demonstrating investor caution – especially among private investors, who continue to hold large cash positions.

In addition, yield curves flattened out, as short-term interest rates rose somewhat more strongly than long-term rates. At the same time, the demand for high-quality government bonds strengthened, while lower-rated corporate bonds attracted less interest from investors. As a result, the spreads on corporate bonds widened significantly.

The European finance industry is faced with continuing structural changes and ever fiercer competition. The low interest rate environment and the trend towards passive investing are generally putting margins under pressure. In addition, providers operating in the area of wealth and asset management are having to make significant investments in client and compliance processes, in 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 financial year 2018, we continued to systematically pursue our growth strategy, successfully expanded our client base across all divisions in our Swiss home market and internationally, and further developed our range of products and services. We 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. With the new Pension Investments platform, Vontobel Financial Products is also digitalizing the Swiss market for pension products. 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, we have created a further basis for future growth. The acquisition will enable us to ideally supplement our above-average organic growth in the area of Wealth Management. We have strengthened our presence in our home market through the addition of further locations and will thus be able to reinforce our position as one of the leading private banks in Switzerland.

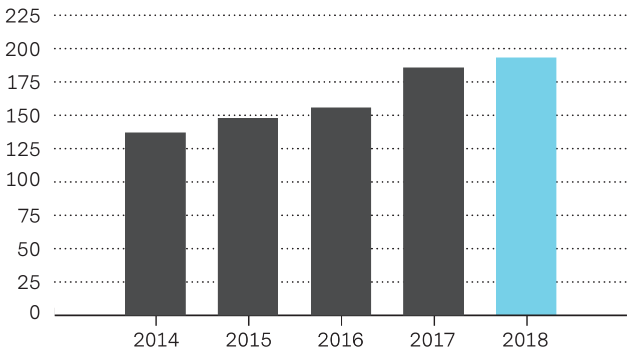
The high level of trust that clients place in Vontobel and our successful positioning in the market were reflected by the strong net inflow of new money of CHF 5.0 billion, the pleasing growth in operating income of 9% to CHF 1,157.8 million, and a good net profit of CHF 232.2 million (earnings per share: CHF 3.96). Compared to the IFRS net profit of CHF 209.0 million for 2017, the result for 2018 increased by 11%. Adjusted for one-off impacts from the acquisition of Notenstein La Roche, the result totaled CHF 249.2 million, corresponding to growth of 14% compared to the adjusted result for 2017 of CHF 217.9 million.

Vontobel generated a return on equity of 13.0% for the year under review, significantly exceeding its cost of capital of around 10% and coming close to its mid-term target of 14%.

Vontobel has maintained a comfortable equity position with a CET1 ratio of 12.3% and a Tier 1 capital ratio of 18.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA. To partially finance the acquisition of Notenstein La Roche, Vontobel Holding AG issued a CHF 450 million Additional Tier 1 bond with a coupon of 2.625% in June 2018, thus significantly strengthening its regulatory capital base.

The Board of Directors’ confidence in Vontobel’s strategy and its active capital management are demonstrated by the dividend of CHF 2.10 per share proposed for the financial year 2018 (2017: CHF 2.10). This represents a generous payout ratio of 53% based on the 2018 net profit allocated to shareholders.

Advised client assets
in CHF bn



Increase in client assets
As a result of the successful expansion of the business and the subsequent sustained net inflow of new money, the net negative impact of performance and currency effects due to difficult markets, and the acquisition of Notenstein La Roche, total client assets rose to CHF 247.3 billion (31.12.2017: CHF 246.5 billion).

Total advised client assets – which consist of assets under management, other advised client assets and structured products – grew by 3% to CHF 192.6 billion. Advised client assets are an important indicator for Vontobel in view of the significant value generated by these assets; Vontobel provides advisory services and/or has portfolio management agreements in place for these assets. Other advised client assets also comprise advised assets related to Vontobel's cooperation with the Australian banking group ANZ; Vontobel provides advice on asset allocation to ANZ in respect of these assets. In the year under review, Vontobel Financial Products further strengthened its market position in Switzerland and Europe. Since fall 2017, Vontobel has also offered leverage products in Hong Kong – the world's largest derivatives market – where it already gained a market share of 2.5% in 2018. The volume of structured products outstanding – i.e. excluding leverage products – declined slightly (7%) to CHF 7.9 billion as a result of generally subdued market demand.

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 now well established as a provider of global execution and global custody solutions in the Swiss market. At present, around 110 banks have joined Vontobel's transaction banking platform with custody assets of CHF 54.7 billion.

Client assets

CHF BN	31.12.2018	31.12.2017
Assets under management	171.1	165.3
Other advised client assets	13.5	12.8
Structured products outstanding	7.9	8.5
Total advised client assets	**192.6**	**186.6**
Custody assets	54.7	59.9
Total client assets	**247.3**	**246.5**

At the end of 2018, the volume of assets under management entrusted to Vontobel was higher than ever before at CHF 171.1 billion. The total increase in assets of CHF 5.8 billion reflects:
– Growth in net new money of CHF +5.0 billion
– The inclusion of CHF +15.0 billion of assets under management from Notenstein La Roche
– Other effects, such as the elimination of assets under management due to the sale of the Liechtenstein operation in February 2018 and the reclassification of assets, in the total amount of CHF –0.6 billion.
– The net negative impact of performance and currency effects of CHF –13.7 billion.

In Combined Wealth Management (i.e. Wealth Management, formerly Private Banking, and the External Asset Managers business), assets under management grew by 22% to CHF 65.7 billion. This reflects the sustained inflow of new money generated by the existing business, as well as the inclusion of CHF 15.0 billion of assets from the client portfolios of Notenstein La Roche. In contrast, the net negative impact of market and currency effects restricted the growth in assets under management.

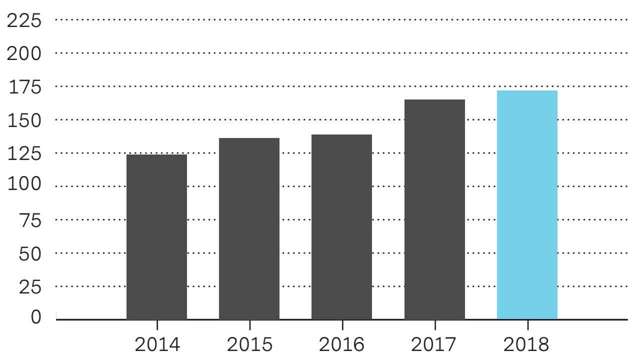
On the institutional side, assets under management declined by 6% to CHF 107.3 billion. The sustained net inflow of new money in the Asset Management boutiques were in contrast with negative market and currency effects as well as a larger outflow from the lower-margin private label service.

Development of assets under management

CHF BN	31.12.2018	31.12.2017
Combined Wealth Management	**65.7**	**54.0**
Wealth Management	*53.8*	*44.0*
External Asset Managers	*11.9*	*10.0*
Institutional clients	**107.3**	**114.1**
Asset Management [1]	*104.2*	*110.3*
Investment Banking [2]	*3.1*	*3.8*
Corporate Center [3]	**–1.9**	**–2.8**
Total assets under management	**171.1**	**165.3**

1 Including intermediaries
2 Excluding External Asset Managers
3 Assets under management managed by other segments

Assets under management
in CHF bn



Broad-based growth in new money
The needs of all our clients are at the center of our business philosophy and actions, as evidenced by our employees' consistent focus on delivering service and performance. Our efforts to put this philosophy into practice and our continued investments in growth and in an efficient sales structure at a global and product-oriented level are bearing fruit. As a result, Vontobel once again delivered respectable growth in new money of 3.0% in the financial year 2018. On an organic basis, the growth in new money of 3.7% came close to our target range of 4–6%.

Building on its existing activities, Combined Wealth Management (Wealth Management and the External Asset Managers business) acquired CHF 3.3 billion of net new money. This corresponds to organic growth in net new money of 6.1% and is above the target range of 4–6%.

The net inflow of new money in Wealth Management totaled CHF 1.6 billion – corresponding to growth in net new money of 3.6%. On an organic basis, growth of 5.8% was recorded. Assets were acquired primarily in Vontobel's home market Switzerland and in the core markets Italy and the Emerging Markets. The External Asset Managers business delivered growth in net new money of 6.5%, on an organic basis it reached 7.9%. The outflows of CHF 1.1 billion observed in connection with the acquisition of Notenstein La Roche were in line with the volume expected for this type of transaction.

The high quality of products, the systematic diversification strategy that has been in place for several years, and the further strengthening of the globally-oriented sales organization are the drivers of the sustained inflow of new money in Asset Management, which totaled CHF 3.1 billion. Significant inflows were generated in particular by fixed income products including the successful products of TwentyFour Asset Management, which continue 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. In total, Asset Management generated growth in net new money of 3.0%. Adjusted for an outflow from private label services recorded in connection with a consolidation measure related to one client, growth was 4.2%, which is within the target range of 4–6%.

Development of net new money

CHF BN	31.12.2018	31.12.2017
Combined Wealth Management	**2.2**	**2.2**
Wealth Management	*1.6*	*1.0*
External Asset Managers	*0.7*	*1.2*
Institutional clients	**2.7**	**3.8**
Asset Management [1]	*3.1*	*3.6*
Investment Banking [2]	*–0.4*	*0.2*
Corporate Center [3]	**0.1**	**–0.1**
Total net new money	**5.0**	**5.9**

1 Including intermediaries
2 Excluding External Asset Managers
3 Net new money from assets managed by other segments

The slight shifts in the structure of assets under management in the year under review were mainly attributable to two developments:

The increasing proportion of Swiss equities reflects the strengthening of the Swiss home market in Wealth Management as a result of continued organic growth and the acquisition of Notenstein La Roche, which has strong Swiss roots.

The changes in the structure of assets by investment category observed in recent years also reflect the systematic diversification of the boutiques within Asset Management. The successful international expansion of the Fixed Income business is demonstrated by the growing proportion of fixed income securities, which increased by 1 percentage point during the year under review, while the relative importance of foreign equities declined by 4 percentage points, partly reflecting market weakness.

Assets under management by investment category

IN %	31.12.2018	31.12.2017
Swiss equities	14	13
Foreign equities	33	37
Bonds	34	33
Alternative investments	2	2
Liquid assets, fiduciary investments	11	10
Other [1]	6	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. A total of 27% of assets under management comprise investments in Swiss francs. As a result of strong organic growth and the acquisition of Notenstein La Roche, there was a slight increase in the proportion of investments in Swiss francs, while the proportion of investments in euro and US dollars declined slightly.

Assets under management by currency

IN %	31.12.2018	31.12.2017
CHF	27	25
EUR	23	24
USD	27	29
GBP	8	8
Other	15	14

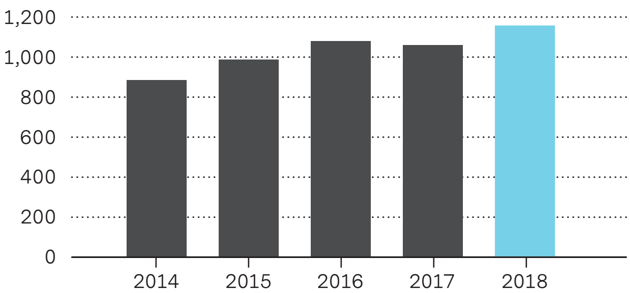
Future-oriented investments in markets, talent and technologies

In 2018, Vontobel once again made significant investments in its core markets, talent and technologies. It also strengthened its basis for future growth through the acquisition of Notenstein La Roche. Despite these expansion measures, we generated another good result in 2018. Net profit according to IFRS totaled CHF 232.2 million in 2018, corresponding to growth of 11%. On an adjusted basis, i.e. excluding:

– integration costs of CHF 37.9 million before tax and CHF 31.8 million after tax, respectively,
– and the one-off positive impact on pension fund liabilities (IAS 19) of CHF 17.6 million before tax and CHF 14.8 million after tax, respectively,
– summing up on a net basis to CHF 20.3 million before taxes and CHF 17.0 million after tax, respectively,

related to the acquisition of Notenstein La Roche, net profit totaled CHF 249.2 million. It therefore grew by 14% compared to the adjusted net profit of CHF 217.9 million for 2017, which excluded one-off effects (integration costs for Vescore and the Eastern European portfolio of Notenstein La Roche as well as costs related to changes in the US tax system).

Operating income
in CHF mn



In recent years, Vontobel has successfully transformed itself from a financial institution that focused predominantly on the Swiss market into an established and globally active wealth and asset manager. This is demonstrated not only by our international client base and the balanced structure of assets under management in terms of currencies but also by the significant contribution from fee and commission income, which accounted for 68% of operating income of CHF 1,157.8 million in the year under review (2017: CHF 1,060.1 million).

Structure of the income statement

	31.12.2018 CHF MN	31.12.2018 IN %[1]	31.12.2017 CHF MN	31.12.2017 IN %[1]
Net interest income after credit losses	71.8	6	68.5	6
Net fee and commission income	785.7	68	692.9	66
Trading income	295.1	26	288.8	27
Other income	5.1	0	9.9	1
Total operating income	**1,157.8**	**100**	**1,060.1**	**100**
Personnel expense	570.1	49	532.6	50
General expense	246.7	21	205.0	19
Depreciation of property, equipment and intangible assets	68.8	6	61.0	6
Provisions and losses	–4.0	0	2.2	0
Total operating expense	**881.6**	**76**	**800.8**	**75**
Taxes	44.0	4	50.3	5
Group net profit	**232.2**	**20**	**209.0**	**20**

1 Share of operating income

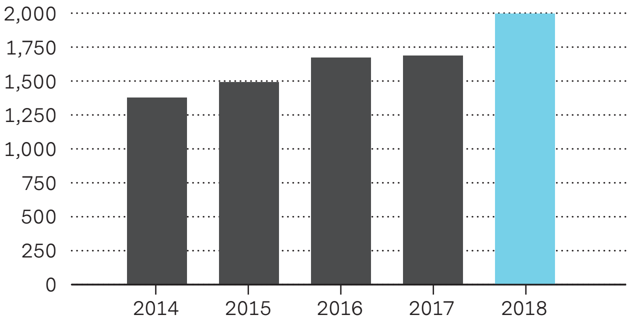
Commission income grew by 13% to CHF 785.7 million due to higher average assets under management in the year under review. Advisory and management fees rose by 19% to CHF 681.6 million, while custody fees grew by 18% to CHF 194.5 million. The continued wait-and-see attitude among many investors, the growing trend towards "all-inclusive" mandates, and the impacts of regulatory changes (MiFID II), are reflected by the moderate reduction in brokerage fees – also part of net commission income – which declined by 13% to CHF 97.3 million.

The modest increase in trading income to CHF 295.1 million (+2%) was attributable to the weak market environment for structured products, especially in the fourth quarter. This result was recorded despite a further improvement in Vontobel's positioning in Swiss and international markets as well as the growing shift to the platform business. Vontobel's trading income mainly comprises income from the issuing, hedging and market making of structured products and warrants – represented by the total of "Securities" and "Other financial instruments at fair value". In the year under review, these activities contributed CHF 259.9 million (–1%) to trading income. Income from forex and precious metals trading rose by 31% to CHF 35.2 million.

Managing the bank's balance sheet while maintaining a conservative risk profile is especially challenging in an environment of continued extremely low or negative interest rates. As a result of active and systematic treasury management, a significant increase in loans to clients (+48%), and unchanged dividend income, net interest income rose slightly (+5%) to CHF 71.8 million. Other income declined significantly (–48%) to CHF 5.1 million, since there were no larger sales of financial investments in the year under review.

Operating expense rose by 10% to CHF 881.6 million as a result of the expansion of the business. Personnel expense – which is the largest cost component – increased by 7% to CHF 570.1 million. At the end of 2018, Vontobel employed 1,996 full-time equivalents. This represents an increase of 308 from the end of 2017, including 237 full-time equivalents from the acquisition of Notenstein La Roche.

Headcount
full-time equivalents



Operating expense includes one-off expenses for the integration of Notenstein La Roche as well as a positive impact from a reduction in pension fund liabilities of CHF 20.3 million before taxes, or CHF 17.0 million after taxes. Further integration costs of around CHF 10 million are expected in 2019. It is therefore anticipated that total integration costs will be below the initial estimates of CHF 50 million.

The dynamic rate of expansion is mirrored by the development of general expense, which rose by 20% to CHF 246.7 million in the year under review. With the exception of expenses for travel and representation, public relations and marketing, which were flat compared to the previous year, there was a double-digit increase in all components of general expense. Depreciation of property, equipment and intangible assets increased by 13% to CHF 68.8 million, as planned. The volume of capital expenditure on property and equipment and intangible assets reached CHF 66.7 million in the year under review. Strong emphasis was put to various digitization projects and investments related to MiFID II.

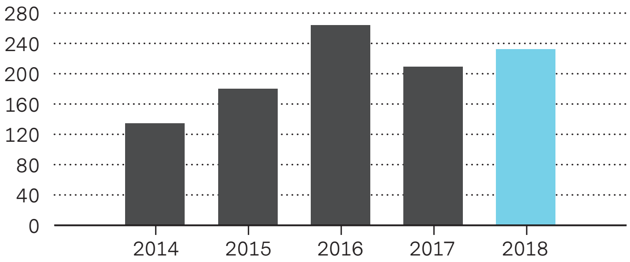
Capital expenditure and depreciation of property, equipment and intangible assets

CHF MN	31.12.2018	31.12.2017
Capital expenditure	66.7	75.3
Depreciation	68.8	61.0

The broadening of the operating income base combined with a higher cost base led to a slight deterioration in operating efficiency in 2018 on an adjusted basis. As a result, the cost/income ratio increased by 0.3 percentage points to 74.7%. The IFRS result before taxes increased by 7% to CHF 276.2 million. The tax charge decreased by 13% to CHF 44.0 million. This results in a lower tax rate of 15.9%, compared to 19.4% in the previous year. Since Vontobel also operates profitably in the US – due in particular to the Quality Growth boutique that is based in New York – the US tax reform had, among other things, a favorable impact on the tax charge. The integration of Notenstein La Roche also had a beneficial tax impact.

IFRS net profit after taxes rose by 11% to CHF 232.2 million. Due to the strong increase in minority interests in profit as well as a slight rise in the average number of shares outstanding, earnings per share rose by 8% to CHF 3.96. On an adjusted basis, net profit totaled CHF 249.2 million, an increase of 14% compared to the previous year. Corresponding earnings per share reached CHF 4.26, an increase of 12% compared to the adjusted figure 2017.

Group net profit
in CHF mn



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

There were no significant shifts in the currency composition of the income statement in the financial year 2018. The proportion of income generated in US dollars and British pounds increased slightly, with a corresponding decrease in the proportion of income in Swiss francs and euros. On the cost side, there was a slight decline in the proportion of costs incurred in US dollars. As a result, 41% of income and 78% of operating expense at Vontobel were generated in Swiss francs. The US dollar continued to represent the second most important currency, accounting for 31% 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 %	31.12.2018	31.12.2017
Total operating income		
CHF	41	44
EUR	16	17
USD	31	29
GBP	6	5
Other	6	5
Total operating expense		
CHF	78	77
EUR	8	8
USD	9	10
GBP	3	3
Other	2	2

Growing profit contribution from Wealth and Asset Management – Financial Products strengthens market share in a difficult environment

In Combined Wealth Management, the business model has been selectively expanded in recent years and its focus has been sharpened. This strategy has proved successful, with Wealth Management attracting above-market inflows of new money and, at the same time, achieving significantly higher profitability in an increasingly competitive environment. The acquisition of Notenstein La Roche during the year under review marked an important investment in the future. At the same time, we reduced our number of booking centers with the sale of our Liechtenstein operations. The systematic client focus and ongoing enhancement of the advisory process in Vontobel Wealth Management are reflected by the continued growth in advised client assets over recent years. This progress is also reflected by improved profitability: Operating income rose by 27% and pre-tax profit increased by 46% in the year under review.

The positioning of Asset Management as a high-conviction manager and the diversification strategy introduced some time ago continue to prove successful. The impressive quality of its products and the continued inflows of new money into the boutiques show that we are on the right path. The division was once again the main earnings driver at Vontobel, with an 11% increase in its pre-tax profit contribution to CHF 180.3 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. In the year under review, it further strengthened its market position in Switzerland and Europe. Sales of structured products in the Hong Kong market, which Financial Products entered in 2017, also developed very positively. The high level of investment in platforms led to a significant rise in the cost base, while operating income grew only slightly. As a result, pre-tax profit declined by 29% to CHF 63.1 million.

Wealth & Asset Management (Wealth Management, Asset Management, External Asset Managers business) accounted for 83% 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 17% of Vontobel's pre-tax profit (excluding the Corporate Center) in the year under review.

The result for the Corporate Center decreased due primarily to integration costs related to the acquisition of Notenstein La Roche.

Segment profits before taxes

CHF MN	31.12.2018	31.12.2017
Wealth Management	93.0	60.5
Asset Management	180.3	162.8
Investment Banking	91.7	112.1
of which External Asset Managers business	*28.6*	*23.0*
Corporate Center	–88.7	–76.1
Total	**276.2**	**259.3**

Conservative risk management

Vontobel remains committed to a conservative risk management approach. At CHF 5.4 million, the average Value at Risk in the Financial Products business remained very low. In 2018, this figure mainly reflected equity components in view of increased volatility in the equity markets.

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

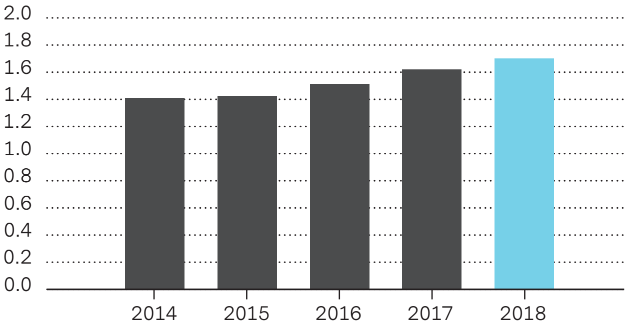
CHF MN (AVERAGE 12 MONTHS ENDING)	31.12.2018	31.12.2017
Equities	4.1	1.4
Interest rates	1.3	1.2
Currencies	0.6	1.2
Commodities	1.2	0.9
Diversification effect	–1.8	–2.2
Total	**5.4**	**2.5**

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

Continued comfortable capital position

Vontobel has maintained its comfortable capital position, with a CET1 ratio of 12.3% and a Tier 1 capital ratio of 18.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA of 12% for the Total Capital Ratio and 7.8% for the CET1 capital ratio for Category 3 banks, which include Vontobel. To partially finance the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued a CHF 450 million Additional Tier 1 bond with a coupon of 2.625% in June 2018, thus significantly strengthening its regulatory capital base.

Shareholders' equity
in CHF bn



Consolidated shareholders' equity was CHF 1.7 billion at the end of 2018, an increase of 5% compared to the end of 2017. Vontobel's very solid capital position is also reflected by its equity ratio of 6.5% and a leverage ratio under Basel III of 4.9%. Furthermore, Vontobel's balance sheet can be described as highly liquid, since its Liquidity Coverage Ratio averaged 205% for the year under review and thus significantly exceeded the minimum requirement of 90% defined by FINMA for 2018.

Total assets grew by 14% to CHF 26.0 billion in the year under review. As a result of the acquisition of Notenstein La Roche, assets and liabilities totaling CHF 4.1 billion were transferred to Vontobel's balance sheet on July 1, 2018 (see page 203 for further details).

On the liabilities side of Vontobel's balance sheet, client deposits rose by 30% from CHF 9.8 billion to CHF 12.6 billion. In contrast, liabilities arising from the structured products business decreased by 7% to CHF 7.9 billion. There was also a net reduction in hedging positions for this business on the assets side of the balance sheet. This was reflected, among other things, by a decrease in trading portfolio assets and lower positive replacement values, while the item "Other financial assets at fair value" increased. Loans to clients rose by around CHF 1.6 billion or 48% to CHF 4.9 billion, with the business activities of Notenstein La Roche accounting for around half of this increase.

Of the total regulatory capital of CHF 1,128.0 million required under BIS rules (December 31, 2017: CHF 766.9 million), i.e. on the basis of 8% of risk weighted positions and taking into account the deductions (goodwill, etc.) shown below, 45% was allocated to Wealth Management, 24% to Asset Management and 20% to Investment Banking.

Allocation of regulatory capital required (BIS) as of December 31, 2018

CHF MN	CREDIT RISKS	MARKET RISKS	OPERATIONAL RISKS	GOODWILL ETC.	TOTAL
Wealth Management	59.4	0.0	64.6	386.5	510.5
Asset Management	12.4	0.0	65.8	187.9	266.1
Investment Banking	33.5	132.4	45.1	9.6	220.6
Corporate Center	38.4	88.6	3.8	0.0	130.8
Total	**143.7**	**221.0**	**179.3**	**584.0**	**1,128.0**

93% of client assets come from Swiss home market and international focus markets

In recent years, Vontobel has become an established global wealth and asset manager. Between 2002 and the end of 2018, there was a more than four-fold increase in advised client assets. Today, 57% of advised client assets consist of assets of clients domiciled outside Vontobel's Swiss home market – primarily in target markets comprising Emerging Markets, Germany, the US, the UK and Italy. However, Vontobel is also well established in its home market, with clients domiciled in Switzerland accounting for CHF 82.4 billion of advised client assets. This underscores the high level of confidence that clients in our home market have in Vontobel's expertise and financial solidity.

Client assets by client domicile as of December 31, 2018

CHF BN	ASSETS UNDER MANAGEMENT	OTHER ADVISED CLIENT ASSETS	STRUCTURED PRODUCTS OUTSTANDING	TOTAL ADVISED CLIENT ASSETS	CUSTODY ASSETS	TOTAL CLIENT ASSETS
Home market	**75.1**	**1.2**	**6.1**	**82.4**	**52.0**	**134.3**
Switzerland [1]	*75.1*	*1.2*	*6.1*	*82.4*	*52.0*	*134.3*
Target markets	**82.5**	**12.1**	**1.8**	**96.4**	**0.0**	**96.4**
Germany	*16.3*	*5.1*	*1.8*	*23.2*	*0.0*	*23.2*
Italy	*10.4*	*0.0*	*0.0*	*10.4*	*0.0*	*10.4*
UK	*18.8*	*0.0*	*0.0*	*18.8*	*0.0*	*18.8*
US	*16.4*	*0.0*	*0.0*	*16.4*	*0.0*	*16.4*
Emerging Markets [2]	*20.6*	*7.0*	*0.0*	*27.7*	*0.0*	*27.7*
Other markets	**13.6**	**0.2**	**0.0**	**13.7**	**2.8**	**16.5**
Total client assets	**171.1**	**13.5**	**7.9**	**192.6**	**54.7**	**247.3**

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

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 following 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.

Targets 2020

Ambitious mid-term targets

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 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%, clearly exceeding the cost of capital; achieve a **cost/income ratio** of less than 72%
- 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; ensure profitable growth with a cost/income ratio of less than 70%
- **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)	>14%
Efficiency	
Cost/income ratio	<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 and aligned its offering even more closely to different client needs. Rather than concentrating on individual products, it focuses on an advisory process in which our personal dialogue with clients plays an even greater role – enabling us to address their own specific objectives yet more effectively by delivering customized solutions. This not only requires a good infrastructure with digital processes but also a highly-qualified team of relationship managers as well as an impressive product and service offering.

To further support organic growth, we have expanded our employee training and refreshed our range of products and services. A core aspect of our offering is our innovative and proprietary Vontobel 3alpha Investment Philosophy®. Its key features include enhanced client benefits, the streamlined and more flexible use of the product range, and even greater transparency – especially with regard to fees. For example, clients can decide which advisory model they wish to select for their individual portfolio modules and consequently also the amount of contact they have with their relationship manager. As a result of this advanced offering and the focusing of Wealth Management, we achieved growth in net new money of 5.8% on an organic basis (excluding acquisitions in 2018), which is at the upper end of our target range of 4% to 6%.

In addition to concentrating on organic growth, Wealth Management is also playing an active role in the industry consolidation to support its growth strategy. Following the acquisition of Finter Bank in 2015 and of the Eastern European portfolio of Notenstein La Roche in 2017, Vontobel acquired the whole of Notenstein La Roche Privatbank AG in 2018. With this transaction, Vontobel is expanding its portfolio of wealthy clients, which is already experiencing good organic growth. It is also strengthening its presence in its home market with the additional locations it has acquired and is underscoring its position as one of the leading private banks in Switzerland. At the same time, Vontobel is expanding its international presence. In November 2018, we announced the acquisition of the US-based private clients portfolio of Lombard Odier. The transaction is due to be completed in the first quarter of 2019.

The Notenstein La Roche acquisition was completed as planned. Following its announcement in May 2018, the closing of the transaction took place on July 2. Vontobel subsequently acquired a total of CHF 15.0 billion of assets under management, of which CHF 13.0 billion were managed in Wealth Management. The migration of the client master data and portfolios to the Vontobel platform was already successfully completed at the end of September 2018. New employees are being trained in the use of the platform on an ongoing basis and clients can benefit from Vontobel's expanded product range and infrastructure.

In total, Wealth Management recorded growth in net new money of 3.6 % (5.8% on an organic basis). The outflows from Notenstein La Roche, which had to be consolidated from July 2, 2018, were in line with the volume expected for this type of transaction. At the end of 2018, assets under management totaled CHF 53.8 billion (+22%). In contrast to the net inflow of new money, market performance was negative and Vontobel sold CHF 1.4 billion of assets under management in Liechtenstein as part of the focusing on the business.

One of Wealth Management's key objectives is the implementation of its digitalization strategy. On the one hand, this strategy focuses on the streamlining of internal processes to facilitate the investment process, which has become more labor-intensive for relationship managers as a result of regulatory developments. Using a newly developed tool, relationship managers can now digitally prepare investment proposals, simulate the impact on the portfolio in real time, provide clients with rapid access to essential documentation, and execute transactions directly after consulting with the client. The regulatory requirements that apply in Europe under MiFID II are fully reflected in the tool, which also complies with new rules in Switzerland (FIDLEG). On the other hand, an emphasis is also being placed on digital interaction with clients and we have further developed our Vontobel Wealth platform as part of these efforts.

The continued growth in advised client assets is reflected by Wealth Management's operating figures. Operating income grew by 29% in the year under review and pre-tax profit rose by 54%. On an organic basis, operating income increased by 12% and pre-tax profit improved by 38%.

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

Segment results

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Net interest income after credit losses	56.0	38.5	17.5	45
Net fee and commission income	273.8	215.2	58.6	27
Trading income and other operating income	21.4	18.7	2.7	14
Total operating income	**351.2**	**272.4**	**78.8**	**29**
Personnel expense	142.7	113.1	29.6	26
General expense	18.3	17.1	1.2	7
Services from / to other segment(s)	93.4	77.9	15.5	20
Depreciation of property, equipment and intangible assets	6.8	3.2	3.6	113
Provisions and losses	–3.0	0.6	–3.6	–600
Total operating expense	**258.2**	**211.9**	**46.3**	**22**
Segment profit before taxes	**93.0**	**60.5**	**32.5**	**54**

Key figures

IN %	31.12.2018	31.12.2017
Cost[1] / income ratio	74.4	77.5
Change of assets under management	22.4	12.8
of which net new money[2]	*3.6*	*2.6*
thereof organic[3]	*5.8*	*2.6*
of which change in market value	*–7.9*	*6.5*
of which through acquisition[4]	*29.5*	*5.0*
of which other effects[5]	*–2.8*	*–1.3*
Operating income / average assets under management[6] (bp)	71	67
Profit before taxes / average assets under management[6] (bp)	19	15

Client assets

	31.12.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets under management	53.8	44.0	9.8	22
Other advised client assets	1.5	1.8	–0.3	–17
Total advised client assets	**55.3**	**45.8**	**9.5**	**21**
Average assets under management[6]	49.7	40.6	9.1	22

Net new money

CHF BN	31.12.2018	31.12.2017
Net new money	1.6	1.0

Personnel

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	IN %
Employees (full-time equivalents)	574.6	408.2	166.4	41
of which relationship managers	*274.1*	*202.4*	*71.7*	*35*

1 Operating expense excl. provisions and losses
2 Includes development of net new money in respect of assets under management acquired from Notenstein La Roche Privatbank AG
3 Excludes development of net new money in respect of assets under management acquired from Notenstein La Roche Privatbank AG
4 Acquisition of Notenstein La Roche Privatbank AG in July 2018 and whose Eastern European client portfolio in December 2017
5 Financial year 2018: Sale of the Liechtenstein operation in February 2018 and reclassification of certain assets (CHF 0.2 bn) that are now held for investment purposes.
Financial year 2017: Reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.
6 Calculation based on average values for individual months

Asset Management

Vontobel has successfully positioned itself as an active high-conviction manager with a multi-boutique model. We believe that this specialization is the only means of creating value for clients over the longer term.

With the multi-boutique approach, Vontobel Asset Management has a high level of diversification across all market- and client-relevant asset classes and can offer investment solutions for every market cycle.

To achieve this, Vontobel Asset Management has a global distribution network that was expanded in 2018 with a particular focus on Latin America, the US and the Iberian peninsula. Investments were also made in digital client communications and client service to meet our clients' need to receive information across all their preferred channels.

In 2018, investors were once again impressed by the quality of our products. Vontobel Asset Management continued to assert itself internationally as a leading provider of emerging markets investments, as demonstrated by the numerous prestigious awards we received – including being named "Emerging Markets Manager of the Year" in the UK Pension Awards. We also received 11 awards from Lipper in the category "Emerging Markets Equity". The same applies to TwentyFour Asset Management, which specializes in fixed income investments. In addition to achieving strong growth, it delivered an impressive performance and collected a number of awards.

Our first priority is to generate value for our clients. This is reflected by the fact that more than 80% of our funds were awarded 4 or 5 stars by the renowned rating agency Morningstar. It is pleasing to note that products across all our boutiques display this high level of quality.

Vontobel Asset Management has been active in the area of ESG investing since the 1990s. At the end of 2018, a total of CHF 23.3 billion of client assets were already invested in ESG strategies.

Reflecting the high quality of their products, the boutiques were able to attract CHF 3.1 billion of new money. In the low-margin Private Labelling Service, where we offer our partners the opportunity to use our fund platform for administration purposes, a consolidation measure relating to one client resulted in an outflow of CHF 1.4 billion. Excluding this impact, the net new asset growth rate was 4.2%.

Despite the large proportion of new investments in the area of fixed income, the gross margin was maintained at the very good level of 42 basis points.

The good inflows could not compensate the negative market development in almost all asset classes in the second half of the year. Advised client assets reached CHF 117.5 billion at the end of 2018. Despite this, Vontobel Asset Management achieved further significant growth. Operating income rose by 7% to CHF 464.7 million and pre-tax profit increased by 11% to CHF 180.3 million. At 61.1%, the cost / income ratio improved compared to the previous year. With this excellent profit contribution, Vontobel Asset Management was Vontobel's main earnings contributor once again in 2018.

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

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Net interest income after credit losses	0.7	0.1	0.6	600
Net fee and commission income	464.1	431.8	32.3	7
Trading income and other operating income	–0.1	3.0	–3.1	–103
Total operating income	**464.7**	**434.9**	**29.8**	**7**
Personnel expense	175.8	172.2	3.6	2
General expense	55.7	43.6	12.1	28
Services from / to other segment(s)	43.1	49.5	–6.4	–13
Depreciation of property, equipment and intangible assets	9.4	6.5	2.9	45
Provisions and losses	0.4	0.3	0.1	33
Total operating expense	**284.4**	**272.1**	**12.3**	**5**
Segment profit before taxes	**180.3**	**162.8**	**17.5**	**11**

Key figures

IN %	31.12.2018	31.12.2017
Cost[1] / income ratio	61.1	62.5
Change of assets under management[2]	–4.9	21.1
of which net new money[2]	*3.0*	*4.0*
of which change in market value[2]	*–8.5*	*17.1*
of which other effects[2,3]	*0.6*	*0.0*
Operating income / average assets under management[4] (bp)	42	44
Profit before taxes / average assets under management[4] (bp)	16	16

Client assets

	31.12.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets under management	104.2	110.3	–6.1	–6
of which Vontobel funds	*29.1*	*28.7*	*0.4*	*1*
of which managed on behalf of other segments	*2.0*	*2.8*	*–0.8*	*–29*
Other advised client assets	13.3	11.0	2.3	21
Total advised client assets	**117.5**	**121.3**	**–3.8**	**–3**
Average assets under management[4]	111.1	99.9	11.2	11

Net new money

CHF BN	31.12.2018	31.12.2017
Net new money	3.1	3.6

Personnel

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	IN %
Employees (full-time equivalents)	432.0	404.9	27.1	7

1 Operating expense excl. provisions and losses
2 Adjusted for assets that are managed on behalf of other segments
3 Financial year 2018: Reclassification due to the sale of the Liechtenstein operation in February 2018
4 Calculation based on average values for individual months

Investment Banking

Vontobel Financial Products has harnessed the positive effects of its successful platform strategies to further strengthen its position in the market. As one of the world's leading providers of investment and leverage products, we were able to slightly increase our market share to 28.4% in Switzerland and to 13.1% in Europe, measured in terms of exchange-traded volumes in the target segment. While our share of the German market decreased marginally, we gained market share in all our other European markets. In our newest market Hong Kong – which is also the world's largest derivatives market – we gained a 2.5% share of the market. In the year under review, clients around the world traded a total of CHF 43.5 billion of Vontobel products. Of this sum, CHF 19.8 billion was traded in Asia. Our market debut with our leverage products in Hong Kong proved very successful.

Our client proximity and our state-of-the-art digital ecosystem provide us with the necessary basis to rapidly enter new markets and serve new target groups, as demonstrated by the good results of our international expansion. In January 2019, we were also able to trade the first Vontobel products in the Danish market. In our home market, our unique and leading multi issuer platform Vontobel deritrade MIP enables more than 70 banks and 550 asset managers to independently compare, create, purchase and manage structured products from different issuers for their clients. In the year under review, a total of CHF 6.0 billion of products was purchased on our platform – a significant increase (+30%) compared to the previous year. In our target segment, the turnover of structured products on deritrade MIP exceeded the turnover on the SIX Swiss Exchange.

deritrade MIP demonstrates that Vontobel can compete successfully in the field of innovation. Our product and market expertise, combined with our leading digital platform, allows us to also bring new innovative solutions to the market for other products. With cosmofunding, we launched a new platform that allows Swiss companies and public-sector bodies to raise capital in the form of private placements or debt securities. By the end of 2018, the level of demand had already exceeded CHF 1 billion. Vontobel has focused on expanding its range of products for clients. With the new Pension Investments platform, Vontobel is digitalizing the Swiss market for pension products. Since the start of 2019, it has offered institutional clients a custody solution for digital assets, Digital Asset Vault.

Vontobel's External Asset Managers (EAM) business provides support and advice to external asset managers. Following the introduction of MiFID II, we now also offer our comprehensive regulatory expertise and reporting capabilities to our clients. In addition, we are continuously developing our digital platform "Vontobel EAMNet". In 2018, these efforts once again resulted in good organic growth, and we were able to further strengthen the asset base through the acquisition of Notenstein La Roche. In July, CHF 2.0 billion of assets under management and two teams of advisors were transferred to the EAM business. In 2018, our clients rewarded us with a strong inflow of new money totaling CHF 0.7 billion, corresponding to growth of 6.5%. Excluding Notenstein La Roche, the growth rate even reached 7.9%, significantly exceeding our ambition of generating 4–6% growth. As a result, assets under management reached the CHF 11.9 billion mark. Excluding Notenstein La Roche, assets under management increased to a new record level of CHF 10.2 billion.

Vontobel Corporate Finance advised a total of 23 companies on capital markets or M&A transactions in 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. It played a significant role in five IPOs on the SIX Swiss Exchange, three capital increases, four share transfers, eight bond issuances and three public takeover bids. Following the introduction of MiFID II, Brokerage was also able to defend its market position and received the Extel Thomson award in the "Swiss Equities" category for the eighth year in succession.

Operating income in Investment Banking grew slightly to CHF 333.2 million in 2018. This increase was mainly driven by the External Asset Managers business, which achieved a 20% rise in operating income. Trading income reached the same very high level as in the previous year. In combination with higher investments, this resulted in pre-tax profit of CHF 91.7 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

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Net interest income after credit losses	13.5	10.0	3.5	35
Net fee and commission income	78.3	76.0	2.3	3
Trading income and other operating income	241.4	242.8	–1.4	–1
Total operating income	**333.2**	**328.8**	**4.4**	**1**
Personnel expense	118.2	115.3	2.9	3
General expense	66.3	54.1	12.2	23
Services from / to other segment(s)	49.2	41.6	7.6	18
Depreciation of property, equipment and intangible assets	7.0	5.5	1.5	27
Provisions and losses	0.8	0.2	0.6	300
Total operating expense	**241.5**	**216.7**	**24.8**	**11**
Segment profit before taxes	**91.7**	**112.1**	**–20.4**	**–18**

Key figures

IN %	31.12.2018	31.12.2017
Cost[1] / income ratio	72.2	65.8
Change of assets under management	8.4	26.6
of which net new money	*1.9*	*12.8*
of which change in market value	*–8.0*	*13.8*
of which through acquisition[2]	*14.5*	*0.0*

Client assets

	31.12.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets under management	15.0	13.8	1.2	9
Structured products outstanding	7.9	8.5	–0.6	–7
Total advised client assets	**22.9**	**22.3**	**0.6**	**3**
Custody assets	54.7	59.9	–5.2	–9
Total client assets	**77.6**	**82.2**	**–4.6**	**–6**

Net new money

CHF BN	31.12.2018	31.12.2017
Net new money	0.3	1.4

Personnel

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	IN %
Employees (full-time equivalents)	421.4	383.1	38.3	10

Of which External Asset Managers

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	IN %
Operating income (CHF mn)	63.0	52.6	10.4	20
Profit before taxes (CHF mn)	28.6	23.0	5.6	24
Cost[1] / income ratio (%)	54.3	56.1		
Assets under management (CHF bn)	11.9	10.0	1.9	19
Net new money (CHF bn)	0.7	1.2		
thereof organic[3]	*0.8*	*1.2*		
Operating income / average assets under management[4] (bp)	56	59		

1 Operating expense excl. provisions and losses
2 Acquisition of Notenstein La Roche Privatbank AG in July 2018
3 Excludes development of net new money in respect of assets under management acquired from Notenstein La Roche Privatbank AG
4 Calculation based on average values for individual months

Corporate Center

The acquisition of Notenstein La Roche Privatbank AG, which was completed in 2018, represents Vontobel's largest transaction of this kind to date. The successful and exceptionally swift execution of the acquisition required a high level of cooperation between the different business areas. Following the announcement in May 2018, the closing of the acquisition took place on July 2. A total of CHF 15.0 billion of assets under management, or total advised client assets of CHF 15.9 billion, were subsequently transferred to Vontobel. At the end of September, we migrated the client master data and portfolios to the Vontobel platform. This extremely rapid and efficient migration was executed securely within a short period of time thanks to the experience gained from the Eastern European client portfolio already acquired from Notenstein La Roche in 2017, as well as Vontobel's state-of-the-art IT infrastructure.

To finance the acquisition and to ensure that it maintained a very comfortable equity position, Vontobel successfully placed a CHF 450 million Additional Tier-1 (AT1) bond with a coupon of 2.625% in the Swiss market in June 2018. Since it was issued, the bond has traded at over 100% and its price at year-end was 101.65%.

A decade ago, Vontobel laid the foundations for the current digital transformation of the business by implementing a new back- and middle-office landscape. Continued improvements are being made to back- and middle-office applications and new functionalities are being added to them. For example, to prepare for MiFID II regulations, Vontobel has ensured that the relevant risk calculations and analytical functions for client portfolios are available and that documentation can be generated automatically. A modern core banking system is an essential prerequisite for the successful implementation of innovative front-office applications – either as support for relationship managers or directly as client applications. Through digital communications with the client, we can ensure that no time is lost unnecessarily from the creation of an investment idea to its execution. Each year, Vontobel invests more than CHF 40 million in the continued upgrading of the IT infrastructure, placing a strong focus on the digital transformation of all the divisions.

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 14.0 billion as of December 31, 2017, to around CHF 23.3 billion at the end of 2018. The proportion of assets under management that are managed according to sustainability criteria has thus increased from 8.4% to 13.6%. In 2018, Vontobel received a number of awards. For example, ISS-oekom rated Vontobel's sustainability performance 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. The UN Principles for Responsible Investment (UN PRI) initiative awarded Vontobel a very good score for its implementation of the principles. In 2018, Vontobel outperformed the benchmark in six of the seven modules assessed in the PRI reporting.

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 in 2018. 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.

Operating income decreased compared to the previous year. At the same time, operating expense rose due to integration costs of CHF 20.3 million for Notenstein La Roche, which were incurred in 2018. In comparison, integration costs of CHF 9.8 million for Vescore and the Eastern European portfolio of Notenstein La Roche were recognized in 2017. The Corporate Center's pre-tax result was CHF –88.7 million.

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

Segment results

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Net interest income after credit losses	1.7	19.9	–18.2	–91
Net fee and commission income	–30.5	–30.1	–0.4	
Trading income and other operating income	37.5	34.2	3.3	10
Total operating income	**8.7**	**24.0**	**–15.3**	**–64**
Personnel expense	133.3	132.0	1.3	1
General expense	106.4	90.2	16.2	18
Services from / to other segment(s)	–185.6	–169.0	–16.6	
Depreciation of property, equipment and intangible assets	45.5	45.8	–0.3	–1
Provisions and losses	–2.2	1.1	–3.3	–300
Total operating expense	**97.4**	**100.1**	**–2.7**	**–3**
Segment profit before taxes	**–88.7**	**–76.1**	**–12.6**	

Personnel

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	IN %
Employees (full-time equivalents)	567.7	492.0	75.7	15

Corporate Governance

Corporate Governance

Vontobel is committed to the responsible, value-oriented management and control of the company. Corporate governance is a central factor determining the success of our business. It is an essential prerequisite to achieve our strategic corporate goals and create lasting value for our shareholders and all other stakeholders. The core elements of our corporate governance are:

1 The clearly defined, balanced division of responsibilities between the Board of Directors and the Executive Board

2 The protection of shareholder interests

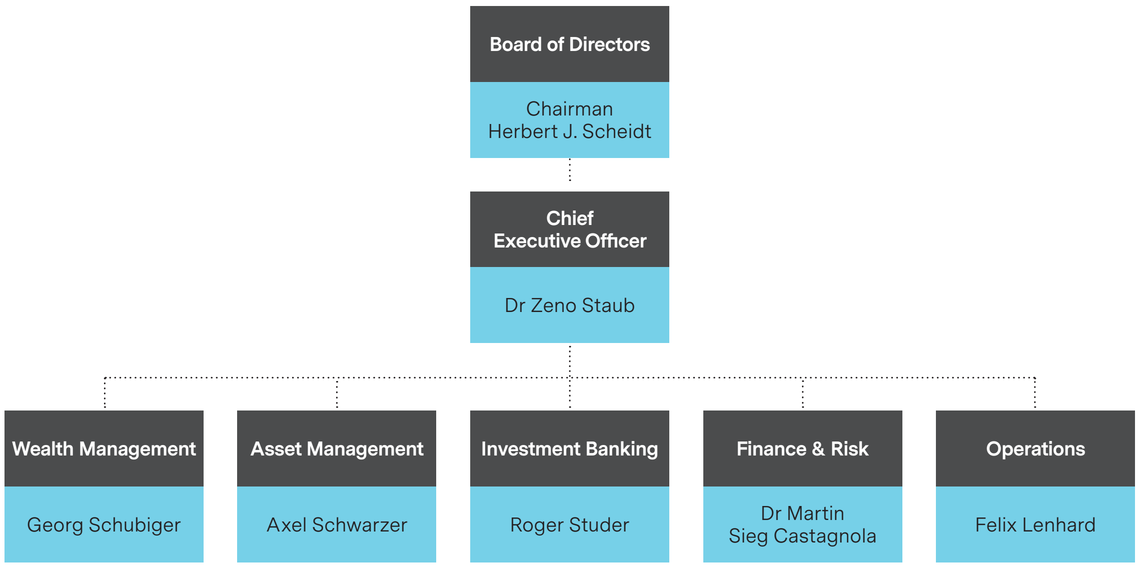
3 The provision of transparent information to the public

The Articles of Association of Vontobel Holding AG, the Organizational Regulations and the Minutes of the Annual General Meeting are available on the Internet (www.vontobel.com/agm).

The SIX Swiss Exchange AG issued a "Directive on Information relating to Corporate Governance", which entered into effect on July 1, 2002. The following information meets the requirements of this directive (in the current version of September 1, 2016) and takes into account the SIX commentary last updated on April 10, 2017. If information required by this directive is published in the Notes to the financial statements, a reference indicating the corresponding section of the notes is given.

Group structure and shareholders

Structure of Vontobel as of December 31, 2018



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

Major shareholders and groups of shareholders with pooled voting rights (audited information)

	31.12.2018		31.12.2017	
	NOMINAL CHF MN	SHARE IN %	NOMINAL CHF MN	SHARE IN %
With voting rights on share capital of CHF 56.875 mn of Vontobel Holding AG				
Advontes AG	5.7	10.0	5.7	10.0
Vontrust AG (Holding of the Vontobel family shareholders)	8.1	14.3	8.1	14.3
Vontobel Foundation	8.5	14.9	8.5	14.9
Pellegrinus Holding AG (public utility foundation Corvus)[1]	2.7	4.7	2.7	4.7
Extended Pool	3.9	6.8	3.9	6.8
Total voting rights on share capital	**28.9**	**50.7**	**28.9**	**50.7**

1 Usufruct including voting right by Pellegrinus Holding AG, ownership by Vontobel Foundation

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

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

A total of 43.9% of votes are controlled through the core pool, comprising the existing pool members, i.e. the Vontobel Foundation and Pellegrinus Holding (total of 19.6% of votes), as well as the family holding company Vontrust AG (14.3% of votes), and the new family holding company Advontes AG (10% of votes). The remaining 6.8% of votes are bound through the extended pool with one family member (Kathrin Kobel-Vontobel). The core pool imposes restrictions on the transfer of shares and grants pre-emptive rights in favor of the members of the core pool. The shares bound in the core pool are subject to a vote pooling requirement and votes have to be cast at the Annual General Meeting of Vontobel Holding AG in accordance with the preceding resolutions of the core pool or, for its duration, of the extended pool. The earliest possible date for termination of the core pool is the end of 2026. The extended pool was concluded for an indefinite period of time and can be terminated at the end of any year, subject to an 18-month notice period. The members of the core pool have a right of purchase or a pre-emptive right to acquire the pool shares bound in the extended pool. Pool shares acquired in this way become part of the core pool. Shares bound in the extended pool, together with shares bound in the core pool, are subject to a joint vote pooling requirement, and votes have to be cast at the Annual General Meeting of Vontobel Holding AG in accordance with the preceding resolutions of the extended pool. Vontobel Holding AG and its executives are no longer members of the successor pool.

Registered shareholders as of December 31, 2018

	NUMBER OF SHAREHOLDERS	IN %	NUMBER OF SHARES	IN %
Natural persons	5,885	93.7	14,114,011	24.8
Legal persons	398	6.3	33,724,861	59.3
Unregistered shares[1]	–	–	9,036,128	15.9
Total	**6,283**	**100.0**	**56,875,000**	**100.0**

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

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

Capital structure

Capital
The share capital of Vontobel Holding AG amounted to CHF 56,875,000 as of December 31, 2018. The registered shares of Vontobel Holding AG (security no. 1 233 554, ISIN CH001 233 554 0) are listed on the SIX Swiss Exchange and are included in the Swiss Performance Index SPI®. Further information on the composition of capital can be found in the Notes to the consolidated financial statements, note 26.

Details of contingent and authorized capital
Details of contingent and authorized capital can be found in the Notes to the consolidated financial statements, note 26.

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

Information on the composition of capital, changes in capital during the past two years and authorized capital is given in the Statement of Equity and in the Notes to the consolidated financial statements, note 26. For information on earlier periods, please refer to the relevant Annual Reports (2016: note 28 and 2017: note 27, https://www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-reporting/).

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

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

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

Convertible bonds and options
There were no convertible bonds outstanding as of December 31, 2018. To partially finance the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued a CHF 450 million Additional Tier-1 Bond with a coupon of 2.625% in June 2018. Further information is provided in Note 23.

The volume of the entire share capital recorded for outstanding structured products and options amounts to a net 4,535 shares (previous year: 19,605 shares). This means that option rights issued by Vontobel amounting to 0.0% (previous year: 0.0%) of share capital were outstanding on December 31, 2018. No conditional capital is used to hedge these option rights as they are hedged through market transactions.

Board of Directors

Members of the Board of Directors as of December 31, 2018

NAME	FUNCTION	NATIONALITY	COMMITTEE MEMBERSHIP[1]	INITIAL ELECTION	TERM EXPIRES
Herbert J. Scheidt	Chairman	CH / D		2011	2019
Dr Frank Schnewlin	Vice-Chairman	CH	RAC[2]	2009	2019
Bruno Basler	Member	CH	NCC[2]	2005	2019
Dr Maja Baumann	Member	CH	RAC	2016	2019
Dr Elisabeth Bourqui	Member	CH / F / CA	RAC	2015	2019
David Cole	Member	US / NL	NCC	2016	2019
Stefan Loacker	Member	AT	RAC	2018	2019
Clara C. Streit	Member	D / US	NCC	2011	2019
Björn Wettergren	Member	CH / S	NCC	2016	2019

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

No member of the Board of Directors of Vontobel Holding AG exercised any operational management functions for the company or any of its subsidiaries in the year under review. Any previous executive functions are detailed below. Herbert J. Scheidt performed the function of CEO of Vontobel until May 3, 2011, when he was elected Chairman of the Board of Directors of Vontobel Holding AG. He had a seat on the Board of Directors of Helvetia Holding AG until 28 April 2017 as part of Vontobel's cooperation with Helvetia. Stefan Loacker was a member of the Board of Trustees of the Vontobel Foundation until his election as a member of the Board of Directors of Vontobel Holding AG (Annual General Meeting 2018). As of December 31, 2018, the majority of members of the Board of Directors of Vontobel Holding AG met the independence criteria prescribed in the FINMA Circular 2017 / 1 "Corporate governance – banks" margin no. 17–22. They are: Herbert J. Scheidt, Dr Frank Schnewlin, Bruno Basler, Dr Elisabeth Bourqui, David Cole, Stefan Loacker and Clara C. Streit. Dr Maja Baumann and Björn Wettergren are members of the Vontobel and de la Cour families who serve on the governing bodies of certain entities, representing the interests of majority shareholders thereof. They also participate in family holding companies.

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

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

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

Herbert J. Scheidt
Chairman of the Board of Directors

Born 1951,
Swiss and German citizen

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

Professional background
Since 2002 Vontobel, Zurich, Switzerland
- Since 2011 Chairman of the Board of Directors
- 2002–2011 Chief Executive Officer

1982–2002 Deutsche Bank
- 2001–2002 Chief Executive Officer, Geneva, Switzerland
- 1996–2002 Head of Private Banking International, Geneva, Switzerland
- 1982–2002 Various functions in Germany, the USA, Italy and Switzerland

Mandates
- Chairman of the Board of Directors of the Swiss Bankers Association, Basel, Switzerland
- Vice-Chairman of the Board of Directors of economiesuisse, Zurich, Switzerland
- Vice-Chairman of the Board of Directors of Hero AG, Lenzburg, Switzerland
- Member of the Board of Directors of SIX Group AG, Zurich, Switzerland
- Member of the Board of the European Banking Federation, Brussels, Belgium

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

Born 1951,
Swiss citizen

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

Professional background
2002–2007 Bâloise Holding Ltd., Basel Switzerland
Group CEO, Head of the Group Corporate Executive Committee and CEO of the International businss division

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

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

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

Born 1963,
Swiss citizen

Education
Degree in Civil Engineering from the Swiss Federal Institute of Technology (ETH), Switzerland
MBA INSEAD

Professional background

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

Mandates
- Chairman of the Board of Directors of EBP Schweiz AG and EBP Global AG, Zollikon, Switzerland
- Member of the Board of Directors of NorthStar Holding AG, Roggwil, Switzerland
- Member of the Board of Directors of Baumann Federn AG, Rüti, Switzerland
- Chairman of the Monique Dornonville de la Cour Foundation, Zurich, Switzerland

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

Born 1977,
Swiss Citizen

Education
Dr. iur., lawyer, University of Zurich, Switzerland
LL.M. in Corporate Law, New York University, USA
Certified Specialist SBA in Real Estate and Construction Law
CAS in Banking, Capital Markets and Insurance Law, University of Zurich, Switzerland

Professional background

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

Mandates
- Chairwoman of the Board of Directors of BlicoFinRe AG, Zurich, Switzerland
- Chairwoman of the Board of Directors of Advontes AG, Zurich, Switzerland
- Member of the Board of Directors of Swisspearl Group AG, Niederurnen, Switzerland
- Member of the Board of Directors of Parfums Christian Dior AG, Zurich, Switzerland
- Member of the Board of Directors of Vontrust AG, Zurich, Switzerland
- Member of the Foundation Board of Vontobel Foundation, Zurich, Switzerland

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

Born 1975,
Swiss, French and Canadian citizen

Education
Dr. sci. Math at the Swiss Federal Institute of Technology (ETH), Switzerland
Dipl. Math at the Swiss Federal Institute of Technology (ETH), Switzerland

Professional background
Since 2018 CalPERS, Sacramento, California, USA
Chief Operating Investment Officer

2012-2018 ABB Group, Zurich, Switzerland
2014–2018 Head of Group Pension Management
2012–2014 Head Pension Asset Management

2009–2012 Mercer, Montréal, Canada
Principal Head National Funds Group Canada

2004–2009 Société Générale, New York, USA / Montréal, Canada
Responsibilities included:
Director Risk Management, Structuring, New Products
Director Asset and Liabilities Management
Head Institutional Derivatives Sales Canada

1998–2004 Credit Suisse Group, Zurich, Switzerland
Various Risk Management functions

Mandates
none

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

Born 1961,
US and Dutch citizen

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

Professional background
2010-2018 Swiss Reinsurance Ltd., Zurich, Switzerland
2014–2018 Group Chief Financial Officer
2010–2014 Group Chief Risk Officer

1984–2010 ABN AMRO Holding, Netherlands, USA and Brazil
2008–2010 Chief Financial Officer Netherlands
2008 Chief Risk Officer Netherlands
2006–2008 Head Group Risk Management Netherlands
1984–2006 Various functions

Mandates
- President of the Supervisory Board of IMC, B.V., Amsterdam, Netherlands
- Member of the Board of Directors of Swiss Re Insurance Asia, Ltd., Singapore

Stefan Loacker
Member of the Board of Directors and Member of the Risk and Audit Committee

Born 1969,
Austrian citizen

Education
lic. oec., University of St. Gallen, Switzerland
Mag. rer. soc. oec., University of Economics and Business, Vienna, Austria

Professional background

Since 2016	DELOS Management GmbH, Speicher, Switzerland Chairman and Owner
2007–2016	Helvetia Group, St. Gallen, Switzerland CEO
2005–2007	Helvetia Austria, Vienna, Austria CEO
2002–2005	ANKER Insurance AG, Vienna, Austria CFO / Chief IT Officer
2000–2002	Helvetia Patria Insurance, St. Gallen, Switzerland Head of Corporate Development
1997–2000	Helvetia Patria Insurance, St. Gallen, Switzerland Head of CEO Office / Corporate Development

Mandates
- Member of the Board of Directors of Swiss Life AG and Swiss Life Holding AG, Zurich, Switzerland, and Member of the Audit and Investment and Risk Committee
- Member of the Executive Committee of the Institue of Insurance Economics at the University of St. Gallen, Switzerland

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

Born 1968,
German and US citizen

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

Professional background

1992–2012	McKinsey & Company	
	2003	Elected as Senior Partner Chair Global Principal Candidate Evaluation Committee Partner responsible for EMEA recruiting Head of Financial Institutions Practice Germany / Austria
	1998	Elected as Partner

Mandates
- Member of the Supervisory Board of NN Group N.V., The Hague, Netherlands
- Member of the Supervisory Board of Vonovia SE, Bochum, Germany
- Member of the Board of Directors of Jerónimo Martins SGPA, SA, Lisbon, Portugal

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

Born 1981,
Swiss and Swedish citizen

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

Professional background

Since 2018	Mojo Capital SA, Luxembourg	
2012–2017	etventure, Zurich, Switzerland Associate & Partner	
2007–2012	Bank Vontobel AG, Zurich, Switzerland	
	2012	Project Manager, Human Resources
	2010–2011	Project Leader, Group Services
	2009–2011	Portfolio Management, Asset Management & Private Banking
	2007–2009	Structured Products, Investment Banking

Mandates
- Chairman of the Board of Directors of Cagson AG, Baar, Switzerland
- Member of the Board of Directors of Vontrust AG, Zurich, Switzerland

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

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

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

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

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

Internal Organizational Regulations stipulate that members of the Board of Directors are required to step down from their function at the Annual General Meeting in the calendar year in which they reach the age of 70. Further information regarding the year in which the individual members of the Board of Directors were first elected can be found in the table “Members of the Board of Directors as of December 31, 2018” on page 37.

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

Internal organization

Board of Directors

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

The Board of Directors may delegate some of its duties to committees. The standing committees are: The Nomination and Compensation Committee and the Risk and Audit Committee. Their duties and powers of authorization are defined in the Articles of Association and in internal regulations. Information on the composition of the individual committees can be found in the table "Members of the Board of Directors as of December 31, 2018" on page 37. The Chairman of each committee informs the Board of Directors about the committee's activities at the next meeting of the Board of Directors. When necessary, ad-hoc committees are formed to deal with specific topics, such as mergers and acquisitions projects. During the year under review, an ad hoc meeting was held in which certain members of the Board of Directors, the Executive Board and technical specialists discussed a complex loan application.

Nomination and Compensation Committee (NCC)

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

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

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

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

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

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

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

This entails the following specific duties:

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

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

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

As of December 31, 2018, the majority of members of the Risk and Audit Committee met the independence criteria prescribed by supervisory law. Meetings of the Risk and Audit Committee are attended by the Chairman of the Board of Directors as a guest, as well as by the CEO, the Head of the Finance & Risk support unit (CFO) and representatives of Group Internal Audit and the external auditors. Furthermore, specialists from within Vontobel – particularly the Head of Risk Control, the Head of Legal, Compliance and Tax, and the Head of Finance & Controlling – are reguarly invited to attend meetings when specific topics concerning their areas of responsibility are discussed.

Attendance of meetings of the Board of Directors and the Committees in 2018

	BOARD OF DIRECTORS	RISK AND AUDIT COMMITTEE (RAC)	NOMINATION AND COMPENSATION COMMITTEE (NCC)
Number of meetings			
Herbert J. Scheidt	6	Guest	Guest
Dr Frank Schnewlin	6	5	
Bruno Basler	6		4
Dr Maja Baumann	6	5	
Dr Elisabeth Bourqui	6	4	
David Cole	5		4
Stefan Loacker	5	4	
Nicolas Oltramare	1	1	
Clara C. Streit	6		4
Björn Wettergren	6		4

In addition, training was provided in the course of, and in addition to, the ordinary meetings of the Board of Directors in 2018.

Group Internal Audit

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

Powers of authorization

Board of Directors

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

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

1. Overall direction of the holding company and the Group and issuing the necessary directives – particularly through the approval and periodic revision of the Mission Statement and the strategy of the holding company and the Group;
2. Defining the organizational structure of the holding company and the Group, and issuing and amending the Organizational Regulations and the assignment of authority;
3. Determining the principles for accounting, financial control and financial planning for the holding company and the Group to the extent required for the management of the company. This includes the approval of the annual budget, annual targets, capital planning and medium-term planning, as well as the multi-year income and capital expenditure planning for various scenarios within the operating environment. As part of capital planning, this also encompasses the approval of the combined Group-wide stress test results and measures to ensure that risk exposures and risk capacity are adequately aligned;
4. Appointing or removing the CEO and other members of the Executive Board as well as the Head of Group Internal Audit. When discharging this duty the Board of Directors bases its decision on the recommendations of the Nomination and Compensation Committee;
5. Appointing or removing individuals entrusted with representing the holding company (and particularly its management) and determining their signatory powers. The principle of joint signatory powers (dual authorization) shall apply;
6. Overall supervision and control of individuals with management responsibilities – particularly to ensure compliance with legislation and regulatory requirements, as well as with the Articles of Association, regulations and directives of the holding company and the Group;
7. Reporting to shareholders and, in particular, producing the Annual Report and the Compensation Report;

8. Preparing the Annual General Meeting and implementing the motions approved by shareholders;
9. Defining the Group's risk policy and periodically analysing its appropriateness;
10. Receiving reports on the existence, appropriateness and effectiveness of the internal control system;
11. Issuing, regularly reviewing and monitoring compliance with regulations governing risk policy, investment banking, asset and liability management (ALM), lending, operational risks, management transactions, ad-hoc publicity, Group compliance, Group Internal Audit and consolidated supervision. The Board of Directors is assisted by the Risk and Audit Committee when discharging this duty. The Board of Directors may issue further regulations;
12. Issuing a human resources policy for the Group at the request of the CEO; the Board of Directors takes account of the recommendations of the Nomination and Compensation Committee when discharging this duty;
13. Monitoring and evaluating the Group Internal Audit process and periodically ensuring that Group Internal Audit has the appropriate resources and capabilities as well as the necessary independence and objectivity to conduct its audit function within the institution. Further details are defined in the Group Internal Audit regulations;
14. Deciding on strategic initiatives in the area of information technology (IT);
15. Notifying the judicial authorities in the event of over-indebtedness;
16. Drawing up a capital increase report and implementing the corresponding amendments to the Articles of Association (Art. 652g of the Swiss Code of Obligations);
17. Appointing an interim Chairman of the Board of Directors, interim members of the Compensation Committee and the independent proxy ad interim for the period ending at the conclusion of the next Annual General Meeting if the position of Chairman of the Board of Directors, of members of the Compensation Committee or of the independent proxy become vacant in the course of the year;
18. Purchase or sale of real estate by the holding company and Group companies in the amount of CHF 2 million or more if not included in the budget, or in the amount of CHF 5 million or more if included in the budget;
19. Capital expenditure by Group companies in the amount of CHF 2 million or more per item if not included in the budget, or in the amount of CHF 5 million or more per item if included in the budget;
20. Approving the following transactions:
    (a) Acquisition or disposal of participations by the holding company and Group companies;
    (b) Establishment or dissolution of Group companies as well as any subsidiaries, branch offices and representative offices of Group companies;
    (c) Raising of loans by the holding company and Group companies;
    (d) Issuing or authorization of secured and unsecured loans, bonds or guarantees by Group companies, where this falls within the remit of the Board of Directors of the holding company according to applicable lending regulations;
    (e) Approving decisions by the Executive Board relating to new products, business activities or markets, if they have a significant impact on the Group's business policy or risk profile;
    (f) Initiation of legal proceedings or filing of appeals, conclusion of composition agreements, settlement or recognition of lawsuits where the value in dispute exceeds CHF 2 million;
    (g) Election of members of the Board of Directors of Bank Vontobel AG, Zurich; the Chairman and the other members of the Board of Directors of Vontobel Holding AG are permitted to occupy a seat on the Board of Directors of Bank Vontobel AG, Zurich;
    (h) Conclusion or termination of strategically important cooperation agreements;
    (i) Approval of external mandates held by members of the Executive Board;
    (j) Approval of the promotion of members of senior management of a Group company, members of the Executive Board of a Group company or the Head of Group Internal Audit;
    (k) Approval of gestures of goodwill (concessionary measures without any legal obligation) and receiving reports on cases involving losses (out-of-court proceedings) exceeding CHF 500,000.
21. Annual evaluation of the achievement of the Board of Directors' objectives and of its working practices;
22. Other matters which, by law, fall exclusively within the remit of the Board of Directors.

Executive Board

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

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

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

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

In particular, the Executive Board is responsible for the following duties:

(a) Developing a Group-wide business strategy for presentation to the Board of Directors;
(b) Implementing decisions within the Group reached by the Board of Directors of the holding company;
(c) Monitoring the implementation of these decisions;
(d) Managing and supervising the Group's daily operations, which must be conducted in accordance with its financial planning, annual budget, annual targets, capital planning and medium-term planning, as well as the multi-year income and capital expenditure planning for various scenarios within the operating environment and the risk policy, all of which must also comply with the other guidelines and instructions issued by the Board of Directors;
(e) Managing income and the balance sheet structure;
(f) Formulating the risk policy; the Executive Board submits this policy to the Risk and Audit Committee for approval by the Board of Directors and regularly reviews the risk policy and submits its findings to the Board of Directors;
(g) Implementing the risk policy, particularly through the regulation of basic aspects of risk responsibility, risk management and risk controls; in particular, this includes the organization of the internal control system, while ensuring the necessary separation of authority and functions; the implementation of the risk policy also involves the regular execution and analysis of stress tests as well as the analysis of risk capacity;
(h) Reporting to the Board of Directors and the Risk and Audit Committee about the existence, appropriateness and effectiveness of internal controls;
(i) Assigning specialist responsibility to a member of the Executive Board for the submission of reports to the Board of Directors and the Risk and Audit Committee about the existence, appropriateness and effectiveness of the internal control system;
(j) Assigning specialist responsibility to a member of the Executive Board for the Compliance function and risk controls, including all related notification and reporting requirements;
(k) Issuing directives to representatives of the holding company regarding the exercising of voting rights at the Annual General Meeting of Group companies;
(l) Appointing members of the Boards of Directors and other governing bodies of Group companies (with the exception of Bank Vontobel AG, Zurich);
(m) Ensuring compliance with legal and regulatory requirements as well as applicable industry standards.

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

The Executive Board has the authority to decide on the following matters (unless they are subject to the approval of the Board of Directors, in which case this is expressly stated in the Organizational Regulations):

(a) Formulating and proposing the Group's annual budget and annual targets – broken down by business unit and support unit – for approval by the Board of Directors;
(b) Decisions on new products, business activities or markets; if this matter will have a significant impact on the Group's business policy, the Executive Board refers the matter to the Board of Directors directly; if the matter will have a significant impact on the Group's risk profile, the Executive Board obtains the approval of the Board of Directors through the Risk and Audit Committee;
(c) Ensuring that a professional investment policy is permanently in place and is implemented promptly throughout the Group;
(d) Issuing directives that apply to the entire Group and that fall exclusively within the remit of the Executive Board according to legal provisions, the Articles of Association or the Organizational Regulations; issuing

directives relating to the Compliance function, credit and counterparty risk, and asset and liability management (ALM), which apply to individual business units or support units;
(e) Granting loans in accordance with the powers defined in the lending regulations;
(f) Assumption of trading positions on own account within the defined limits; the Executive Board delegates the permissible limits to the responsible business areas and units within the Group;
(g) Initiation of legal proceedings or filing of appeals, conclusion of composition agreements, settlement or recognition of lawsuits where the value in dispute amounts to CHF 1 million to CHF 2 million;
(h) Issuing an employee handbook (in the form of a Group-wide directive).

Information and control instruments relating to the Executive Board
The Board of Directors meets at least four times a year as specified in the Organizational Regulations; in practice, there are five to eight meetings a year. The ordinary meetings usually last an entire day. Unless the Chairman of the Board of Directors decides otherwise, the CEO and the Head of the Finance & Risk division (CFO) attend the meetings of the Board of Directors in an advisory capacity. The Chairman determines which other participants may attend a meeting of the Board of Directors (other members of the Executive Board or specialists). The CEO is entitled to make recommendations regarding other participants. The Board of Directors receives monthly reports about the performance of the business and is informed about the development of risk as well as the Group's compliance with legal, regulatory and internal rules and requirements at least every six months. Its control instruments include semi-annual reporting requirements, the annual budgeting process and internal and external audits. The periodic reporting requirements include a monthly financial report, which provides information on the current performance of the business and the corresponding realization of targets at both Group level and business unit level (MIS), as well as information about the meetings of the Executive Board. As part of its risk reporting, Vontobel discloses information about the development of market, liquidity, credit, operational and reputational risks. Detailed information on the management and monitoring of these risks can be found in the Notes to the consolidated financial statements (pages 139 to 151). Group Internal Audit reports to the Chairman of the Board of Directors and the Risk and Audit Committee about its audit activities on an ongoing basis and provides the Board of Directors with consolidated reports twice annually. The audit company produces its annual statutory report (report about the statutory audit) as well as further reports on audits addressing specific topics for submission to the Board of Directors. The statutory report is addressed to the Board of Directors and a copy of the report is submitted to the Swiss Financial Market Supervisory Authority (FINMA) as well as the Executive Board and the Head of Group Internal Audit.

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

Executive Board

Members of the Executive Board as of December 31, 2018

NAME	FUNCTION	NATIONALITY
Dr Zeno Staub	CEO	CH
Dr Martin Sieg Castagnola	CFO	CH
Felix Lenhard	Member	CH
Georg Schubiger	Member	CH
Axel Schwarzer	Member	D
Roger Studer	Member	CH

Other activities and functions
See curricula vitae of the Members of the Executive Board, page 49.

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

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

Dr Zeno Staub
Chief Executive Officer

Born 1969,
Swiss citizen

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

Professional background
Since 2001 Vontobel, Zurich, Switzerland
- Since 2011 Chief Executive Officer of Vontobel
- 2008–2011 Head of Asset Management and Member of the Group Executive Management
- 2006–2007 Head of Investment Banking and Member of the Group Executive Management
- 2003–2006 CFO and Member of the Group Executive Management
- 2001–2002 Head of the CFO management support unit (Controlling and IT project portfolio)

2000 BZ Informatik AG, Freienbach, Switzerland
Member of the Executive Management

1994–2000 Almafin AG, St. Gallen, Switzerland
Founding shareholder and Managing Partner

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

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Dr Martin Sieg Castagnola
Chief Financial Officer

Born 1965,
Swiss citizen

Education
Dr. oec., University of Zurich, Switzerland

Professional background
Since 2008 Vontobel, Zurich, Switzerland
Chief Financial Officer of Vontobel

1994–2008 Zürcher Kantonalbank (ZKB), Zurich, Switzerland
- 2007–2008 Member of the Executive Board and Head of Investment & Private Banking
- 2007 Head of Asset Management
- 2005–2006 Head of Treasury
- 2003–2005 Head of Portfolio Management of ZKB Axxess Vision
- 1999–2003 Head of Equities & Equity Derivatives Trading
- 1994–1999 Head of the Economy department and Risk Controlling

1994–1999 University of Zurich, Switzerland
Lecturer in empirical economic research / econometrics; assistant at the Institute for Empirical Research in Economics

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

Georg Schubiger
Head of Wealth Management

Born 1968,
Swiss citizen

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

Professional background

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

Mandates
none

Axel Schwarzer
Head of Asset Management

Born 1958,
German citizen

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

Professional background

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

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

Roger Studer
Head of Investment Banking

Born 1967,
Swiss citizen

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

Professional background

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

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

Felix Lenhard
Chief Operating Officer

Born 1965,
Swiss citizen

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

Professional background

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

Mandates
none

Management contracts
There are no management contracts.

Compensation, shareholdings and loans
Information about compensation, shareholdings and loans can be found in the Vontobel Compensation Report commencing on page 57.

Shareholders' participatory rights

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

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

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

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

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

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

Statutory quorums
To be valid, resolutions and elections by the Annual General Meeting require an absolute majority of the votes cast, excluding blank and invalid votes, unless binding legal provisions stipulate otherwise. Resolutions by the Annual General Meeting require a minimum of two-thirds of votes represented and an absolute majority of the nominal share values represented in order to:
(a) Amend the purpose of the Company
(b) Introduce voting shares
(c) Amend or abolish restrictions on the ability to transfer registered shares (restricted transferability)
(d) Provide an approved or conditional increase in capital
(e) Provide an increase in capital from equity in return for non-cash considerations or for the purpose of contributions in kind and the granting of special benefits
(f) Restrict or abolish pre-emptive rights
(g) Relocate the registered office of the company
(h) Remove more than one member of the Board of Directors in the course of one financial year
(i) Dissolve the company (with or without liquidation)
(j) Distribute a dividend in kind
(k) Increase the share capital (in all cases).

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

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

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

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

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

Change of control and defense measures

Mandatory public takeover offer
The Articles of Association do not include an "opting out" or "opting up" clause with regard to mandatory public takeover offers, as defined in Art. 125 of the Swiss Financial Market Infrastructure Act. The instruments available to the company to defend itself against hostile takeover bids essentially comprise the following measures already referred to above:

- At present, 50.7% of voting rights are bound by a shareholder pooling agreement on a long-term basis (see section "Major shareholders and groups of shareholders with pooled voting rights", page 35).
- The registration restrictions allow the Board of Directors to refuse to enter shareholders or a group of shareholders in the share register once their shareholdings exceed the 10% threshold (see section "Voting rights: restrictions and representation", page 52).
- A change in the registration restrictions or the removal of more than one member of the Board of Directors in the course of one financial year must be approved by a qualified majority (see section "Statutory quorums", page 52).

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

Statutory auditor / Group auditor

Duration of mandate and term of office of auditor in charge
The consolidated financial statements and the financial statements of Vontobel Holding AG and the subsidiaries are audited by Ernst & Young. The external auditor of Vontobel Holding AG is elected for a period of one year at the Annual General Meeting. Ernst & Young was elected as auditor for the first time when Vontobel Holding AG was established in 1983. The auditor in charge is Patrick Schwaller, who has held this function since the financial year 2012. The holder of this office changes every seven years, in accordance with banking legislation. The role of statutory auditor was performed by Stefan Lutz from the financial year 2016 up to and including December 31, 2018.

Fees paid to the auditor

1,000 CHF	31.12.2018	31.12.2017
Auditing fees billed by Ernst & Young	3,316.5	3,072.8
Additional fees billed by Ernst & Young for audit-related services	414.4	565.2
of which tax advice	*372.6*	*522.9*
of which legal advice	*0.0*	*0.0*
of which advice on international accounting	*0.0*	*0.0*
of which other consulting services	*41.8*	*42.3*

Additional fees
The additional fees primarily concern services provided in connection with projects and audit-related services regarding international accounting as well as tax or regulatory issues. Tax advice comprises services related to the tax returns of subsidiaries, work related to the confirmation of Qualified Intermediary status and clarifications related to transfer pricing in Asset Management. Other consulting services provided during the year under review consisted primarily of services related to sustainability reporting and the evaluation of the Responsible Investment Policy. The audit firm is permitted to provide these services as well as performing the auditing duties of the external auditor as they do not give rise to any conflicts of interests. The subject of any new audits, as well as special audits that have to be conducted at the request of the supervisory authorities, are subject to the approval of the Risk and Audit Committee.

There is no prescribed catalogue of criteria that has to be consulted when approving these types of additional mandates; the Risk and Audit Committee decides on an individual basis whether the issuing of the additional mandates would impact on the auditor's independence.

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

Vontobel, as a banking group, is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). Legal requirements and regulations must therefore be observed in the selection of the audit firm. Other material selection criteria applied by the Board of Directors are the audit firm's proven expertise with regard to complex finance and valuation issues in accordance with the accounting standards prescribed by FINMA and the International Financial Reporting Standards (IFRS), as well as its expertise regarding special topics relating specifically to the institution. Using a defined process and a structured set of criteria, the Risk and Audit Committee conducts an annual evaluation of the audit firm's independence, performance and fees. In addition, a detailed review is conducted every five years. A review of this nature was conducted in 2018. The results are discussed with the audit firm.

Information policy

As a company listed on the stock exchange, Vontobel Holding AG pursues a consistent and transparent information policy vis-à-vis its shareholders, clients and employees, as well as the financial community and the general public. Its regular reporting activities include the publication of its annual and half-year reports, as well as the organization of events such as the annual and half-year conference with the media, investors and analysts and the Annual General Meeting. When important events occur, the above-mentioned stakeholders are informed simultaneously via press releases, distributed to newspapers of national and international importance (e.g. Neue Zürcher Zeitung, Handelszeitung, Le Temps, Financial Times and Frankfurter Allgemeine Zeitung) and to electronic information systems (e.g. Bloomberg, Reuters, AWP). To subscribe to our financial news and press releases, including ad hoc releases, please refer to https://www.vontobel.com/en-ch/services/newsletter/ as well as https://www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-news/. Official notices relating to the company shall be published in the Swiss Official Gazette of Commerce (Schweizerisches Handelsamtsblatt) unless some other manner of publication is prescribed by law.

Details of the financial calendar and contact addresses are listed on page 243 of the Annual Report and on https://www.vontobel.com/en-int/about-vontobel/investor-relations/financial-calendar/.

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

Compensation report

“Driven by an ownership mindset, we stand for empowerment and personal responsibility”

Bruno Basler
Chairman of the Nomination and Compensation Committee

Our compensation policy is aligned with our corporate essence and its core values. Since 2004, our compensation system has supported employees who take responsibility and display entrepreneurship and foresight while placing clients at the center of all that they do.

Shareholders' letter

Dear shareholders

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

Our compensation policy is aligned with our corporate essence and its core values. Since 2004, our compensation system has supported employees who take responsibility and display entrepreneurship and foresight while placing clients at the center of all that they do. The consistent and predictable nature of the compensation system over time is extremely valuable and has proved to be in the interests of all Vontobel stakeholders.

An important feature of our compensation system is that it encourages all employees to participate in our share participation plan. This promotes an entrepreneurial, prudent and long-term mindset and approach among all our employees and management. More than 50% of all Vontobel employees now take part in the share participation plan. At the end of 2018, members of the Executive Board held an average of more than 10 times their base salary in Vontobel shares. Furthermore, both our compensation system and individual compensation payments are consistently aligned with the "Pay for Performance" principle: If the financial value created by Vontobel increases, compensation will, on average, also increase. And if value creation decreases, then compensation also decreases. "Pay for Performance" also means that a relatively high proportion of total compensation at Vontobel is variable. The benefit of this is that despite significant variations in business cycles, our level of personnel expense relative to operating income has remained very stable over the last 15 years, amounting to an average of around 50%. This also has the effect of reducing the volatility of Vontobel's net profit, dividend and investment power and thus enables a more consistent policy.

As a final point, our compensation system enables us to attract, develop and retain those talented professionals who are best suited to our company and fit well with the Vontobel culture. When recruiting new employees, we strive to attract people with integrity who are right for our company and who value our culture. In this context, we place an emphasis on attracting talented individuals who believe they can achieve success at and with Vontobel and are therefore willing to assume entrepreneurial risk and to join the company on a base salary that is lower by market standards. If employees are successful and deliver a good performance over the long term, their compensation – together with the share participation plan – will develop in line with or exceed market rates. It is in Vontobel's interests to not only attract but also retain top performers.

Dialogue with our investors
Our investors have given us input on our current compensation policy. We have carefully reviewed all of their suggestions and have adopted and implemented them as far as possible, where this makes sense for our company. We have, for example, responded to their calls for greater transparency and are now providing the most detailed information possible about the evaluation of the Executive Board's performance. Our base salaries and annual variable compensation are the subject of carefully prepared decisions by our management bodies. Only our Long Term Incentive Program, which comprises performance shares, is calculated on a purely formulaic basis and theoretically has no upper limit. For this reason, we have decided to introduce a cap of 250% on the multiplier used for the calculation of performance shares for members of the Executive Board from 2019.

Pay-for-performance
Vontobel can look back with satisfaction at the financial year 2018. This is reflected by the present result: With net profit of CHF 232.2 million, Vontobel exceeded the previous year's result by 11%. On an adjusted basis, net profit totaled CHF 249.2 million, corresponding to an increase of 14%. Vontobel is also well on track towards achieving its profitability target. In the course of the acquisition of Notenstein La Roche, we increased our 2020 profitability target compared to our original plan, bringing it to an ambitious level in view of the current market environment. This successful financial year underscores our ability to achieve growth, even in a challenging environment. Drawing on our special client focus and our expertise, we achieved organic growth across all business areas in the last financial year. We gained market share in our Swiss home market and our international target markets. At the same time, we successfully exploited new business opportunities. In addition, we created the basis for future growth through targeted transactions, such as the acquisition of Notenstein La Roche and of the US-based private clients portfolio of Lombard Odier. Subject to approval of the General Meeting of Shareholders, the proposed aggregate compensation of the Executive Board will increase by

1% compared to the previous year, reflecting the successful performance of the company. On an adjusted basis, this increase is less than the growth in profit, thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders. The proposed ordinary dividend of CHF 2.10 represents an attractive dividend yield of 4.2% compared to the previous year. Retained earnings are used to strengthen the company's capital position and to finance investments in future organic growth, as well as giving Vontobel additional financial flexibility to carry out potential acquisitions. The increase in profitability in recent years resulted in a substantial rise in the return on equity in the performance period from 2016 to 2018. The average return on equity in these three years was 14.7%, significantly exceeding the target return of 12% and the cost of capital of around 10%. The average BIS Total Capital Ratio was a solid 18.8%. Consequently, the multiplier for performance shares from the 2015 bonus, which will vest in spring 2019, is 123%.

Say-on-pay
Our shareholders approved all of the compensation proposals at the General Meeting of Shareholders 2018. The fixed compensation of the Board of Directors was approved by 95% of shareholders. The proposed fixed compensation of the Executive Board was approved by 99% and the proposed bonus by 97% of shareholders. At the General Meeting of Shareholders 2019, you, our shareholders, will once again be given a prospective vote on fixed compensation and a retrospective vote on variable compensation. We will propose several amendments to you, including two changes to fixed compensation with effect from 2019.

The first change involves an increase in the compensation of members of the Board of Directors by CHF 30,000 each per year. Vontobel has continued to further develop its business across its divisions and has thus also become a larger and more international company. In addition, the demands placed on the members of the Board of Directors have increased in terms of the amount of time required to exercise their role, the complexity of the topics addressed, and the level of responsibility they assume. We consider this increase of 15% on average to be appropriate, also because we have not increased de facto the remuneration of the members of the Board of Directors since 2002.

Second, we will propose that the fixed component of the compensation paid to members of the Executive Board be increased by 32% with effect from mid-2019. The bonus allocation for 2019 (proposal to the AGM 2020) will then be amended accordingly, so that it – ceteris paribus –corresponds to a shift in favour of the fixed compensation, but not an increase in aggregate compensation. This adjustment of fixed salaries is appropriate according to internal and external comparisons and will not substantially alter our compensation policy. At Vontobel, you vote on the actual compensation amounts, meaning that you retain full control over the compensation that is paid out. We are asking you to approve it at the General Meeting of Shareholders of April 2, 2019.

Outlook
To continue creating the best possible basis for our company to develop and perform successfully, the Board of Directors and Executive Board will periodically review Vontobel's strategy – as they have done in the past – adapting it where necessary and, in particular, focusing on its implementation. In this context, we are aware of the challenges that lie ahead due to the changing operating environment. The investments we made in the past are now paying off. In previous years, we made targeted investments in talents, powerful technology and a strong brand and we will continue to do so in the future, in line with our entrepreneurial approach. We see things from the client's perspective and act accordingly. We will leverage our expertise even more than before using the power of digitalization to benefit our clients, delivering the best possible client experience. Coupled with our high-quality product offering, this will form the basis for the realization of further profitable organic growth.

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

Bruno Basler

Chairman of the Nomination
and Compensation Committee

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

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

We firmly believe that every single employee makes a significant contribution to creating the Vontobel experience. Appropriate and fair compensation for our employees and compliance with local regulatory requirements in the markets in which we operate are important elements of our strategy.

We do not endorse any form of discrimination. All of our employment decisions, including compensation decisions, are based on the person's qualifications, performance and conduct, or other objective, legitimate business considerations.

Link between Vontobel's corporate values and the compensation system
We strive to conduct our business responsibly on basis of concrete values. Our goal is to generate significant benefits for our customers by seizing opportunities. We also want to achieve this goal by shaping each individual customer experience on our own responsibility. Our core values guide us in our efforts to achieve this purpose and vision:

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

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

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

We encourage our employees to consider both the long-term impact of their decisions and the sustainability of the results generated. We determine variable awards based on long-term metrics. We also reinforce this view through the focus on share ownership at Vontobel.

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

We encourage this mindset in our employees through non-financial performance assessment criteria.

Link between Vontobel's strategy and the compensation system
All Vontobel employees should be rewarded for their commitment and contribution. For this reason, our compensation principles link Vontobel's strategic priorities with each individual's total compensation package:

Strategic priorities

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

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

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

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

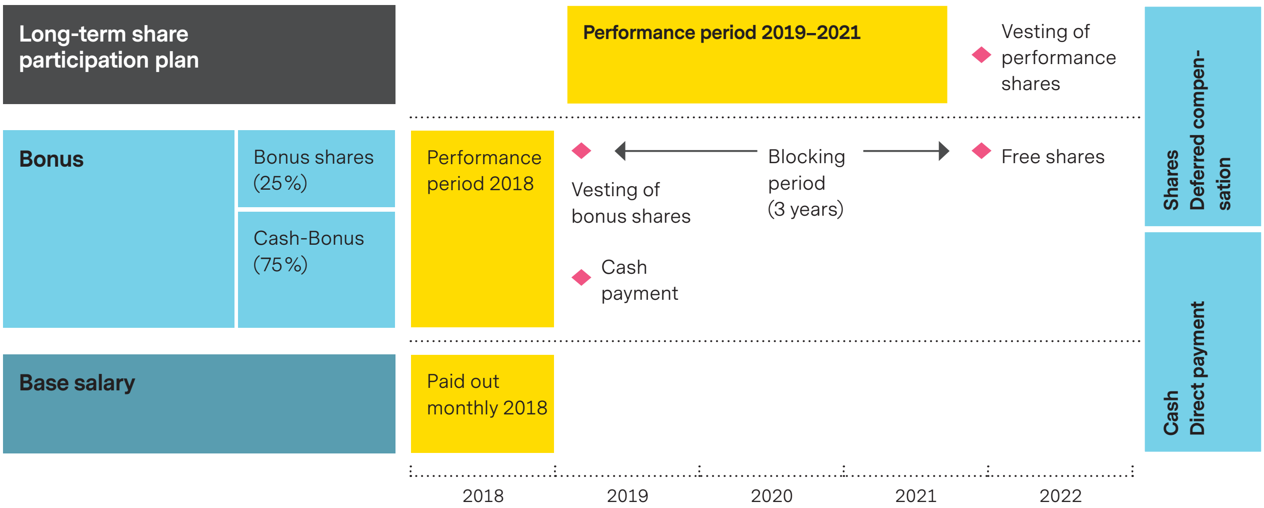
Compensation components
We are committed to providing each employee with a total compensation package that is fair, competitive, future-oriented and tailored to the role of the individual. The overall-level of pay is in line with market practices and is linked to Vontobel's operational profitability.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

Base salary
The fixed base salary is the foundation of each individual's total compensation package. The goal of the base salary is to provide a solid fixed income for the respective function.

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

Variable compensation is influenced by various key objectives:
– Attract and retain highest-quality talents
– Promote Vontobel values
– Ensure compliance with external regulations
– Secure affordability and a flexible cost structure for company

Overview of employee compensation components:



Bonus

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

Employees who receive a cash bonus can choose if they want to invest 25% of their cash bonus in bonus shares. Participation is therefore voluntary except in the case of certain employees who are subject to a mandatory investment requirement (e.g. management, high-risk functions, cash bonus above threshold). For employees who participate in long-term incentive plans (LTIs), a portion of the bonus is deferred by investing a defined amount in Vontobel shares (i.e. bonus shares). Since participants become Vontobel shareholders, the deferred bonus is a crucial element of our ownership mindset.

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

Long term incentive

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

In addition to the global LTI, variations of this plan were introduced to meet regional regulatory requirements, e.g. the inclusion of fund investments in the plan.

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

Bonus Shares

Promote ownership through bonus shares: Employees receive the deferred bonus in shares of Vontobel Holding AG at a discounted price of 80% of the relevant market price. The shares are immediately transferred into the ownership of the individual but the recipient is required to hold the shares for a period of three years. During this period, the individual is also entitled to receive dividend payments.

Performance Shares

Incentivizing future performance through performance shares: With the allocation of bonus shares, employees also receive a prospective entitlement to performance shares that they can exercise after a period of three years. The number of performance shares depends on the performance of Vontobel during three financial years. The performance shares are transferred free of charge and there are no sales restrictions.

The amount of performance shares depends on Vontobel's average return on equity (ROE) and average risk profile (BIS Total Capital Ratio). The multiplier resulting from these two parameters is defined using the average over the relevant performance period of three years. This ensures that the achievement of a high return on equity in combination with a low risk profile is rewarded more generously than the achievement of a high return on equity in combination with a high risk profile. Every LTI participant will thus benefit from the discounted price of the shares, the dividends on the bonus shares as well as from the additional performance shares that are offered free of charge.

The number of performance shares is determined on a purely formulaic basis and therefore theoretically has no maximum limit. We have therefore decided that for this component of Executive Board compensation – the only one not subject to the discretionary governance process – we will introduce a cap of 250% on the multiplier used for the calculation of performance shares from 2019. This cap applies solely to members of the Executive Board for reasons of relevance and due to the impact on the risk/return tradeoff practiced by this managing body.

Link between variable components and the principle "Pay for Performance"

Link between the bonus and pay for performance

Our bonus system creates a high degree of transparency since all decisions are based on the performance of Vontobel, the divisions, the business units, and the individual. Consequently, the individual's cash bonus is entirely dependent on the performance achieved across these areas during the financial year.

Link between the share plans and pay for performance

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

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

Governance

Compliance with regulatory requirements

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

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

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

Responsibility for Vontobel's compensation system

To follow these principles, governance roles and responsibilities are clearly defined and shared across the organization:

- **Shareholders:** The General Meeting votes on the total compensation awarded to the Board of Directors (BoD) and the Executive Board. The General Meeting also elects the members of the Nomination and Compensation Committee (NCC).
- **External auditors:** The external auditors review the financial statements, including compensation-related figures that are disclosed in the annual report.
- **Board of Directors:** The Board of Directors (BoD) delegates selected tasks to the Nomination and Compensation Committee (NCC), oversees all compensation related matters and has the final decision-making power. The Board of Directors is ultimately responsible for compensation policy and its implementation, with responsibilities being delegated to the Nomination and Compensation Committee.
- **Nomination & Compensation Committee (NCC):** The NCC oversees Vontobel's entire total compensation system. Each December, the Nomination and Compensation Committee proposes the annual bonus pool to the Board of Directors and maintains an ongoing dialogue about the total compensation offering with managers throughout the year.
- **Executive Board:** The CEO makes a proposal to the Nomination and Compensation Committee each year regarding the compensation of the Executive Board.
- **Internal Audit:** The role of Internal Audit is to contribute to the integrity of the entire process and to ensure it is comprehensive and adapted to the scale and complexity of the company. One of the goals of Internal Audit is to make sure that the compensation system does not define incentives that could lead to conflicts of interest. Internal Audit therefore acts completely independently and reports directly to the Board of Directors or its committees.
- **Control functions:** Human Resources, Finance, the Risk and Audit Committee and other control functions are involved in the oversight, design and allocation of employee incentives.
- **Heads of divisions and business units:** The management of each division and business unit has a say in the total compensation package of the individual employees, including the allocation of variable compensation. Ongoing reviews and annual overall assessments are carried out
- **Line Managers:** They provide support and guidance and communicate decisions to employees. Managers with responsibility for compensation matters play an integral role in salary discussions and propose bonuses.
- **Individual employees:** Each employee is responsible together with his line manager for setting his own goals and aligning them with the Vontobel experience. The individual collects regular feedback and engages in an ongoing dialogue about individual development

Say-on-pay motions proposed to the General Meeting of Shareholders 2019

Overview of responsibilities for compensation and decision-making processes
The Board of Directors has overall responsibility for Vontobel's human resources policy and consequently also for its compensation policy. The Nomination and Compensation Committee (NCC) supports the Board of Directors in determining Vontobel's compensation principles and defining its compensation strategy.

The NCC oversees the compensation of the Board of Directors, the Chairman of the Board of Directors, the members of the Executive Board and the CEO, as well as basic elements of the compensation of all Vontobel employees.

RECIPIENT OF COMPENSATION	PROPOSED BY	DECISION ON PROPOSAL TO GENERAL MEETING	APPROVAL AT GENERAL MEETING
Board of Directors	NCC	Board of Directors	Shareholders
Chairman of Board of Directors	NCC	Board of Directors	Shareholders
Members of the Executive Board	CEO	NCC	Shareholders
CEO	Chairman of Board of Directors	NCC	Shareholders

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

The Board of Directors will hold the following votes on compensation at the General Meeting of Shareholders of 2. April 2019:

Voting on compensation

	2016	2017	2018	2019	2020	2021
Consultative vote on Compensation Report 2018			Compensation system and governance			
Maximum aggregate fixed compensation of members of Board of Directors for forthcoming term of office				Compensation period		
Additional amount for performance shares of the Chairman of the Board of Directors, which relate to bonus shares for 2015 (approved at the General Meeting of Shareholders 2016) and will vest in 2019.	Performance period					
Maximum aggregate fixed compensation of members of Executive Board for period from 1 July 2019 to 30 June 2020				Compensation period		
Maximum aggregate performance-related compensation of Executive Board for prior financial year that has ended			Performance period			
Additional amount for performance shares of the Executive Board, which relate to bonus shares for 2015 (approved at the General Meeting of Shareholders 2016) and will vest in 2019.	Performance period					
Maximum aggregate amount for performance shares 2019–2021 of Executive Board				Performance period		

= General Meeting

In the event of one or more motions being rejected at the General Meeting of Shareholders 2019, the Board of Directors is required to call a new General Meeting within six months and to propose new motions for the approval of compensation to shareholders.

Nomination & Compensation Committee (NCC)

The NCC consists of at least three members of the Board of Directors, who are elected each year by the General Meeting of Shareholders. In 2018, the NCC comprised the independent Board members Bruno Basler (Chairman of the NCC), David Cole and Clara C. Streit, as well as the non-independent Board member Björn Wettergren. Björn Wettergren represents the fourth generation of the Vontobel and de la Cour families.

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

Benchmarks

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

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

Peer group

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

Bonus pool

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

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

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

Allocation of bonus

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

External consultants

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

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

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

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

Periodic review of the system

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

Base salaries and annual variable compensation are the subject of carefully prepared decisions by our management bodies. Only our Long Term Incentive Program, which comprises performance shares, is calculated on a purely formulaic basis and theoretically has no upper limit. For this reason, the NCC decided in 2018 to introduce a cap of 250% on the multiplier used for the calculation of performance shares for members of the Executive Board from 2019 (applicable for the first time to the performance periods 2019 to 2021).

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

Change of control clauses

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

Notice periods and severance agreements

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

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

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

Loans to governing bodies

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

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

Compensation of the Board of Directors

Compensation system

Compensation principles

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

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

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

Compensation components

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

Duties and roles

Board of Directors

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

COMPENSATION COMPONENTS

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

Chairman of the Board of Directors

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

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

Actual compensation (audited information)

Compensation for the financial year

For the financial year 2018, compensation totalling CHF 4.3 million (previous year: CHF 4.2 million) was paid to the members of the Board of Directors. Of this sum, CHF 2.6 million was paid in cash and CHF 1.7 million in the form of share-based compensation.

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

NAME	FUNCTION	COMPENSATION PAID IN CASH CHF 1,000	COMPENSATION PAID IN SHARES[1] CHF 1,000	OTHER COMPENSATION CHF 1,000	31.12.2018 TOTAL FIXED COMPENSATION CHF 1,000	31.12.2017 TOTAL FIXED COMPENSATION CHF 1,000
Herbert J. Scheidt[2]	Chairman	1,250.0	1,250.0	115.0[3]	2,615.0	2,615.0
Dr Frank Schnewlin	Vice-Chairman	220.4	50.0	0.0	270.4	252.8
Bruno Basler	Member	172.8	50.0	0.0	222.8	201.4
Dr Maja Baumann	Member	149.9	50.0	0.0	199.9	185.3
Dr Elisabeth Bourqui	Member	145.3	50.0	0.0	195.3	198.4
David Cole	Member	143.0	50.0	0.0	193.0	173.5
Stefan Loacker[4]	Member	114.7	35.4	0.0	150.1	0.0
Nicolas Oltramare[5]	Member	37.1	14.6	0.0	51.7	195.8
Clara C. Streit	Member	143.8	50.0	0.0	193.8	174.3
Björn Wettergren	Member	143.8	50.0	0.0	193.8	173.5
Total		**2,520.8**	**1,650.0**	**115.0**	**4,285.8**	**4,170.0**

1 Allocation of shares of Vontobel Holding AG that are subject to a holding period of three years, during which they cannot be sold.
2 In the year under review, Herbert J. Scheidt received CHF 105,833 (previous year CHF 160,000) of fees for Board memberships outside the company that he holds in connection within his role at the company.
3 Contribution to pension funds
4 Since 18 April 2018
5 Until 18 April 2018

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

The performance shares of the Chairman of the Board of Directors that vested in 2018 relate to bonus shares from 2014 and to the performance period from 2015 to 2017:

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

	31.12.2018 NUMBER	31.12.2017 NUMBER	CHANGE TO 31.12.2017 NUMBER	IN %
Number of performance shares allotted to Herbert J. Scheidt[1]	26,954	35,340	–8,386	–24

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 1.0 mn (previous year CHF 1.0 mn) and was included on a pro rata basis over the vesting period.

Additional fees, related parties and similar information
None.

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

Holdings of shares and options (audited information)

		31.12.2018	31.12.2018 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		31.12.2017	31.12.2017 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE	
NAME	FUNCTION	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS
Herbert J. Scheidt	Chairman	426,063	0	0	363,148	0	0
Dr Frank Schnewlin	Vice-Chairman	9,914	0	0	8,875	0	0
Bruno Basler	Member	15,545	0	0	14,506	0	0
Dr Maja Baumann[1]	Member	2,373	0	0	1,334	0	0
Dr Elisabeth Bourqui	Member	3,135	0	0	2,096	0	0
David Cole	Member	1,923	0	0	884	0	0
Stefan Loacker	Member	500	0	0	0	0	0
Clara C. Streit	Member	8,003	0	0	6,964	0	0
Björn Wettergren[1]	Member	19,713	0	0	1,088	0	0
Nicolas Oltramare	Member	n/a	0	0	5,629	0	0

The above figures do not include rights to receive performance shares.
The calculation of the number of shares at the time of exercise reflects the exchange ratio of the respective options.
The above figures also include the share and option holdings of parties related to the members of Vontobel's governing bodies.
1 The figures stated do not include the indirect participations of members of the Board of Directors Dr Maja Baumann and Björn Wettergren held through a group of shareholders ("shareholder pool") bound by a shareholder pooling agreement. Further information on the shareholder pool is provided in the Corporate Governance Report on page 35.

Loans to governing bodies (audited information)

As of December 31, 2018 and December 31, 2017 CHF 0.0 million of fully secured loans and credits to members of the Board of Directors were outstanding. CHF 3.1 million (previous year: CHF 0.0 million) of fully secured loans and credits to related parties were outstanding as of December 31, 2018. No loans to former members of the Executive Board were outstanding that were not granted according to standard terms and conditions..

Compensation of the Executive Board

Compensation system

Compensation principles

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

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

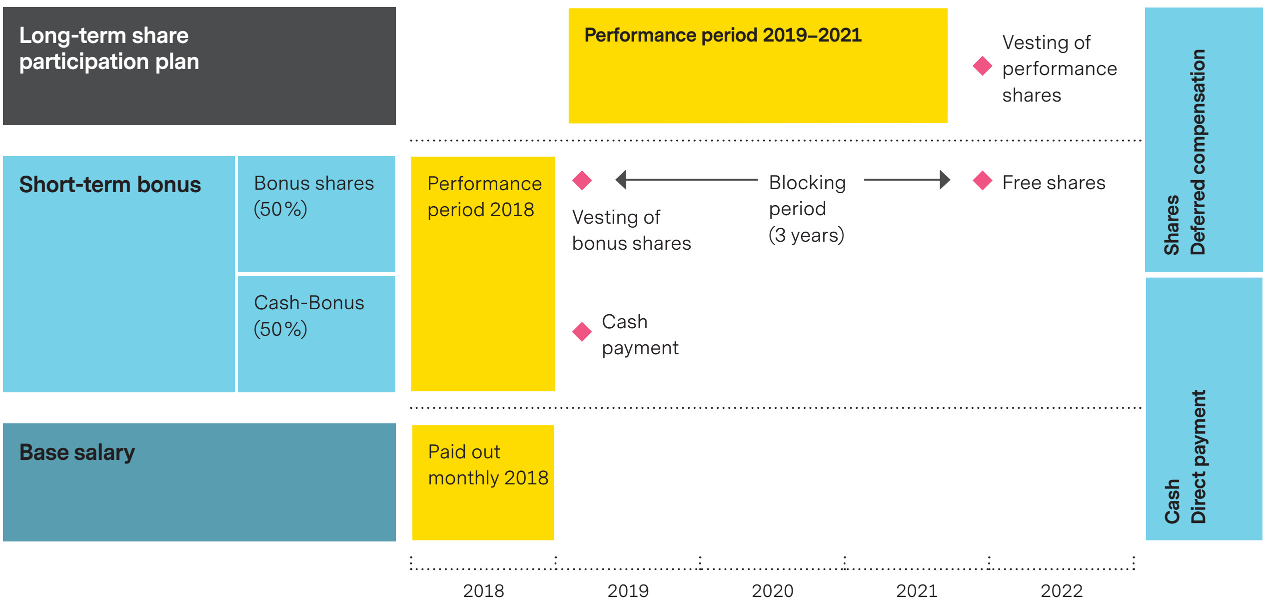
– Performance of each member of the Executive Board
– Financial performance of Vontobel and the relevant division
– Performance measured in relation to the finance industry peer group
– Current market rates of compensation and efforts to achieve a compensation policy with a long-term focus, and
– Balanced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

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

Compensation components

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

Overview of Executive Board compensation components:



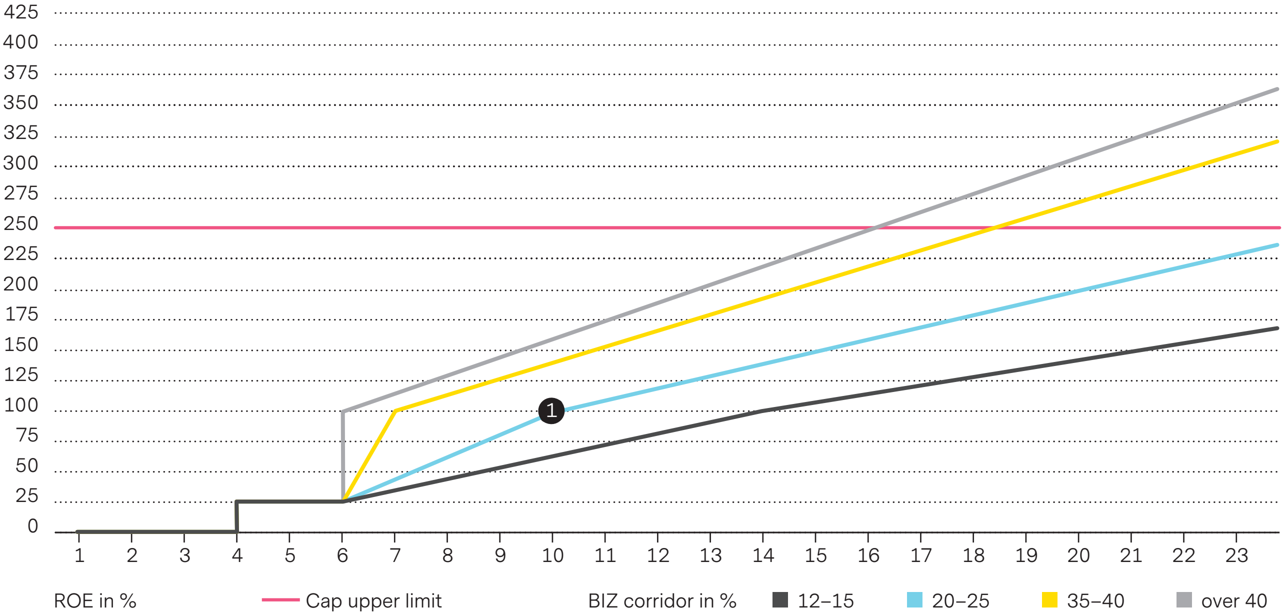
The compensation of the members of the Executive Board consists of the following components:

COMPENSATION COMPONENTS

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

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

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



If an average ROE of 10% is generated and the average BIS Total Capital Ratio is 20–25%, the member of the Executive Board would, for example, receive 100% of the performance shares at the end of the three-year performance period based on the current perspective. This means that the member would receive the same number of shares as performance shares that he or she already received as bonus shares at the beginning of the performance period (see point 1 in chart). The payout ratio or the multiplier used for the calculation of performance shares (as shown above) is capped at a maximum of 250% for members of the Executive Board.

Additional amount

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

Objectives and their achievement

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

The following objectives were defined for the Executive Board for 2018 and were evaluated by the Board of Directors:

QUANTITATIVE OBJECTIVES (50%)		EVALUATION[1]
Finance	– Achieve or exceed budget – Generate net inflows of new money – Enhance operating efficiency – Increase return on equity – Maintain capital position that significantly exceeds regulatory requirements	**Effective performance**
Strategy	– Implement strategic growth initiatives and priorities based on the defined interim goals for growth – Further strengthen core competencies – Drive organic growth in target markets – Capture opportunitites created by technology – Supplement growth through M&A	**Outstanding performance contribution**

QUALiTATIVE OBJECTIVES (50%)		EVALUATION[1]
Behaviour	– **Client focus** – always seek the best solution to deliver sustained success for our clients and Vontobel; strengthen client focus across all areas of Vontobel, especially through the implementation of specific Customer Journeys – **Results-driven approach** – achieve impact by focusing on objectives and results; think long term in order to realize sustainable and competitive growth – **Compliant conduct** – act with integrity and remain independent at all times; provide advice in accordance with our Code of Conduct and our guidelines and take appropriate account of risks; take comprehensive measures to guarantee continuous compliance with laws and regulatory requirements, with a particular emphasis on the recognition of risks related to money laundering; ensure the protection of client data and compliance with all applicable legal requirements	**Highly effective performance**
Leadership and development	– **Inspirational leadership** – recruit, retain, support and develop the best talent; define ambitious objectives and motivate employees to raise the benchmark for client service and quality of work; inspire others to deliver a top performance – **Transformative leadership** – demonstrate flexibility and be capable of leading in new operating conditions and adapting to them constructively; reach clear decisions and share them with the team – **Communication** – share own knowledge and experience with others; promote constructive collaboration as a team across functions and borders – **Diversity and Inclusion** – create an open and trustworthy environment that is free of prejudice and promotes diversity and equal opportunities	**Effective performance**

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

Vontobel demonstrated in 2018 once again that we can successfully shape the changes in our industry – and can do so according to the needs of our clients and our company. We will continue to follow this path. We are investing in our future, are focused on sustainable growth, and are committed to delivering profitability.

In 2018 – a period characterized by a fiercely competition environment and difficult financial markets – the Executive Board largely achieved or exceeded the financial objectives defined for the financial year. We are also well on track to deliver on our ambitious mid-term targets. The high level of trust that clients place in Vontobel and its successful positioning in the market are reflected by the strong net inflow of new money of CHF 5.0 billion, the pleasing growth in operating income of 9% to CHF 1,157.8 million, and a good net profit of CHF 232.2 million. Compared to the IFRS net profit of CHF 209.0 million for 2017, the result for 2018 increased by 11%. Adjusted for one-off impacts from the acquisition of Notenstein La Roche, the result totaled CHF 249.2 million, corresponding to growth of 14% compared to the adjusted result for 2017 of CHF 217.9 million. Vontobel generated a return on equity of 13.0% for 2018, significantly exceeding its current cost of capital of around 10% and coming close to its mid-term target of 14%. Vontobel has maintained a comfortable equity position with a CET 1 ratio of 12.3% and a Tier 1 capital ratio of 18.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA. To partially finance the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued a CHF 450 million Additional Tier-1 Bond with a coupon of 2.625% in June 2018, thus significantly strengthening its regulatory capital base.

The Executive Board far exceeded the strategic objectives defined for 2018. Considerable progress was achieved at a strategic level and Vontobel delivered continued growth in all core activities, as well as strengthening its market position in key target markets. In addition to generating organic growth and further expanding its digital offering, Vontobel Wealth Management made an important investment in the future through the acquisition of Notenstein La Roche Privatbank – thus creating a broader basis for future growth. Furthermore, the announced acquisition of the US-based private clients portfolio of Lombard Odier will strengthen Vontobel's client base in the US target market. As part of the strategy of focusing on Switzerland as a production center, Vontobel's Liechtenstein subsidiary was sold to a renowned local private bank during the year under review. Asset Management has successfully positioned itself as an active high-conviction manager with a multi-boutique model. As a result of its multi-boutique approach, Vontobel Asset Management has a high level of diversification across all market- and client-relevant asset classes and can offer investment solutions for every market cycle. Reflecting the high quality of their products, the boutiques were able to attract CHF 4.5 billion of new money in 2018. Vontobel Asset Management remains Vontobel's main earnings driver.

Vontobel Financial Products has harnessed the positive effects of its successful platform strategies to further strengthen its position in the market. Our product and market expertise, combined with our leading digital platform, allows us to also bring new innovative solutions to the market for other products. With cosmofunding, we launched a new platform that allows Swiss companies and public-sector bodies to raise capital in the form of private placements or debt securities. With the new Pension Investments platform, Vontobel is digitalizing the Swiss market for pension products. In 2017, building on Vontobel's strategic priorities, the Board of Directors and the Executive Board 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.

The Executive Board consistently exceeded its qualitative objectives. For example, it further strengthened Vontobel's positioning in the market and vis-à-vis all stakeholders. A strong emphasis was placed on client focus. To deliver the best solutions and generate sustained success for our clients, the Executive Board has, in particular, introduced specific Customer Journeys. In this context, ever stricter regulatory requirements have been implemented in good time and systematic compliance with new data protection ordinances has been guaranteed.

To achieve our targets and ensure we maintain a long-term view, it is essential to have an inspiring and dedicated leadership team in place that promotes talented employees in a targeted way, motivating them and setting the right objectives. Vontobel is about taking ownership, adopting a forward-looking approach to seize the opportunities available to us in the future, and thinking independently for the benefit of our clients. Our sharper identity sends out a clear signal and is an expression of what motivates us and how we create value for our clients.

Actual compensation (audited information)

Compensation for the financial year

The aggregate compensation of the Executive Board increased by 1% compared to the previous year, reflecting the extremely successful performance of the business. This increase is less than the growth in profit, including on an adjusted basis, thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders.

The variable bonus awarded to members of the Executive Board based on an evaluation of their achievement of individual objectives was, on average, 3.12 times their base salary (previous year: 3.08).

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

	FIXED COMPENSATION			PERFORMANCE-RELATED COMPENSATION			
FINANCIAL YEAR	BASE SALARY CHF MN	PENSION CHF MN	OTHER COMPENSATION[1] CHF MN	BONUS PAID IN CASH[2] CHF MN	BONUS PAID IN SHARES[2,3] CHF MN	TOTAL[4,5]	NUMBER OF RECIPIENTS
31.12.2018	3.7	0.7	0.0	5.8	5.8	16.0	6
31.12.2017	3.7	0.7	0.0	5.7	5.7	15.8	6
Change vs 31.12.2017 in %	0	0	0	2	2	1	0

1 Other short-term employee benefits comprise family allowance payments and preferential interest rates for mortgages.
2 Financial year 2018: Subject to the approval of the General Meeting of Shareholders 2019
3 A total of 133,498 (previous year 118,902) Vontobel Holding AG shares were allocated to members of the Executive Board. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
4 Excluding flat rate compensation for expenses and employer contribution to AHV / IV / ALV
5 The expense relating to performance shares is not included in "Total compensation for the financial year". The allocation of performance shares is shown separately in the following table "Allocation of shares from the long-term employee share-based benefit program".

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

	31.12.2018 CHF MN OR NUMBER	31.12.2017 CHF MN OR NUMBER	CHANGE TO 31.12.2017 CHF MN OR NUMBER	CHANGE TO 31.12.2017 IN %
Market value of performance shares at the date on which they were allotted in CHF mn[1]	9.7	10.5	–0.8	–8
Number of performance shares allotted	157,582	189,660	–32,078	–17
Number of persons receiving compensation	6	6	0	0

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 5.8 mn (previous year CHF 5.2 mn) and was included on a pro rata basis over the vesting period.

Highest total compensation for the financial year (audited information)

			FIXED COMPENSATION			PERFORMANCE RELEATED COMPENSATION		
FINANCIAL YEAR	NAME	FUNCTION	BASE SALARY CHF 1,000	PENSION PLAN CHF 1,000	OTHER COMPEN-SATION CHF 1,000	BONUS PAID IN CASH CHF 1,000	BONUS PAID IN SHARES[1] CHF 1,000	TOTAL CHF 1,000
2018	Dr Zeno Staub	CEO	700.0	118.9	3.0	1,450.0	1,450.0	3,721.9
2017	Dr Zeno Staub	CEO	700.0	118.9	3.0	1,375.0	1,375.0	3,571.9

To determine the member of the Executive Board with the highest total compensation, the conditional rights to receive performance shares associated with bonus shares are included in the calculation with a weighting of one performance share per bonus share.
1 The member of the Executive Board was awarded 33,519 shares (previous year 28,557) of Vontobel Holding AG as part of his compensation for the year under review. These shares are subject to a holding period of three years, during which they cannot be sold. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period. Those values will be known in spring 2021 respectively 2022 (cf. previous section "compensation components").

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

	31.12.2018	31.12.2017
Number of performance shares allotted	37,322	45,941

The number of performance shares allocated is calculated on the basis of the number of bonus shares received for the financial year 2014 (previous year 2013) as well as the performance of the business in the years 2015 to 2017 (2014 to 2016).

Vesting of performance shares (audited information)

The increase in profitability in recent years resulted in a pleasing increase in the return on equity in the performance period from 2016 to 2018. The average return on equity was 14.7%, thus significantly exceeding the target return of 12%. The average BIS Total Capital Ratio was a solid 18.8%. Consequently, the multiplier for performance shares from the 2015 bonus, which will vest in spring 2019, is 123%.

Multiplier of performance shares that have vested since 2004 (audited information)

The following table shows the key data and the multiplier since the introduction of the long-term share participation plan in 2004:

			DETERMINING FACTORS MULTIPLIER			
SERVICE PERIOD (BUSINESS YEAR)	PERFORMANCE PERIOD	ALLOCATION YEAR	AVERAGE RETURN ON EQUITY (ROE)	AVERAGE BIS TOTAL CAPITAL RATIO[1]	MULTIPLIER	MARKET PRICE AT ALLOCATION DATE IN CHF
2004	2005–2007	2008	18.9%	23.7%	189%	36.85
2005	2006–2008	2009	16.2%	22.1%	162%	24.00
2006	2007–2009	2010	12.2%	21.6%	122%	32.25
2007	2008–2010	2011	9.2%	21.5%	85%	36.40
2008	2009–2011	2012	9.0%	23.1%	81%	22.00
2009	2010–2012	2013	8.6%	24.6%	74%	30.95
2010	2011–2013	2014	7.9%	25.8%	73%	32.15
2011	2012–2014	2015	8.3%	25.1%	83%	43.35
2012	2013–2015	2016	9.6%	22.3%	93%	41.75
2013	2014–2016	2017	13.0%	20.1%	130%	55.60
2014	2015–2017	2018	14.5%	18.6%	121%	61.80
2015	2016–2018	2019	14.7%	18.8%	123%	n/a

1 Up to 31.12.2012: BIS Tier 1 Capital Ratio

Additional fees, related parties and similar information (audited information)

None.

Former members of the Executive Board (audited information)

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

Holdings of shares and options (audited information)

		31.12.2018	OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		31.12.2017	OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE	
NAME	FUNCTION	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS
Dr Zeno Staub	CEO	125,438	0	0	163,059	0	0
Dr Martin Sieg Castagnola	CFO	72,230	0	0	76,471	0	0
Felix Lenhard	Member	77,191	0	0	71,260	0	0
Georg Schubiger	Member	66,302	0	0	62,165	0	0
Axel Schwarzer	Member	96,161	0	0	172,063	0	0
Roger Studer	Member	71,000	0	0	70,158	0	0

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

Loans to governing bodies (audited information)

As of December 31, 2018, fully secured loans and credits to and the promise of payment in favour of members of the Executive Board of CHF 3.6 million were outstanding (previous year CHF 2.5 million). No loans to former members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Compensation of other employees

Compensation system

Compensation principles

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

Long-term participation plan

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

Variable Compensation Agreements

Additional agreements known as variable compensation agreements are used in the case of individual portfolio managers in the Asset Management division. As a result of these agreements, a part of the bonus for the concerned employees is linked to the performance of funds and is blocked for a period of three years. The cash portion of the bonus is reduced accordingly. Their participation in the share participation plan is not affected by this. These agreements align the interests of portfolio managers with those of clients. Furthermore, it increases the loyalty of the employees concerned to Vontobel and also fulfils regulatory requirements in certain countries.

Vontobel Asset Management USA

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

TwentyFour Asset Management

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

Questions and answers

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

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

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

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

Why has Vontobel not defined any caps for the share participation plan?
Our Long-term Incentive Program is risk-adjusted and has a natural cap, since the return on equity and Total Capital Ratio parameters run counter to each other on the one hand and have a de facto maximum limit on the other.

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

The increase in the capital ratio is also limited. On the one hand, Vontobel distributes a major proportion (>50%) of its annual net profit to shareholders in the form of a dividend. On the other hand, the remaining profit is retained to finance organic growth and potential acquisitions. Consequently, an increase in the capital ratio can only be achieved slowly. However, we recognize that the calculation of performance shares is purely formulaic and therefore has no upper limit in theory. For this reason, we have decided to introduce a cap of 250% on the multiplier used for the calculation of performance shares for members of the Executive Board from 2019.

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

Shares for employees
Does Vontobel increase its share capital in order to allocate bonus and performance shares?
Vontobel purchases all of the shares required for the compensation of the Board of Directors, Executive Board and employees in the market. This ensure that our compensation system does not result in any dilution of shareholders.

Discount on shares
Why is a 20% discount applied to the shares allocated to employees?
The discount is to be viewed as a component of overall compensation and, as such, also forms part of the contractual negotiations with potential employees. In addition, the discount is a further incentive for employees to opt to receive shares despite the three-year blocking period.

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

Peer comparison in participation plan

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

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

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

Capital costs in compensation model

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

Vontobel has set itself the target of generating a return on equity of at least 12%. This minimum requirement means that the cost of capital is taken into account when defining management objectives. In addition, all rights arising from the long-term share participation plan lapse if the average return on equity falls below 4%.

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

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

Mandatory share ownership requirements

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

Our compensation model results in the Board of Directors and Executive Board building up a significant shareholding over time. In the case of the Executive Board, for example, the mandatory requirement to take 50% of the bonus in shares automatically results in a minimum holding of Vontobel registered shares with a value equivalent to 50% of the variable compensation paid over the last three years. For this reason – and because management has not sold all of the shares that became free – the Executive Board had an aggregate holding of Vontobel shares corresponding to 10.2 times its base salary at the end of 2018.

Clawbacks

Why are there no clawbacks at Vontobel?

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

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

Total compensation

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

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

If the compensation from the participation plan 2015 were to be added to the compensation for 2018, this would provide a misleading picture since the compensation stems from different periods.

Building a better working world

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To the General Meeting of
Vontobel Holding AG, Zurich

Zurich, 11 February 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Vontobel Holding AG for the year ended 31 December 2018. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited information” of the remuneration report (pages 57 to 84).

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2018 of Vontobel Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Patrik-Arthur Schwaller (Qualified Signature)

Patrick Schwaller
Licensed audit expert
(Auditor in charge)

Rafael Bussmann (Qualified Signature)

Rafael Bussmann
Licensed audit expert

Corporate Responsibility & Sustainability

Foreword

Vontobel achieves milestones in corporate responsibility and sustainability

In 2018, Vontobel reached a number of important milestones in the areas of corporate responsibility and sustainability. The international sustainability rating agency ISS-oekom rated our sustainability performance for the first time and awarded us "Prime" status – meaning that Vontobel ranks among the top 6% in our peer group of 44 asset managers worldwide. The methodology used by ISS-oekom in its assessments is among the strictest. Vontobel received a particularly high score in the following categories: Range of sustainable investment offerings; volume of sustainable assets under management; data and IT security; adherence with compliance regulation; and shareholder structure.

The Principles for Responsible Investment (PRI) – an initiative launched by the United Nations – also awarded us an excellent score for our sustainable investment strategies in 2018: Vontobel outperformed the benchmark in six of the seven modules assessed. Our score, which far exceeded the average rating, is confirmation of our expertise in the field of sustainable investing, which Vontobel has been building and continuously expanding since the 1990s. Our volume of assets invested according to sustainability criteria grew further during the reporting year: As of 31.12.2018, Vontobel managed CHF 23.3 billion of sustainable assets, an increase of almost 70%.

Vontobel offers sustainable investment solutions as a key part of our product range. Foresight and ownership are the hallmarks of our approach to business – as reflected by the fact that Vontobel is one of the founding members of the Swiss Climate Foundation, which celebrated its tenth anniversary in 2018. We intensified our communications relating to the Climate Foundation in connection with this milestone. We are convinced that we can only achieve sustainable development by working together with our partners.

To promote environmental sustainability, Vontobel joined forces with the charitable foundation "AfB social & green IT" in 2018 to introduce a comprehensive computer recycling scheme in order to reduce our environmental footprint. In preparation for the Windows 10 migration, we had to replace almost 2,000 desktop computers, which we subsequently donated to "AfB social & green IT". For more than a decade, the foundation has been selling high-quality corporate IT equipment to private individuals and charitable organizations at affordable prices. ISO-certified technologies from the international data specialist Blancco are used to clear the data storage media on these computers.

We have set ourselves a number of goals for 2019. With an additional seven locations through the acquisition of Notenstein La Roche, Vontobel will now be able to serve clients from 13 locations in Switzerland. We will extend the gathering of environmental data to these new locations in 2019. Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we will also begin working on a scenario analysis for Vontobel to identify climate change-related opportunities and risks for our business and determine any recommended courses of action.

This Sustainability Report is based on the new GRI Standards. We have taken the transition to these Standards as an opportunity to realign the report. Going forward, the document is designed for analysts who want to obtain key information and to easily gain an overview of our engagements. Information about our latest projects and activities is available at: www.vontobel.com/responsibility.

Dr Zeno Staub, CEO Vontobel

ISS-oekom awards "Prime" status to Vontobel

Signatory of:

Above average PRI rating

Sustainable Investing

Product portfolio

103-1 Explanation of the material topic and its boundary
Vontobel has been committed to value-oriented and far-sighted investing for generations. As a pioneer in this field, we have been offering our clients a wide range of sustainable investment solutions since the 1990s. For a wealth and asset manager, the consideration of environmental, social and governance (ESG) factors in the investment business is a key part of a comprehensive sustainability strategy. This reflects the fact that the integration of sustainability criteria into the product and services portfolio is a very effective lever when it comes to fostering sustainable development.

All three divisions (Wealth Management, Asset Management, Investment Banking) offer sustainable investment solutions and advice in one form or another and cooperate closely in this area. The aim is for clients to be able to generate a financial return while also contributing to sustainable development. Here, our clients can select investment themes that reflect their own values and investment objectives.

103-2 The management approach and its components
No investments in controversial weapons
All our investments have to fulfil certain minimum requirements. Cluster munitions and land mines are banned by international conventions. In 2011, Vontobel therefore approved a Group-wide policy that prohibits investments in companies that manufacture these types of arms. Stringent processes ensure that no manufacturers of cluster munitions and land mines are included in our investment funds, discretionary mandates or investment recommendations.

Our guidelines on cluster bombs and landmines can be found here: www.vontobel.com/principles-policies.

Wealth Management
Our last client survey in January 2017 clearly showed that sustainable investing is becoming an increasingly important topic among private clients. A total of 63% of our clients are seeking sustainable investment opportunities – with almost 30% indicating that for them, the topic is an absolute must. The consideration of personal values and the assumption of responsibility towards society and the environment play an important role in this context. As a result, new criteria for sustainable investing were defined in Wealth Management in 2017 to facilitate a broad range of sustainable investments, such as approaches based on exclusion criteria, ESG best-in-class, ESG integration, active engagement and voting, thematic sustainability investments, and impact investing.

— Investment solutions
Our portfolio management and investment advisory offering incorporates sustainable investment solutions aimed specifically at private clients. One example is our sustainable portfolio management mandate, which invests according to sustainability criteria and is diversified across various asset classes and sustainability approaches. It is offered as a standard solution. Sound, long-term strategic asset allocation provides a robust basis for this mandate. We also cover “high conviction” themes (e.g. healthy living and clean tech). A dedicated portfolio management team is responsible for managing the mandates. Our relationship managers conduct personal consultations with clients to periodically discuss the development of the portfolio.

In the area of investment advisory, we offer clients the opportunity – based on our sustainability universe – to invest in companies that meet our sustainability criteria. On the basis of our sustainability research, our relationship managers can filter the investment universe using a Web-based tool to identify sustainable stocks. This allows them to compile sustainable portfolios more efficiently and to provide our clients with appropriate advice about sustainable stocks.

In the area of pension provision, we give our clients the opportunity to invest through our cooperation partners in investment funds that combine the goals of capital preservation and capital growth with ethical, environmental, and social aspects. At the end of 2018, we also launched an actively managed open-end investment product, which invests in companies offering sustainable products and services that minimize or eliminate problems. Thus they create a positive environmental and social impact. The product focuses on the four themes of healthcare, education, poverty, and environment, and it is globally diversified. Stock selection is based on fundamental analysis produced by Vontobel Swiss Equity Research, the Vontobel Global Quality Achievers Model, and external research providers. The analysis of ESG factors is based on ESG research produced by Vontobel Asset Management, as well as by external research providers such as Sustainalytics and Asset4. The ESG filter criteria focus on minimizing existing and potential ESG risks and controversial factors as well as on criteria that are designed to generate positive environmental and social impacts.

In addition, Vontobel has developed a concept for Impact Investing, which we define as an investment that is intended to resolve a specific problem or generate a concrete and measurable social or environmental impact, while also generating a financial return. Our five-step investment process takes account of the individual sustainability wishes and goals of our clients when determining the composition of the portfolio. We offer our clients the option of performing their own active engagement and voting and we recommend selected partners such as Ethos upon request.

— Investment communications

In 2018, we once again used a variety of communication channels – such as the Internet, social media, newspapers, and magazines – to keep our clients informed about the topic of sustainability. This included an introduction to the "sustainable value creation" megatrend in our monthly Investors' Outlook. In addition, our dedicated sustainability specialists published articles on "Plastic in the oceans", "Impact investing – illusion or reality?" and "Sustainable value creation", which met with a positive response from clients. You can find the Investors' Outlook here: www.vontobel.com/insights.

The Wealth Management Expert Circle Sustainable Investing provides a platform for a regular dialogue about sustainability topics and the expansion of our range of client services. The Expert Circle is also designed to ensure the transfer of knowledge with a view to continuously promoting the topic of sustainability within our organization. We can thus ensure that this subject remains a focal point within our client communications.

— Training and education

The knowledge of our employees is the most important factor determining Vontobel's success, stability, and our ability to operate effectively in the future. Against this backdrop, we once again invested intensively in the training and development of our relationship managers in 2018. In addition to regular training courses about specialist themes and regulatory aspects, Vontobel's new advisory philosophy, which was launched at the end of 2017, once again featured prominently in the training we provided during the year.

In 2018, around 150 people completed the Vontobel Curriculum for Relationship Managers. This training course, which was developed specifically for Vontobel Wealth Management, consists of four days of classroom learning as well as around 25 hours of online training about topics such as finance, regulation, and advisory capabilities. A key component of the curriculum is the transfer of knowledge about sustainable investing and the expansion of our expertise in this field across the whole of Wealth Management. In 2018, a special "Lunch & Learn" presentation was carried out that centered on the motivation of private investors to invest sustainably and the development of various investment approaches.

Sustainable investing was also one of the topics covered in the First Week Entry Training for new employees in 2018. This induction program, which lasts several days, allows new employees in Vontobel Wealth Management to get to know the company and ensures they are ideally prepared for their challenging new role.

— Outlook

In 2019, we will focus on expanding investment opportunities and on further developing the impact investing concept, as well as organizing client events on the topic of sustainability. We are also planning to introduce the online training tool developed by the Swiss Sustainable Finance association at Vontobel. In cooperation with Vontobel Asset Management, we plan to develop an app that presents appropriate investment solutions based on the values and financial objectives of clients and provides further information on the definition of ESG and research about sustainability topics.

Further information on Vontobel Wealth Management can be found at: www.vontobel.com/wm.

Asset Management

Our goal is to help our clients to invest according to their ethical values while generating higher returns and reducing portfolio risk. As we are a global asset manager, our clients can benefit from our long track record in sustainable investing dating back to the 1990s.

We focus on active asset management based on a multi-boutique model with independent centers of competence. The multi-boutique set-up allows us to cover the entire spectrum of potential client needs: our organizational structure gives our investment teams a high degree of independence, thus fostering innovation. Therefore, our sustainable portfolios reflect different investment approaches and processes.

We provide our clients with a choice of sustainability-oriented funds and individual mandates. The ESG Investment Council is responsible for the coordination of the different investment strategies regarding environmental, social and governance (ESG) issues, overarching principles and policies, and generally advances ESG throughout the various investment teams in Vontobel Asset Management and the

Vontobel Group. The Council consists of portfolio managers and portfolio advisors dealing with various sustainable strategies, as well as representatives of Wealth Management and Corporate Sustainability Management.

The ESG Competence Center delivers sustainability research to in-house investment teams and external clients according to their specific needs. Moreover, it provides ESG company and country ratings using a proprietary analytical approach, and a sustainable investment universe. Portfolio managers and clients across all divisions can select securities from this universe for their investments. Here, the goal of our sustainability analysis is to determine which companies are ahead of their peers in terms of an active sustainability approach. The most progressive issuers are selected for the sustainable investment universe (equities and bonds).

Vontobel is a signatory to the European SRI Transparency Code. Various Vontobel funds incorporating sustainability aspects in the investment process bear the Eurosif transparency certificate. Investors thus receive comprehensive information about the funds' investment processes and selection criteria. We offer a broad range of equity, fixed income, multi asset and real estate funds incorporating different sustainability approaches.

— mtx strategies (equities)

The mtx strategies are based on the belief that there is a strong positive correlation between improvements in a company's return on invested capital (ROIC) and its share price. We focus on a limited number of stocks that pass our top quartile ROIC test and are top ranked in their industry. Therefore, we seek to examine whether ESG data is material to the alpha source of the investment strategy in such a highly selective group of top performing stocks and whether ESG performance can support ROIC. Core to our ESG Integration approach is our in-house yardstick, the so-called minimum standard framework (MSF). Sector-specific MSFs, which consider up to 25 material ESG factors with a possible relevance on future cash-flows, help us evaluate both the companies' ESG risks and opportunities. All assets managed according to mtx strategies follow this approach and are therefore ESG compliant. In 2018, we developed the set of material indicators as well as the scoring methodology further. In addition, we performed more direct engagements with portfolio companies.

— Global Trends strategies (equities)

Here, our clients can select funds that focus on long-term developments in the restructuring of energy systems, resource efficiency, the supply of clean technologies, and the sustainable management of water. The funds invest in companies whose products and processes either have a positive impact on the environment or have a less negative impact on the environment than their peers. In this context, we take into account the entire life cycle of these products and processes, since the largest environmental impact often occurs while the product is in use. There are various ways to measure this. As an example, we assess reductions in the energy consumption of innovative products due to optimized processes or weight reductions in the area of transportation. Moreover, we have developed a method called "Potential Avoided Emissions" (PAE) together with the ISS-climate consultancy. This solution-oriented approach records the contribution that energy-efficient, climate-friendly products and services are expected to contribute to the reduction of CO_2 emissions in the portfolio. When a company emerges as a potential investment, we consider financial as well as ESG criteria. While social and governance criteria are mainly relevant in the risk evaluation, a favorable impact on the environment should also make a positive contribution to the company's financial success. When assessing social and governance criteria, we consult with external ESG research agencies. To ensure a holistic approach to environmental aspects, an additional comprehensive analysis by our own experts is essential.

— Swiss Equities

The Swiss Equities team provides an extensive offering for clients seeking sustainable investment solutions with a focus on Switzerland. The team has been addressing the topic of sustainable investing for more than 15 years and now offers a broad range of strategies. When determining exclusion criteria and "best-in-class" approaches, analysts and portfolio managers work primarily with external sustainability rating agencies such as Inrate or Ethos. In the integrated approach, ESG criteria form an integral part of the investment process. The analysts assess the company from both a financial and a sustainability perspective. Analysts define minimum standard frameworks for all the portfolio investments – similar to the mtx approach – with ESG criteria being assigned different weightings depending on the sector. We have one of the largest volumes of actively managed Swiss equities in the sustainable investing space.

— Sustainable bond strategies

Being invested in bonds issued by countries as well as companies, we follow a range of sustainability assessment methods taking into account the characteristics of different fixed-income market segments and client requirements. Typically, we exclude issuers whose activities are controversial. For example, companies should not generate more than 10% of their turnover from controversial products and services. Countries are subject to exclusion criteria such as human rights violations (according to Freedom House) or threats to freedom and security (according to the Global Peace Index). We can apply further exclusion criteria to direct investment mandates at the request of clients. We consider the ESG analysis an integral part of our credit and country analysis revolving around the identification of material ESG issues. For this, we start with the assessment of recognized ESG research agencies and then take an in-depth look at critical ESG issues using our in-house capabilities and methodologies. We also offer "best-in-class" approaches based on external sustainability rating agencies such as Inrate, for example.

— Sustainable Balanced strategies (multi asset)
The consideration of sustainability aspects in investment processes is spreading fast amongst investors for regulatory and importantly, for risk/return reasons. As we consider ESG part of our fiduciary duty, we introduced binding minimum ESG standards for individual securities for all Global Balanced mandates in 2018. In this context, we dismiss certain arms manufacturers, thereby applying the exclusion lists of the Swiss Association for Responsible Investment (SVVK-ASIR) and Vontobel. Moreover, companies must satisfy a minimum standard in their ESG assessment to be considered for our portfolios. This approach rules out particularly risky securities, improves risk management, and allows for more robust portfolios to be put together. We rely on the experience of our own ESG analysts, which is also acknowledged by external agencies. Our institutional investors can count on minimum ESG standards being explicitly taken into account in their portfolios: Of course, the existing and proven best-in-class approach remains a vital pillar of our multi asset offering for clients who are keen on a stronger sustainability focus. Here, companies in critical sectors must meet requirements that are more stringent. Certain investment vehicles can also be barred because of specific customer instructions.

— Sustainable real estate
Our Swiss and European real estate funds, which we manage together with external partners, are based on our view that sustainability of location and building is key for successful long-term realty investments. We investigate the potential "macro" locations alongside a number of economic and socio-demographic factors. For our European real estate fund, we developed a proprietary location rating assessing 450 conurbations with a total of 500 cities across 30 European countries. The aim is to identify prosperous, high-potential areas that qualify as sustainable locations. Moreover, we analyze the political, legal and general economic conditions at country level. The other factors we evaluate are the population and economic structure, quality of life and the infrastructure at conurbation level. Based on this, we produce a differentiated location quality ranking for European cities. At a second stage, we evaluate "micro" locations and buildings according to clearly defined criteria: In terms of individual properties, we consider both energy and environmental factors, as well as other key aspects that could hamper the rental value (and consequently risk and return). These factors include mobility and the surrounding area, comfort and wellbeing, as well as quality of use and flexibility. We also take into account reputational risks – particularly with regard to tenants.

Further information on Vontobel Asset Management can be found at: www.vontobel.com/am.

Investment Banking
Vontobel Investment Banking is one of the leading issuers of structured products in Switzerland and the rest of Europe. Securities and foreign exchange trading, securities services supplied by Transaction Banking, Brokerage, the External Asset Managers (EAM) business, and Corporate Finance complete the range of services offered by Vontobel Investment Banking.

We actively offer various structured products that focus on sustainable themes. At the same time, our clients have the option of structuring individual products based on sustainable underlyings according to their wishes. When defining and implementing environmental, social and governance (ESG) criteria, we draw on the expertise of the specialists in our Asset Management division as well as consulting ESG ratings and ESG data providers (e.g. Sustainalytics). In the case of theme-based ("thematic"), publicly distributed investment products, the specific ESG approach is indicated in the term sheet. These types of thematic investment products that focus on sustainability are distributed via Vontobel's "derinet" web portal (in addition to other marketing measures). derinet allows our sustainable investment products to be displayed using a search function. Further information is available at: www.derinet.ch/thematicinvestments.

Our product offering includes a product based on the "Solactive Global Sustainability Leaders Performance Index" launched in 2017. In addition to traditional investment criteria such as liquidity, this index incorporates ESG criteria in its analysis. The index includes companies that rank as best-in-class in their industry and excludes firms that engage in controversial business sectors and practices. Further structured products address sustainable themes in a broader sense or are dedicated to megatrends. One example is the "Solactive Demographic Opportunity Performance Index". The "Solactive Smart Grid Performance Index" also focuses on a sustainable mega trend.

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

The independent sustainability rating agency Inrate is responsible for the composition of the "Vontobel Climate Protection Index". It considers companies from five different areas that combat the causes of climate change and it places an emphasis on innovation and efficiency when selecting stocks. An index is compiled using the companies and it is calculated, updated, and published daily.

Further information on Vontobel Investment Banking can be found at: www.vontobel.com/ib.

103-3 Evaluation of the management approach
FS6 Percentage of the portfolio for business lines by specific region, size and by sector
See pages 25, 27 and 29.

FS8 Products and services designed to deliver a specific environmental benefit
FS11 Percentage of assets subject to positive and negative environmental or social screening

Sustainable investments

	2018	2017
Volume of sustainable investments (CHF mn)	23,285	13,962
Proportion of sustainable investments (in % of AuM)	13.6	8.4

The volume of sustainable investments managed by Vontobel rose by almost 70% in 2017 compared to the previous year. Measured as a proportion of total assets under management, sustainable investments increased from 8.4% to 13.6%.

At 31.12.2018, Vontobel had a total of CHF 23,285 mn of assets under management invested according to sustainability criteria. Three-quarters of this increase is attributable to the introduction of ESG minimum standards for all mandates in Sustainable Balanced Strategies (Multi Asset). In Wealth Management, the successful integration of Notenstein La Roche also contributed to the doubling of client assets invested according to sustainability criteria. Product volumes also doubled in Investment Banking compared to the previous year.

Active Ownership

103-1 Explanation of the material topic and its boundary
Material ESG issues can impact the success of a company and consequently its capacity for future investments and growth. At Vontobel, we believe that voting and engagement can have a positive influence on a company's values and behavior and strengthen its longer-term contribution towards building more sustainable economies and societies and protecting the environment.

103-2 The management approach and its components
Vontobel exercises its voting rights for all investments in the mtx and Global Trends strategies. We have been working with Hermes Equity Ownership Services (Hermes EOS) in this context since 2011. All other funds come under our internal "Management Company Voting Policy", which is in line with the corporate governance recommendations of the European Fund and Asset Management Association.

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

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

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

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

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

103-3 Evaluation of the management approach
FS10 Portfolio-based engagement on social and environmental issues
Each year, Vontobel publishes a Voting and Engagement Report (www.vontobel.com/voting). The report for 2018 will be published in mid-2019. In 2017, we voted on a total of 5,338 resolutions at 425 general meetings worldwide for the above-mentioned strategies. At 246 of the meetings (58%), we rejected one or more motions and we abstained from voting at one of the meetings. With certain exceptions, we voted with the management at four meetings, and at 174 general meetings (41%) we supported all the motions put forward by management.

In 2017, Hermes EOS, engaged in a critical dialogue with 69 companies on a total of 249 issues on our behalf, of which 14% related to environmental, 24% to social and 22% to strategy and risk matters. Corporate governance was once again the main topic discussed in 2017, accounting for 40% of all issues.

Further information on Sustainable Investing can be found at: www.vontobel.com/sustainable-investing.

Economic Sustainability

Economic Performance and Indirect Economic Impacts

103-1 Explanation of the material topic and its boundary
We assume our corporate responsibility by considering the needs of our clients and pursuing a risk-conscious approach while running our business successfully on a long-term basis. By doing so while complying with ethical business standards, we can make a contribution to the economy.

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

103-2 The management approach and its components
As an employer and taxpayer and as an active participant in economic life – e.g. in our role as a purchaser and investor – we contribute to the creation of value at a regional level in the locations in which we operate. This includes the corporate taxes that we pay annually, as well as the payment of salaries and the provision of innovative and sustainable financial services for private and institutional clients. We also make a contribution through the efficient use of energy and resources, by serving communities, and by engaging in an active dialogue with the general public about the role of financial services providers.

Since 2004, our clients have been able to lend their support to a variety of projects focusing on social issues, culture, ecology, education or medicine through the Vontobel Charitable Foundation.

103-3 Evaluation of the management approach
201-1 Direct economic value generated and distributed
In 2018, value creation increased by 6% compared to the previous year and taxes paid decreased by around 9%. The Board of Directors' confidence in Vontobel's strategy and its active capital management are demonstrated by the proposed dividend of CHF 2.10 per share, unchanged from the previous year. Further information on the operating result is provided on page 118.

Economic value distributed

CHF MN	2018	2017
Value creation [1]	842.3	794.3
Taxes [2]	50.5	55.6
Dividend for the fiscal year [3]	117.7	117.6

1 Income less general expense and depreciation of property, equipment and intangible assets
2 Includes income tax, tax on capital and other taxes and contributions
3 As per proposal submitted to the General Meeting

201-3 Defined benefit plan obligations and other retirement plans
Information on pension plan obligations is provided in the table about personnel expenses on page 158.

203-1 Infrastructure investments and services supported
In 2018, the Charitable Foundation contributed around CHF 585,000 of donations and sponsorship funding (2017: CHF 580,000). During the year under review, it supported projects including "Stop Food Waste – Lessons for Young People" run by the PUSCH Stiftung Praktischer Umweltschutz, which promotes practical environmental protection measures.

The total amount donated by Vontobel in 2018 was CHF 302,714 (2017: CHF 175,391).

Anti-corruption

103-1 Explanation of the material topic and its boundary
We operate our business with a focus on maintaining the satisfaction and trust of our clients, as well as on protecting and building the wealth they have entrusted to us. These tasks have grown more complex as the financial sector is now faced with increasing requirements and stricter regulations, including in the field of anti-corruption. At the same time, clients have become more discerning, and the demand for individually tailored solutions has increased. Our stakeholders expect us to ensure that we perform our duty of due diligence properly and in line with our business philosophy in order to combat corruption.

103-2 The management approach and its components
Anti-corruption measures form an integral part of our Compliance system. Effective compliance forms the basis of our long-term success and is therefore one of the most important aspects of our business. Vontobel takes comprehensive measures to ensure continuous compliance with laws and regulatory requirements. As part of our Group-wide risk analysis, teams of specialists continu-

ously assess all our areas of business using appropriate compliance processes to ensure they are legally compliant.

One of the main areas of focus of our risk analysis is the identification of risks arising from money laundering or terrorist financing. The aim is to avoid business relationships that are used for money laundering or terrorist financing. In addition, we have a special process in place to monitor our relationships with politically exposed persons (PEPs). Material cases are discussed by participants at the monthly Legal & Compliance meeting, which is also attended by two members of the Executive Board. In urgent cases, the Committee meets on an ad hoc basis or reaches decisions via circular letter. Legal and Compliance produce half-yearly compliance reports for the Executive Board.

A key area of focus in the implementation of our management approach is the provision of employee training on relevant topics in the area of anti-corruption. All new employees have to attend an introductory compliance course that also addresses the subject of corruption. In addition, classroom training is carried out each year on specific topics within the business divisions. At departmental level, further training courses are offered on certain subjects to also address the handling of specific risks. Our objective is to provide training for all employees on an annual basis. These measures prevent infringements of internal and external rules and regulations. New employees are also issued with the Employee Handbook, which contains specific regulations and instructions, as well as the Code of Conduct. The most recent version of the Employee Handbook is available on the Intranet. All employees can access current and comprehensive policies at any time. They include the “Group policy on anti-corruption and the handling of gifts,” as well as the “Group policy on conflict of interest.”

103-3 Evaluation of the management approach
205-1 Operations assessed for risks relating to corruption

Our Group-wide risk management framework also addresses the topic of anti-corruption and covered all of our locations worldwide in the reporting year.

205-2 Communication and training about anti-corruption policies and procedures

In the reporting year, 100% of all employees received information about our anti-corruption strategies and measures or received anti-corruption training.

205-3 Confirmed incidents of corruption and actions taken

There were no incidents of corruption involving employees at Vontobel in the reporting year.

In the case of suspected breaches of legal or regulatory requirements, internal guidelines or ethical standards, a whistleblowing system is in place to allow employees to report these incidents anonymously. No such reports were made in 2018.

Further information on economic sustainability at Vontobel can be found at: www.vontobel.com/economic-sustainability.

Environmental Sustainability

103-1 Explanation of the material topic and its boundary
Vontobel is committed to using processes that reduce the environmental impacts of our activities and help to protect the climate. For many years, we have engaged in various activities to protect the environment and are particularly committed to climate protection. Our stakeholders also expect this of us. When conducting our operations, we therefore strive to use materials as sparingly as possible and place an emphasis on energy efficiency and the reduction of greenhouse gas emissions. As a result of the more efficient use of resources, we are often able to generate an additional economic benefit in different areas.

103-2 The management approach and its components
Based on Vontobel's Sustainability Principles, the Vontobel Sustainability Committee defines the Sustainability Strategy and specific targets. This includes environmental and climate protection at Vontobel. The Committee, which is chaired by the CEO, meets on a quarterly basis. Its meetings are attended by representatives of Human Resources, Operations, Investor Relations, Finance & Risk, Marketing & Communications, Corporate Responsibility, and Corporate Sustainability, as well as representatives of the business divisions.

The business divisions and units have responsibility for the operational implementation of measures in the areas of environmental and climate protection. In particular, the Facility Management, Procurement, and Logistics units have an important role to play in this area.

Our Corporate Real Estate Strategy is linked to our Sustainability Strategy. When selecting and renovating office buildings, we systematically focus on environmentally friendly and energy-efficient measures to achieve energy savings. High energy standards and the good insulation of building envelopes are part of this approach. The use of energy-saving LED lighting is a standard feature of all our new and renovated office buildings. Wherever possible, we also install LED lighting in existing buildings in view of the massive reductions in electricity and maintenance costs that can be achieved. This form of lighting results in less waste that requires special disposal. Vontobel has been purchasing electricity from renewable sources for all of our locations globally since 2013 – either directly or otherwise indirectly through regional Guarantees of Origin. The indirect purchase of renewable energy in the form of regional Guarantees of Origin is the approach taken if it is not possible to directly purchase electricity from renewable sources. This is the case if, for example, Vontobel leases its offices in one location and cannot influence the electricity mix used in those premises. When purchasing guarantees of origin, we comply with the requirements of the CDP (formerly the Carbon Disclosure Project). It calls for the expansion of global capacity for the production of electricity from renewable sources.

Vontobel strives to conduct its own operations according to high environmental and social standards and we also expect our business partners to help protect the environment and to offer good employment conditions. These aspects are incorporated into our tendering process and serve as a guide when selecting suppliers. The relevant details are set out in Vontobel's "Guidelines for sustainable procurement". They address matters such as employment conditions, child labor and forced labor, environmental protection, and the prevention of corruption. These guidelines are available at www.vontobel.com/principles-policies and form part of Vontobel's general purchasing guidelines.

Vontobel purchases a large quantity of products and services from external providers, including facility management services, IT infrastructure, and the design and production of printed materials, as well as catering and cleaning services. Wherever possible, we work with local suppliers to ensure that goods are transported over short distances. We are committed to building fair, long-term partnerships with our suppliers. We purchase fruit for our employees from a Swiss family-owned company, for example, and all of our print orders in Switzerland are awarded to Swiss printing companies. A major proportion of the advertising and Christmas gifts used throughout the company are also purchased from Swiss providers. In the reporting year, we continued the "One Two We" program introduced in our employee restaurant in 2013 and the related "One Climate Menu" launched in connection with the program. The aim is to offer more meals that mainly use seasonal produce and include fewer products that are transported by air and less meat, while making increased use of different types of cereals as an alternative to rice – thus reducing the carbon footprint in the food chain.

Vontobel has been carbon neutral since 1 January 2009 (Scope 1, 2 and 3). We offset the greenhouse gas emissions we produce each year by purchasing CO_2 emissions certificates to support projects that save the same volume of emissions. In 2018, the Sustainability Committee selected one climate neutrality project with a focus on forest conservation. Detailed information about the project is available at: www.vontobel.com/environmental-sustainability. As a founding member of the Swiss Climate Foundation, we donate a significant proportion of our refunded CO_2 levy to the Foundation, which then uses these funds to finance projects to improve the energy efficiency of small- and medium-sized companies. The projects supported by the Climate Foundation in 2018 included the development of palm oil-free detergents and a project to protect bees. Further information is available at: www.vontobel.com/responsibility-news and www.klimastiftung.ch and the relevant news there.

Each year, we gather comprehensive environmental data in order to measure our progress. Due to Vontobel's strong growth, we refined various data collection processes during the reporting year. This allowed us to achieve further improvements in data quality, especially when measuring air kilometers.

We further increased the proportion of recycled paper to 88%.

In the reporting year, a special project was carried out as part of the ongoing renovation of our office building at Genferstrasse 27 in Zurich, which will be completed in 2019. We have already been able to implement various environmentally relevant measures in cooperation with the building owner. For example, the building façade, which consists of cast plates, was completely dismantled, reformed and then reused for the same building, with only small sections being designated as waste.

Materials

103-3 Evaluation of the management approach
301-1 Materials used by weight or volume
301-2 Recycled input materials used

	2018[1,3]	2017[1,2]	2016[1]
Materials (absolute)			
Water (drinking water, m³)	16,137	22,902	18,807
Food (t)	96	91	103
Paper (t)	127	101	88
Proportion of recycled paper used	88%	58%	42%
Materials (per full-time position)			
Water (drinking water, l/FTE)	8,906	13,714	10,249
Food (kg/FTE)	53	55	56
Paper (kg/FTE)	70	61	48

1 Figures are based on the period from October 1 in the previous year to September 30
2 Figures are based on a broader scope and adapted emissions factors
3 Without Notenstein La Roche

Water consumption decreased compared to the previous year, both on an absolute basis and per employee. This reduction is attributable to the fact that we were able to gather more accurate data in our international locations.

The slight rise in the total consumption of foodstuffs reflects the increase in headcount. The consumption of foodstuffs per employee decreased further in the reporting year.

Paper consumption rose both on an absolute basis and per employee in the reporting year. Preparations for the integration of Notenstein La Roche, which resulted in the production of large amounts of printed materials for new clients, was the main reason for the increase.

Energy

103-3 Evaluation of the management approach
302-1: Energy consumption within the organization
302-3: Energy intensity
302-4: Reduction of energy consumption

	2018[1,3]	2017[1,2]	2016[1]
Energy (absolute)			
Heat consumption (MWh)	2,298	3,478	2,494
Renewable energy consumption (MWh)	124	-	-
Electricity consumption (MWh)	6,183	7,009	6,578
District heating/cooling usage (MWh)	309	-	331
Total energy consumption (MWh)	8,914	10,487	9,403
Business travel (1,000 km)	20,887	17,952	14,346
of which business flights (1,000 km)	*19,562*	*17,227*	*13,192*
Commuting (1,000 km)	20,752	17,458	16,545
Energy (per full-time position)			
Total energy consumption (kWh/FTE)	4,919	6,279	5,125
Business travel (km/FTE)	11,527	10,750	7,818
of which business flights (km/FTE)	*10,796*	*10,316*	*7,189*
Commuting (km/FTE)	11,453	10,454	9,017

1 Figures are based on the period from October 1 in the previous year to September 30
2 Figures are based on a broader scope and adapted emissions factors
3 Without Notenstein La Roche

In 2018, total energy consumption decreased compared to the previous year on an absolute basis and per full-time equivalent (FTE). This was due to the fact that one larger property in Zurich was not used as it is undergoing renovation until 2019. We were able to measure electricity consumption more accurately in 2018, resulting in improved data quality. This explains the reduction in electricity consumption.

Another significant increase in business travel was recorded, primarily involving a rise in business air travel. This reflects Vontobel's international expansion, which continued in the reporting year.

Vontobel installed LED lighting in a further part of the Zurich Campus during the reporting year. In total, 684 LED lights have now been installed, resulting in around 46,000 Watts of electricity savings. There are plans to switch to LED lighting in other parts of the Campus in the coming years.

Emissions

103-3 Evaluation of the management approach
305-1 Direct (Scope 1) GHG emissions
305-2 Energy indirect (Scope 2) GHG emissions
305-3 Other indirect (Scope 3) GHG emissions
305-4 GHG emissions intensity
305-5 Reduction of GHG emissions

	2018[1,3]	2017[1,2]	2016[1]
Emissions (absolute)			
Total greenhouse gas emissions ($t\ CO_2e$)	8,177	7,720	6,317
Greenhouse gas emissions scope 1 ($t\ CO_2e$)	543	856	639
Greenhouse gas emissions scope 2 ($t\ CO_2e$)	112	1	273
Greenhouse gas emissions scope 3 ($t\ CO_2e$)	7,521	6,863	5,405
of which business flights ($t\ CO_2e$)	*6,551*	*5,826*	*4,444*
of which commuting ($t\ CO_2e$)	*418*	*448*	*301*
Emissions (per full-time position)			
Total greenhouse gas emissions ($kg\ CO_2e / FTE$)	4,513	4,623	3,442
of which business flights ($kg\ CO_2e / FTE$)	*3,615*	*3,489*	*2,742*
of which commuting ($kg\ CO_2e / FTE$)	*231*	*268*	*186*

1 Figures are based on the period from October 1 in the previous year to September 30
2 Figures are based on a broader scope and adapted emissions factors
3 Without Notenstein La Roche

We achieved a slight reduction in relative CO_2 emissions compared to the previous year. However, there was a further increase in absolute CO_2 emissions. As already explained in the Energy section, this was clearly attributable to a rise in business air travel. The decrease in absolute and relative emissions resulting from commuting is due to the more accurate recording of the journeys completed.

It is essential to have a solid set of data in order to develop and implement environmental and climate protection measures in a targeted and effective manner. We carried out a comprehensive project that resulted in significant improvements in data quality for various environmental key figures – especially for our international locations – in the reporting year. We have thus created a solid basis for the implementation of further measures, both in Switzerland and in our international locations.

Further information on environmental sustainability at Vontobel can be found at: www.vontobel.com/environmental-sustainability.

Social Sustainability

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

Further information about our support for the International Committee of the Red Cross (ICRC) and other social commitments is available here: www.vontobel.com/serving-communities.

Further information about our efforts to support culture and education is available on our website: www.vontobel.com/culture-and-education.

Employment

103-1 Explanation of the material topic and its boundary
The skills and expertise of our employees are vital to Vontobel's long-term success. We are aware of the competition that exists for skilled employees: As an internationally active Swiss wealth and asset manager and product specialist, Vontobel has to compete with major players and increasingly also with small new players that have entered the arena, both in our Swiss home market and internationally. We therefore want to offer our employees attractive employment conditions.

103-2 The management approach and its components
Corporate Human Resources, which reports to the Executive Board, is responsible for positioning Vontobel as an attractive employer. Corporate Human Resources defines our Human Resources Principles, which are also set out in the Vontobel Employee Handbook and determine the objectives of our human resources and leadership processes and the measures taken to achieve them.

The Employee Handbook is available on the Intranet for all members of staff and contains comprehensive information about employment conditions, social benefits, training, compliance, and security guidelines. It is supplemented by internal policies that can always be accessed by employees via the Intranet.

Our measures to support employees include an extensive range of services:
- Holiday entitlement that exceeds the statutory requirement. Since 2016, employees have had the option of purchasing a maximum of 10 individual days of holiday in addition to their normal holiday entitlement. Members of Senior Management can take a sabbatical after a specific number of years of service.
- Employees can join collective agreements offered by health insurers at reduced rates together with their spouse or registered partner and their children.
- We offer an attractive share participation plan as well as mortgage products at preferential rates.
- In the case of both maternity and paternity leave, the benefits that Vontobel grants to working parents go beyond the statutory minimum. Female employees who have been with the company for up to six years are entitled to four months of maternity leave on full pay. After completing six years of service, they benefit from six months of maternity leave on full pay. Vontobel grants new fathers five days of paternity leave.
- For a number of years, we have been a member of kcc group (globegarden), an organization that offers families complete childcare solutions.
- In Zurich, we offer lunches to employees free of charge in our UTO Restaurant.
- Wherever possible from an operational perspective, Vontobel endeavors to meet requests for part-time working arrangements from employees, including members of middle management.

Part-time employees receive the same benefits as full-time employees. Different benefits apply in the case of temporary employees or staff who are available on an "on call" basis.

Annual reports are submitted to the Executive Board for the purpose of reviewing the targets and measures implemented in this area. They also serve as a control instrument.

Employee Surveys are also carried out at irregular intervals.

103-3 Evaluation of the management approach
401-1 New employee hires and employee turnover
Compared to the previous year, the number of employees increased (see also 102-8 Information on employees and other workers, p. 106).

Employee turnover [1]

	2018	2017
Turnover rate (in %)	11.4	10.7

Employee departures by age category: up to 20: 0; 21–30: 29; 31–40: 61; 41–50: 64; 51–60: 31; 61–64: 14; from 65: 1
Hires by age category: up to 20: 1; 21–30: 75; 31–40: 78; 41–50: 63; 51–60: 15

1 Without Notenstein La Roche

In 2018, the employee turnover rate increased slightly from 10.7% to 11.4% (see table). A total of 67 female employees and 133 male employees left Vontobel during the year. Meanwhile, a total of 232 new employees were hired during the year under review (77 women and 155 men). Employees from the former Notenstein La Roche are not included in this figure.

401-2 Benefits provided to employees
Almost 8% (2017: 12%) of employees have made use of the option of purchasing individual days of holiday in addition to their normal holiday entitlement.

Training and Education

103-1 Explanation of the material topic and its boundary
Today, employees have high expectations regarding the provision of training and development opportunities within their company. Lifelong learning is growing increasingly important. To remain attractive as an employer, we are committed to promoting training and development.

103-2 The management approach and its components
Training and development are essential in order to keep pace with the competition. We recognize our responsibility as an employer and therefore offer a comprehensive range of training and development courses. The HR Sounding Board ensures that they are aligned with Vontobel's business objectives.

The completion of various e-learning and classroom training modules is a mandatory requirement for new employees. Since 2018, new employees have been informed about key topics on their first day with the company and they are given an opportunity to network. At "Welcome Day" events, which are held several times a year, new employees can meet members of senior management, learn about the various services available to them within the company and obtain extensive information about Vontobel's strategy, objectives and culture. Welcome Day is mandatory for all employees in Switzerland and for all employees from the rank of Director in international locations. The Intranet also features "getting started" pages to facilitate the employee onboarding process at an international level. This includes a video welcome message from the CEO and useful information and tips to help employees settle into their new roles at Vontobel.

We consider it important for employees to take responsibility for their own professional development. As part of the annual definition of performance objectives as well as their evaluation, all employees are given the opportunity to draw up a personal development plan. A Web-based platform – myPerformance Development – is used for the assurance and evaluation of performance. The platform also includes a development plan that employees define in consultation with their line manager. This forms the basis for personal career planning.

Vontobel supports employees who want to complete external training courses, where appropriate. These courses mainly involve business-specific qualifications such as the Master in Banking and Finance, Bachelor or Master in Business Administration, CFA or CIIA. The "SeitenWechsel" program gives senior managers the opportunity to further develop their personal and leadership skills.

We regularly run leadership courses in which members of the Executive Board play an active role as part of our executive dialogue. In this way, we ensure that managers can discuss leadership topics with Vontobel's senior management.

To review the quality of the courses and programs that are completed, we provide participants with a questionnaire on aspects such as content, design, applicability and transferability, and we evaluate their responses. In addition to qualitative reporting, we generate quantitative reports. This enables us to produce a comparison with training and development activities in previous years and also in comparison with the industry benchmark.

103-3 Evaluation of the management approach
404-1 Average hours of training per year per employee

Training [1]

	2018	2017
Training costs (1,000 CHF)	1,654	1,464
Training costs (CHF / FTE)	829	867
Number of apprenticeships (incl. trainees)	32	28

1 Without Notenstein La Roche

While overall training costs rose compared to the previous year, training costs per employee decreased once again in 2018. The number of apprenticeships increased from 28 in the previous year to 32.

404-2 Programs for upgrading employee skills and transition assistance programs
In 2018, the Vontobel Academy once again offered a large number of internal and external courses on specialist, personal development and management topics. The fourth

version of the Vontobel Ambassador e-learning program was expanded to include further modules and is now mandatory for all employees. Its aim is to inform all employees about Vontobel's most important products and services.

404-3 Percentage of employees receiving regular performance and career development reviews
At the end of 2018, 90% of employees had begun or already completed their annual performance review process. Employees from the former Notenstein La Roche are not included in this figure.

Diversity, Equal Opportunity and Non-Discrimination

103-1 Explanation of the material topic and its boundary
The creation of a pleasant working environment that is free from discrimination and promotes diversity and equal opportunity represents a further component of our commitment to our employees.

103-2 The management approach and its components
To prevent discrimination in the workplace, the principle of non-discrimination is enshrined in our Employee Handbook. Both the Employee Handbook and the Vontobel Code of Conduct form an integral part of the employment contract.

Vontobel wants to strengthen employee awareness of the topic of Diversity & Inclusion. We have therefore defined three main areas that we will focus on going forward: "Gender", "Nationality" and "Demography". We have formulated appropriate and realistic goals – referred to as our "Aspirations 2020" – for each area. We provide comprehensive information about our various activities on the Intranet on an ongoing basis. We plan to establish a Diversity Counselling Board in the future.

In the "Gender" focus area, we are striving to continuously increase the number of women at senior management level or with leadership responsibilities. For example, in 2018, Vontobel and the women's network "Fondsfrauen" successfully hosted an event including a discussion round about the role of women in the fintech industry. In the "Nationality" focus area, we want to ensure that the composition of our workforce reflects our target markets while, at the same time, preserving our "Swissness" that is valued by our clients. Finally, in the "Demography" focus area, we aim to achieve a more balanced age mix. Long-term succession planning that addresses the needs of the business divisions is an essential part of Vontobel's long-term human resources planning. This is another area in which we take our Diversity & Inclusion focus areas into account. The age structure shows that most employees are aged between 30 and 50. Targeted measures are needed to align the potential of this age group with the divisions' staffing needs.

We actively address the topic of Diversity & Inclusion with Vontobel's management in order to bring about changes and achieve our goals in this area. Consequently, Diversity & Inclusion is one of the subjects discussed in our leadership seminars.

103-3 Evaluation of the management approach
405-1 Diversity of governance bodies and employees
There was a slight change in the number of different nationalities with a trend towards more "Swissness", primarily reflecting the integration of employees from Notenstein La Roche.

There was little change in the proportion of employees who worked on a part-time basis compared to 2017: The proportion of female employees working part-time increased slighty to 33% (2017: 31%), while the proportion of male employees in part-time positions remained stable at 8%.

For these as well as further indicators see the tables on p. 104.

406-1 Incidents of discrimination and corrective actions taken
No cases of discrimination were reported in 2018.

Breakdown of full-time and part-time positions by gender as of 31.12.2018

	NUMBER OF WOMEN	PROPORTION OF WOMEN	NUMBER OF MEN	PROPORTION OF MEN	TOTAL NUMBER	TOTAL PROPORTION
less than 20%	0	0	2	0%	2	0%
20–49%	22	3%	3	0%	25	1%
50–79%	83	13%	19	1%	102	5%
80–99%	107	16%	96	7%	203	10%
100%	437	67%	1,310	92%	1,747	84%
Total	**649**	**100%**	**1,430**	**100%**	**2,079**	**100%**

Number of employees by domicile

	NUMBER OF WOMEN	NUMBER OF MEN	31.12.2018 TOTAL	NUMBER OF WOMEN	NUMBER OF MEN	31.12.2017 TOTAL
Switzerland	521	1,216	1,737	403	1,021	1,424
Germany	43	67	110	42	63	105
USA	28	51	79	31	51	82
United Kingdom	22	44	66	17	40	57
Hong Kong	12	13	25	10	13	23
Italy	9	10	19	8	9	17
Luxembourg	8	9	17	8	9	17
Liechtenstein	0	0	0	7	10	17
Singapore	3	5	8	4	6	10
U.A.E	2	10	12	2	9	11
Spain	1	3	4	1	2	3
Australia	0	2	2	0	1	1
Total	**649**	**1,430**	**2,079**	**533**	**1,234**	**1,767**

Number of employees by nationality

	31.12.2018		31.12.2017	
	NUMBER	IN %	NUMBER	IN %
Switzerland	1,402	67	1,132	64
Germany	248	12	228	13
Italy	75	4	71	4
USA	68	3	68	4
United Kingdom	74	4	67	4
France	39	2	36	2
China	19	1	21	
Austria	14	1	18	1
Spain	16	1	14	1
Other	124	6	112	6
Total	**2,079**	**100**	**1,767**	**100**

Age structure

	31.12.2018		31.12.2017	
	NUMBER	IN %	NUMBER	IN %
Up to 20 years old	13	1	28	2
21 to 30 years old	267	13	184	10
31 to 40 years old	603	29	527	30
41 to 50 years old	705	34	620	35
51 to 60 years old	445	21	364	21
More than 60 years old	46	2	44	2
Total	**2,079**	**100**	**1,767**	**100**
Average age (in years)	*43*[1]		*43*	

1 Without Notenstein La Roche

Age structure of the Board of Directors

	31.12.2018		31.12.2017	
	NUMBER	IN %	NUMBER	IN %
31 to 40 years old	1	11	2	22
41 to 50 years old	4	44	2	22
51 to 60 years old	2	22	2	22
More than 60 years old	2	22	3	34
Total	**9**	**100**	**9**	**100**

Years of service

	31.12.2018		31.12.2017	
	NUMBER	IN %	NUMBER	IN %
< 1 year	266	13	220	12
1 up to < 5 years	739	36	664	38
5 up to < 10 years	521	25	415	23
10 up to < 20 years	435	21	371	21
20 up to < 30 years	80	4	67	4
from 30 years	38	2	30	2
Total	**2,079**	**100**	**1,767**	**100**

Breakdown of rank structure by gender as of 31.12.2018[1]

	NUMBER OF WOMEN	PROPORTION OF WOMEN	NUMBER OF MEN	PROPORTION OF MEN
Employee	119	49%	123	51%
Middle management	266	43%	357	57%
Senior management	162	17%	784	83%
Executive Board	0	0%	6	100%
Total	**547**	**30%**	**1,270**	**70%**
Board of Directors	3	33%	6	67%

1 Without Notenstein La Roche

Marketing and Labeling, Product Compliance

103-1 Explanation of the material topic and its boundary
Offering each of our clients the right solution or best possible service is the primary goal of our three business divisions – Wealth Management, Asset Management and Investment Banking. Regulatory requirements apply in particular to producers and distributors of products and services for retail and private clients. Depending on the jurisdiction and the product or service involved, these duties include the duty to create and supply Key Information Documents describing the characteristics and functions of the products or services and the associated risks and opportunities. The Key Information Documents should also ensure the comparability of the products and services.

103-2 The management approach and its components
To continue developing our business, each of our three business divisions carries out product development, client communications and marketing activities. The applicable legal regulations, such as the Swiss Law on Collective Investments or the Markets in Financial Instruments Directive (MiFID II) guide us in this area. We are an active member of various industry associations and help to shape rules in the area of self-regulation that are designed to increase the comparability of products and services and provide greater transparency for investors, as well as complying with the corresponding provisions. In addition, we follow the Principles for Responsible Investment (PRI) and we also comply with the requirements set out in the European SRI Transparency Code for a number of our sustainable investment solutions.

103-3 Evaluation of the management approach
417-1 Requirements for product and service information and labeling
Our products and services meet the applicable legal and regulatory requirements with regard to labeling and transparency. In the reporting year, there were no cases of misconduct or financial penalties for non-compliance with regulations governing the applicable requirements.

Customer Privacy

103-1 Explanation of the material topic and its boundary
The trust that clients place in us forms the basis for our successful long-term collaboration and is an important asset that is highly valued at Vontobel. We therefore assign considerable importance to protecting client data and complying with all legal requirements in this context.

103-2 The management approach and its components
The parameters for compliance with legal requirements relating to the protection of client data (e.g. banking confidentiality and data protection law) are defined and monitored by cross-divisional departments such as Legal, Compliance & Tax and IT Security. Information about data protection in our different locations can be found on our webpage about the EU General Data Protection Regulation (GDPR) at: www.vontobel.com/gdpr. Further information on IT security can be found here: www.vontobel.com/it-security.

103-3 Evaluation of the management approach
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
There were no substantiated complaints concerning breaches of customer privacy and losses of customer data in the reporting year.

Further information on social sustainability at Vontobel can be found at: www.vontobel.com/social-sustainability.

General Disclosures

Organizational profile

102-1 Name of the organization
Vontobel Holding AG

102-2 Activities, brands, products, and services
Information on our activities, brands, products, and services is provided in the following sections of our Annual Report: “Our brand”, pages 10–11; “Wealth Management”, page 24; “Asset Management”, page 26, “Investment Banking”, page 28.

102-3 Location of headquarters
Vontobel Holding AG, Gotthardstrasse 43, CH-8022 Zurich, telephone +41 58 283 59 00, www.vontobel.com.

102-4 Location of operations
Vontobel has operations at 26 locations in 12 countries (see “Our locations”, page 244).

102-5 Ownership and legal form
Further information about the nature of our ownership and our legal form are provided in the section “Major shareholders and groups of shareholders with pooled voting rights”, page 35.

102-6 Markets served
Information on markets served is provided in “Wealth Management”, page 24; “Asset Management”, page 26, “Investment Banking”, page 28.

102-7 Scale of the organization
As of 31.12.2018, Vontobel had a total of 2,079 employees.

Further key figures concerning the scale of the organization are provided on pages 8 and 9.

102-8 Information on employees and other workers
Of the total of 2,079 employees at Vontobel as of 31.12.2018, 1,747 held full-time positions (see table on page 103).

In addition to employees with permanent contracts, a total of 390 temporary employees worked for Vontobel at the end of 2018. These individuals either have fixed-term contracts or are available on an “on call” basis to assist the company when needed.

For further key figures concerning our employees see the section on “Diversity, Equal Opportunity and Non-Discrimination” (p. 103).

102-9 Supply chain
Vontobel purchases a large quantity of products and services from external providers, including facility management services, IT infrastructure, and the design and production of printed materials, as well as catering and cleaning services. Wherever possible, we work with local suppliers. For example, we purchase fruit for our employees from a Swiss family-owned company. All of our print orders in Switzerland are awarded to Swiss printing companies. A major proportion of the advertising and Christmas gifts used throughout the company are also purchased from Swiss providers. At the end of 2018, we had a total of around 1,460 suppliers, of which 80% were based in Switzerland.

102-10 Significant changes to the organization and its supply chain
Information on the development of the business is provided in the “Business Review”, page 13, and in “Participations removed from the scope of consolidation” page 215. There were no significant changes to the supply chain.

102-11 Precautionary Principle or approach / Sustainability approach
A systematic client focus, a long-term growth strategy, and a solid capital and risk policy are core elements of economic sustainability at Vontobel. Information and explanations on this topic can be found in the relevant chapters of Vontobel’s Annual Report.

Our growth strategy includes a focus on our competencies and on our offering in the area of sustainable investing. In terms of environmental sustainability, we take targeted measures when conducting our operations to achieve a significant reduction in CO_2 emissions and other factors that are harmful to the environment. Based on our strong commitment to supporting communities, we invest in initiatives and projects to promote social sustainability. A dedicated team addresses these topics. In 2019, we are planning to start a scenario analysis using scientifically based criteria to determine climate change-related opportunities and risks to our business model.

102-12 External initiatives
Vontobel has been a signatory to the PRI, a UN initiative to promote sustainable investing, since 2010. The Principles were launched by the then UN Secretary General in 2006 and take account of the growing relevance of environmental, social and governance (ESG) themes in investment practice. In 2018, Vontobel hosted the PRI Climate Forum at its head office in Zurich (www.vontobel.com/pri-climate-forum).

In 2017, our company joined the global network of the "United Nations Global Compact" as well as the "Global Compact Network Switzerland". We have thus pledged to align our operations and strategies with ten universal principles in the areas of human rights, labor, environment and anti-corruption. Within our sphere of influence as a company, we thus help to promote key sustainability principles around the globe.

102-13 Membership of associations
Vontobel is a member of various organizations and a co-signatory of a number of investor initiatives. In this way, we promote sustainable development in an environmental and social context.

In early 2018, Vontobel joined the Sustainable Construction Network Switzerland. Together with the corresponding stakeholders, the organization is committed to promoting the sustainable development of buildings, infrastructure and settlements in Switzerland.

A current overview of all initiatives and memberships can be found on the Internet at: www.vontobel.com/ratings-memberships.

Strategy

102-14 Statement from senior decision-maker
See the foreword of the Sustainability Report, page 88.

102-15 Key impacts, risks, and opportunities
See the foreword of the Sustainability Report, page 88.

Ethics and integrity

102-16 Values, principles, standards, and norms of behavior
As a financial services provider, Vontobel is closely connected with the economy and society in all the locations in which we operate. Consequently, the nature and design of our products and services and the way we conduct our banking operations have an impact on sustainable development in this integrated world. We believe that promoting sustainable development in our markets is both an economic necessity and an ethical duty.

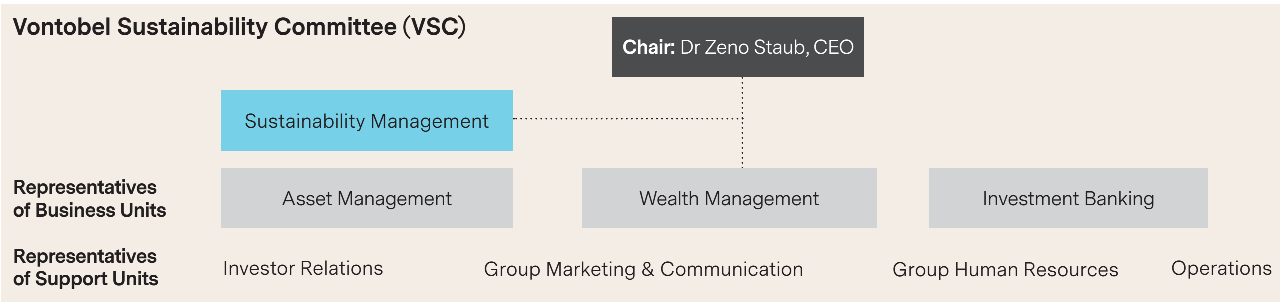
Two key documents form the basis of Vontobel's sustainability commitments:
- The Code of Conduct defines basic principles that employees must observe to ensure that we perform our business activities in a fair and forward-looking manner.
- The Sustainability Guidelines define the areas in which we take action to implement our sustainability strategy.

These as well as fruther principles and guidelines are available at: www.vontobel.com/principles-and-policies.

Governance

102-18 Governance structure
We permanently strive for sustainability, since it goes hand in hand with business success and stability. Sustainability and an effective business strategy are closely interconnected. For this reason, Vontobel is committed to the continuous optimization of sustainable business management in all our divisions in the long term.

Vontobel strives to continuously improve its own sustainability performance and has two committees that work towards this goal: The Vontobel Sustainability Committee consists of representatives from all divisions and reports to the CEO (see chart).



Based on Vontobel's Sustainability Principles, the Committee defines the Sustainability Strategy and specific targets. In the context of our "Strategy 2020", the Committee defined strategic objectives and key performance indicators for the area "Corporate Responsibility & Sustainability". Corporate Sustainability Management coordinates the implementation of the measures that have been decided in conjunction with the relevant specialist units (see chart).

Corporate Sustainability Management

Chief Executive Officer
Dr Zeno Staub

Corporate Marketing & Communication
P. Farinato

Corporate Responsability & Sponsoring
C. Schilz

Corporate Sustainability Management
N. Ernst, A. Baumast

The ESG Investment Council is responsible for the coordination of the different investment strategies regarding environmental, social and governance (ESG) issues, overarching principles and policies, and generally advances ESG throughout the various investment teams in Vontobel Asset Management and the Vontobel Group. The Council consists of portfolio managers and portfolio advisors dealing with various sustainable strategies, as well as representatives of Wealth Management and Corporate Sustainability Management.

Information on Vontobel's overall governance structure is provided in the "Corporate Governance" section, starting on page 34.

Stakeholder engagement

102-40 List of stakeholder groups
Our sustainability commitments center on our main groups of stakeholders: Clients, shareholders, employees, society and the environment.

102-41 Collective bargaining agreements
In Switzerland, all employees up to and including middle management are covered by the Agreement on Conditions of Employment for Bank Employees (VAB) issued by the Employers Association of Banks in Switzerland (AVG).

102-42: Identifying and selecting stakeholders
For Vontobel, interacting closely with our stakeholders is a central component of our day-to-day business. We focus on our dialogue with all stakeholder groups on whom Vontobel's business activities have a significant influence or who have a substantial impact on the success of the company. At established points of contact, such as Investor Relations or Corporate Sustainability Management, potential stakeholders are systematically recorded based on the queries we receive.

102-43: Approach to stakeholder engagement
An open dialogue is key in order to gain a better understanding of the needs of our clients, employees, suppliers, and cooperation partners, and to take account of the interests of local communities and non-government organizations (NGOs). We want to engage with our stakeholders by providing clear and comprehensible information on different challenges and opportunities relating to ESG matters. Regular employee and client surveys are key tools in this context, as are targeted discussions with our suppliers.

102-44 Key topics and concerns raised
In 2018, we once again carried out an employee survey as well as various client surveys. Issues raised by employees included calls for targeted support in the area of career development and the topic of constructive feedback. The majority of clients indicated that they were very satisfied with Vontobel but we nonetheless want to achieve improvements in this area and to further strengthen client satisfaction and trust in our company. We are making good progress in these efforts: In the financial year 2018, Vontobel once again received numerous awards, demonstrating our clients' satisfaction with our services.

Reporting practice

102-45 Entities included in the consolidated financial statements
Information on the scope of consolidation is provided on pages 214–215.

102-46 Defining report content and topic boundaries
This report is based on the material topics that Vontobel has identified using the process defined under the GRI G4 guidelines to determine material topics and disclosures in various workshops and interviews. During this process, we discussed all the GRI topics and the Financial Sector Supplements that apply specifically to the financial sector and determined their materiality for Vontobel. The material topics have been transferred to the reporting based on the GRI Standards.

As a provider of financial products, we also incorporate sustainability aspects into our products and services and into partnerships and relationships with suppliers. Further information is available in the preceding chapters. Unless stated otherwise, the reporting boundary encompasses Vontobel Holding AG with the subsidiaries listed in the consolidated annual financial statements as well as their locations.

102-47 List of material topics
Material topics for our reporting:
- Economic performance
- Indirect economic impacts
- Materials
- Energy
- Emissions
- Employment
- Training and education
- Diversity and equal opportunity
- Non-discrimination
- Anti-corruption
- Product and service labelling
- Customer privacy
- Product compliance
- Product portfolio
- Active ownership

102-48 Restatements of information
We have not made any restatements or corrections to the previous year's disclosures. It is planned that the list of material topics will be updated in 2019.

102-49 Changes in reporting
We have not made any changes to our reporting.

102-50 Reporting period
Unless stated otherwise, the reporting period is from January 1 to December 31, 2018. The environmental key figures relate to the period from October 1, 2017, to September 30, 2018.

102-51 Date of most recent report
February 2018

102-52 Reporting cycle
This report has been produced in accordance with the principles set out by the Global Reporting Initiative (GRI) for the ninth time.

102-53 Contact point for questions regarding the report
Natalie Ernst
Corporate Sustainability Manager
Telephone +41 58 283 62 18

Annett Baumast
Sustainability Manager
Telephone +41 58 283 68 83
sustainability@vontobel.com

102-54: Claims of reporting in accordance with the GRI Standards
This report was produced in accordance with the GRI Standards: Core option.

102-55: GRI Content Index
See GRI Content Index from page 111.

102-56: External assurance
The report has not been externally assured.

GRI Content Index

GRI Materiality Disclosures
Vontobel Holding AG
Feb 2019 Service

For the Materiality Disclosures Service, GRI verified whether the GRI Content Index is clearly presented and the references for Disclosures 102-40 to 102-49 correspond to the relevant sections of the Report.

GRI Standard	Title	Page	Reason of omission
	Sustainable Investing	**89**	
	Product portfolio	**89**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	89, 93	
FS6	Business Lines by specific region, size and sector	93	p.c.
FS8	Products and services designed to deliver a specific environmental benefit	93	
FS 11	Percentage of assets subject to positive and negative environmental or social screening	93	
	Active Ownership	**94**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	94	
FS10	Portfolio-based engagement on social and environmental issues	94	
	Economic Sustainability	**96**	
GRI 201: 2016	**Economic performance**	**96**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	96	
GRI 201-1	Direct economic value generated and distributed	96	
GRI 201-3	Defined benefit plan obligations and other retirement plans	96	
GRI 203: 2016	**Indirect economic impacts**	**96**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	96	
GRI 203-1	Infrastructure investments and services supported	96	p.c.
GRI 205: 2016	**Anti-corruption**	**96**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	96, 97	
GRI 205-1	Operations assessed for risks related to corruption	97	
GRI 205-2	Communication and training about anti-corruption policies	97	
GRI 205-3	Confirmed incidents of corruption and actions taken	97	
	Environmental Sustainability	**98**	
GRI 301: 2016	**Materials**	**98**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	98, 99	
GRI 301-1	Materials used by weight or volume	99	
GRI 301-2	Recycled input materials used	99	
GRI 302: 2016	**Energy**	**99**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	98, 99	
GRI 302-1	Energy consumption within the organization	99	
GRI 302-3	Energy intensity	99	
GRI 302-4	Reduction of energy consumption	99	
GRI 305: 2016	**Emissions**	**100**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	98, 100	
GRI 305-1	Direct (Scope 1) GHG emissions	100	
GRI 305-2	Energy indirect (Scope 2) GHG emissions	100	
GRI 305-3	Other indirect (Scope 3) GHG emissions	100	
GRI 305-4	GHG emissions intensity	100	
GRI 305-5	Reduction of GHG emissions	100	

GRI Standard	Title	Page	Reason of omission
	Social Sustainability	**101**	
GRI 401: 2016	**Employment**	**101**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	101	
GRI 401-1	New employee hires and employee turnover	101	
GRI 401-2	Benefits provided to employees	102	
GRI 404: 2016	**Training and Education**	**102**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	102	
GRI 404-1	Average hours of training per year per employee	102	
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	102	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	103	
GRI 405: 2016	**Diversity and Equal Opportunity**	**103**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	103	
GRI 405-1	Diversity of governance bodies and employees	103	
GRI 406: 2016	**Non-Discrimination**	**103**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	103	
GRI 406-1	Incidents of discrimination and corrective actions taken	103	
GRI 417: 2016	**Marketing and Labeling, Product-Compliance**	**105**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	105	
GRI 417-1	Requirements for product and service information and labeling	105	
GRI 418: 2016	**Customer Privacy**	**105**	
GRI 103: 2016 103-1 / 103-2 / 103-3	Management approach	105	
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	105	

p.c. = Omissions due to partial coverage. We are working to increase data coverage in the coming years.

UN Global Compact: Activities and Results

Implementing and supporting the ten principles of the UN Global Compact
“Vontobel has been a member of the UN Global Compact and of the Global Compact Network Switzerland since 2017. We have thus pledged to align our operations and strategies with ten universally recognized prin¬ciples in the areas of human rights, labor, environment and anti-corruption.”
Dr Zeno Staub, CEO of Vontobel

This Sustainability Report is our second Communication on Progress (COP) report about the implementation of the ten principles at Vontobel.

The Ten Principles of the UN Global Compact

PRINCIPLES	IMPLEMENTATION AT VONTOBEL: CONTENT-RELATED TOPICS AND COVERAGE ACCORDING TO GRI REPORTING	PAGE IN ANNUAL REPORT
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Topic **Non-discrimination**	
	GRI 406-1 Incidents of discrimination and corrective actions taken	103
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based commitment to social and environmental issues	94
	FS11: Assets subject to environmental or social screening	93
Principle 2: Make sure that they are not complicit in human rights abuses	Topic **Organizational Profile**	
	GRI 102-9 Supply chain	106
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based commitment to social and environmental issues	94
	FS11: Assets subject to environmental or social screening	93
Labor		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Topic **Organizational Profile**	
	GRI 102-41 Collective bargaining agreements	108
Principle 4: Elimination of all forms of forced and compulsory labor	Topic **Organizational Profile**	
	GRI 102-9 Supply Chain	106
	Topic **Economic performance**	
	GRI 201-3 Defined benefit plan obligations and other retirement plans	96
Principle 5: Effective abolition of child labor	Topic **Organizational Profile**	
	GRI 102-9 Supply Chain	106
Principle 6: Elimination of discrimination in respect of employment and occupation	Topic **Organizational Profile**	
	GRI 102-8 Information on employees and other workers	106
	Topic **Employment**	
	GRI 401-1 New employees hires and employee turnover	101
	Topic **Training and Education**	
	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	102
	GRI 404-3 Percentage of employees receiving regular performance and career development reviews	103
	Topic **Diversity and equal opportunity**	
	GRI 405-1 Diversity of governance bodies and employees	103
	Topic **Non-discrimination**	
	GRI 406-1 Incidents of discrimination and corrective actions taken	103

PRINCIPLES	IMPLEMENTATION AT VONTOBEL: CONTENT-RELATED TOPICS AND COVERAGE ACCORDING TO GRI REPORTING	PAGE IN ANNUAL REPORT
Environment		
Principle 7: Businesses should support a precautionary approach to environmental challenges	Topic **Materials**	
	GRI 301-1 Materials used by weight or volume	99
	GRI 301-2 Recycled input materials used	99
	Topic **Energy**	
	GRI 302-1 Energy consumption within the organization	99
	GRI 302-3 Energy intensity	99
	GRI 302-4 Reduction of energy consumption	99
	Topic **Emissions**	
	GRI 305-1 Direct (Scope 1) GHG emissions	100
	GRI 305-2 Energy indirect (Scope 2) GHG emission	100
	GRI 305-3 Other indirect (Scope 3) GHG emission	100
	GRI 305-4 GHG emissions intensity	100
	GRI 305-5 Reduction of GHG emissions	100
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based commitment to social and environmental issues	94
	FS11: Assets subject to environmental or social screening	93
Principle 8: Undertake initiatives to promote greater environmental responsibility	Topic **Materials**	
	GRI 301-1 Materials used by weight or volume	99
	GRI 301-2 Recycled input materials used	99
	Topic **Energy**	
	GRI 302-1 Energy consumption within the organization	99
	GRI 302-3 Energy intensiity	99
	GRI 302-4 Reduction of energy consumption	99
	Topic **Emissions**	
	GRI 305-1 Direct (Scope 1) GHG emissions	100
	GRI 305-2 Energy indirect (Scope 2) GHG emission	100
	GRI 305-3 Other indirect (Scope 3) GHG emission	100
	GRI 305-4 GHG emissions intensity	100
	GRI 305-5 Reduction of GHG emissions	100
Principle 9: Encourage the development and diffusion of environmentally friendly technologies	Topic **Energy**	
	GRI 302-4 Reduction of energy consumption	99
	Topic **Emissions**	
	GRI 305-5 Reduction of GHG emissions	100
Anti-corruption		
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery	Topic **Ethics and Integrity**	
	GRI 102-16 Values, principles, standards, and norms of behavior	107
	GRI 205-1 Operations assessed for risks related to corruption	97
	GRI 205-2 Communication and training about anti-corruption policies and procedures	97
	GRI 205-3 Confirmed incidents of corruption and actions taken	97

Consolidated financial statements

Notes to the consolidated financial statements

Consolidated income statement

Consolidated income statement

	NOTE	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Interest income		99.2	82.9	16.3	20
Interest expense		24.5	14.2	10.3	73
Net interest income		**74.7**	**68.7**	**6.0**	**9**
Credit loss (expense) / recovery		–2.8	–0.2	–2.6	
Net interest income after credit losses	1	**71.8**	**68.5**	**3.3**	**5**
Fee and commission income		1,035.2	902.5	132.7	15
Fee and commission expense		249.5	209.6	39.9	19
Net fee and commission income	2	**785.7**	**692.9**	**92.8**	**13**
Trading income	3	**295.1**	**288.8**	**6.3**	**2**
Other income	4	**5.1**	**9.9**	**–4.8**	**–48**
Total operating income		**1,157.8**	**1,060.1**	**97.7**	**9**
Personnel expense	5	570.1	532.6	37.5	7
General expense	6	246.7	205.0	41.7	20
Depreciation of property, equipment and intangible assets	7	68.8	61.0	7.8	13
Provisions and losses	8	–4.0	2.2	–6.2	–282
Total operating expense		**881.6**	**800.8**	**80.8**	**10**
Profit before taxes		**276.2**	**259.3**	**16.9**	**7**
Taxes	9	44.0	50.3	–6.3	–13
Group net profit		**232.2**	**209.0**	**23.2**	**11**
of which allocated to minority interests		*11.5*	*6.6*	*4.9*	*74*
of which allocated to shareholders of Vontobel Holding AG		*220.7*	*202.4*	*18.3*	*9*

Share information (CHF)

	NOTE	31.12.2018	31.12.2017	CHANGE CHF	IN %
Basic earnings per share [1]	11	3.96	3.65	0.31	8
Diluted earnings per share [1]	11	3.88	3.56	0.32	9

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

	NOTE	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Group net profit according to the income statement		**232.2**	**209.0**	**23.2**	**11**
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		–3.4	1.6	–5.0	–313
Gains and losses transferred to the income statement		0.0	0.0	0.0	
Total currency translation adjustments		–3.4	1.6	–5.0	–313
Debt instruments in financial investements[1]:					
Income during the reporting period		–4.8	–2.7	–2.1	
Gains and losses transferred to the income statement		0.2	–3.5	3.7	
Total debt instruments in financial investments		–4.7	–6.2	1.5	
Cash flow hedges:					
Income during the reporting period		0.1	–0.5	0.6	
Gains and losses transferred to the income statement		0.0	0.0	0	
Total cash flow hedges		0.1	–0.5	0.6	
Total other comprehensive income that will be reclassified to the income statement		**–8.0**	**–5.1**	**–2.9**	
Other comprehensive income that will not be reclassified to the income statement					
Income from equity instruments in financial investments		31.1		31.1	
Income from defined benefit pension plans		–55.1	9.6	–64.7	–674
Total other comprehensive income that will not be reclassified to the income statement		**–24.0**	**9.6**	**–33.6**	**–350**
Total other comprehensive income, net of tax		**–32.0**	**4.5**	**–36.5**	**–811**
Comprehensive income		**200.3**	**213.5**	**–13.2**	**–6**
of which allocated to minority interests		*11.1*	*7.0*	*4.1*	*59*
of which allocated to shareholders of Vontobel Holding AG		*189.2*	*206.5*	*–17.3*	*–8*

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

	NOTE	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Cash		7,229.4	6,287.9	941.5	15
Due from banks		1,161.2	1,658.7	–497.5	–30
Receivables from securities financing transactions	20	765.0	1,015.7	–250.7	–25
Trading portfolio assets	12	2,972.1	3,991.2	–1,019.1	–26
Positive replacement values	12	136.0	243.9	–107.9	–44
Other financial assets at fair value	12	4,143.2	3,490.9	652.3	19
Loans	13	4,904.6	3,310.5	1,594.1	48
Financial investments	14	3,276.4	1,788.9	1,487.5	83
Investments in associates	15	0.9	0.9	0.0	0
Property and equipment	17	175.5	159.7	15.8	10
Goodwill and other intangible assets	18	579.3	291.1	288.2	99
Other assets	19	693.8	664.3	29.5	4
Total assets		**26,037.3**	**22,903.7**	**3,133.6**	**14**

Liabilities and equity

	NOTE	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Due to banks		679.8	1,221.3	–541.5	–44
Payables from securities financing transactions	20	34.5	0.0	34.5	
Trading portfolio liabilities	12	208.4	158.2	50.2	32
Negative replacement values	12	1,325.7	725.6	600.1	83
Other financial liabilities at fair value	12	7,836.2	8,451.3	–615.1	–7
Due to customers		12,649.2	9,758.2	2,891.0	30
Debt issued	23	447.6	0.0	447.6	
Provisions	24	18.5	40.6	–22.1	–54
Other liabilities	25	1,134.0	928.0	206.0	22
Total liabilities		**24,333.8**	**21,283.2**	**3,050.6**	**14**
Share capital	26	56.9	56.9	0.0	0
Treasury shares	26	–98.8	–79.6	–19.2	
Capital reserve		–172.8	–160.3	–12.5	
Retained earnings		1,978.0	1,854.7	123.3	7
Other components of shareholders’ equity		–59.8	–51.2	–8.6	
Shareholders’ equity		**1,703.5**	**1,620.5**	**83.0**	**5**
Minority interests		0.0	0.0	0.0	
Total equity		**1,703.5**	**1,620.5**	**83.0**	**5**
Total liabilities and equity		**26,037.3**	**22,903.7**	**3,133.6**	**14**

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[3]			
Purchase of treasury shares		–58.6	
Sale of treasury shares		13.6	1.1
Share-based compensation expense			36.6
Allocations from share-based compensation		59.2	–34.2
Change in minority interests			0.0
Change in liability to purchase minority interests			–6.0
Other effects	0.0	0.0	0.0
Total ownership-related changes	**0.0**	**14.2**	**–2.5**
Balance as of 31.12.2017	**56.9**	**–79.6**	**–160.3**
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		–94.4	
Sale of treasury shares		15.9	1.5
Share-based compensation expense			34.2
Allocations from share-based compensation		59.3	–34.0
Change in minority interests			0.0
Change in liability to purchase minority interests			–14.1
Other effects	0.0	0.0	0.0
Total ownership-related changes	**0.0**	**–19.2**	**–12.5**
Balance as of 31.12.2018	**56.9**	**–98.8**	**–172.8**

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**
202.4				202.4	6.6	209.0
	–6.2	1.2	–0.5	–5.5	0.4	–5.1
9.6				9.6		9.6
212.0	**–6.2**	**1.2**	**–0.5**	**206.5**	**7.0**	**213.5**
–111.8				–111.8	–7.8	–119.6
				–58.6	0.0	–58.6
				14.6	0.0	14.6
				36.6	0.0	36.6
				24.9	0.0	24.9
	0.0	0.0		0.0	0.0	0.0
				–6.0	0.8	–5.2
0.0	0.0			0.0	0.0	0.0
–111.8	**0.0**	**0.0**	**0.0**	**–100.2**	**–7.0**	**–107.2**
1,854.7	**–1.6**	**–48.4**	**–1.2**	**1,620.5**	**0.0**	**1,620.5**
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**
220.7				220.7	11.5	232.2
	–4.7	–3.0	0.1	–7.5	–0.4	–8.0
–24.0				–24.0	0.0	–24.0
196.7	**–4.7**	**–3.0**	**0.1**	**189.2**	**11.1**	**200.3**
–118.3				–118.3	–11.6	–129.8
				–94.4	0.0	–94.4
				17.4	0.0	17.4
0.0				34.2	0.0	34.2
				25.3	0.0	25.3
	0.0	0.0		0.0	0.1	0.1
				–14.1	0.4	–13.8
0.0	0.0			0.0	0.0	0.0
–118.3	**0.0**	**0.0**	**0.0**	**–149.9**	**–11.1**	**–161.0**
1,978.0	**–7.3**	**–51.4**	**–1.1**	**1,703.5**	**0.0**	**1,703.5**

Consolidated cash flow statement

Consolidated cash flow statement

CHF MN	31.12.2018	31.12.2017
Cash flow from operating activities		
Group net profit (incl. minorities)	232.2	209.0
Reconciliation to net cash flow from operating activities		
Non-cash positions in Group results:		
Depreciation and valuation adjustments of property, equipment and intangible assets	68.8	61.0
Credit loss expense / (recovery)	0.3	0.0
Income from investments in associates	0.0	–0.3
Deferred income taxes	3.5	7.0
Change in provisions	–26.5	5.6
Net income from investing activities	9.8	2.6
Net income from disposal of property, equipment and intangible assets	0.0	0.0
Other non-cash income	15.2	40.5
Net (increase) / decrease in assets relating to banking activities:		
Due from / to banks, net	–605.6	173.0
Receivables from securities financing transactions	449.3	–192.6
Trading positions and replacement values, net	1,800.3	–1,268.8
Other financial assets / liabilities at fair value, net	–1,264.2	899.0
Loans / due to customers, net	–806.1	–581.2
Other assets	82.6	–90.2
Net increase / (decrease) in liabilities relating to banking activities:		
Payables from securities financing transactions	–330.0	0.0
Other liabilities	114.9	282.0
Taxes paid	–31.4	–47.9
Cash flow from operating activities	**–286.8**	**–501.3**
Cash flow from investing activities		
Investments in subsidiaries and associates	883.0	543.6
Disposal of subsidiaries and associates	21.9	0.0
Settlement of earn-out payments	0.0	3.7
Purchase of property, equipment and intangible assets	–66.7	–57.7
Disposal of property, equipment and intangible assets	0.0	0.0
Investment in financial instruments	–983.2	–515.7
Divestment of financial instruments	641.7	813.8
Cash flow from investing activities	**496.7**	**787.7**
Cash flow from financing activities		
Net movements in treasury shares	–77.0	–43.9
Dividends paid	–129.8	–119.6
Issued debt instruments	447.4	0.0
Cash flow from financing activities	**240.6**	**–163.5**
Effects of exchange rate differences	–6.5	8.9
Net increase / (decrease) in cash and cash equivalents	**444.1**	**131.8**
Cash and cash equivalents, beginning of the year	7,918.9	7,787.1
Impact of changes to the accounting principles	–0.4	-
Cash and cash equivalents as at the balance sheet date	**8,362.6**	**7,918.9**

CHF MN	31.12.2018	31.12.2017
Cash and cash equivalents comprise at the balance sheet date		
Cash [1]	7,229.4	6,287.9
Due from banks on demand	1,133.2	1,631.0
Total	**8,362.6**	**7,918.9**
Further information:		
Dividends received	47.5	53.7
Interest received	157.1	141.9
Interest paid	23.2	15.9

1 “Cash” comprises petty cash, giro and demand deposits at the Swiss National Bank and foreign central banks, as well as clearing credit balances at recognized clearing centers and clearing banks.

Accounting principles

1. Basis of presentation

Vontobel's consolidated financial statements comprise the accounts of Vontobel Holding AG and its subsidiaries. They have been prepared in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). The accounting principles applied are the same as in the consolidated financial statements dated December 31, 2017, the only exceptions being the changes referred in section 4.

2. Estimates, assumptions and judgement by management

In the preparation of the consolidated financial statements, management has to make numerous estimates and assumptions that may include material uncertainties. These estimates and assumptions are based on the best available information and are adapted continuously in line with new findings and circumstances.

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

In the application of accounting principles, the treatment of the impact of the change in own credit risk from financial liabilities, for which the fair value option is applied – as described in note 3 of the Notes to the consolidated financial statements – involves significant judgment.

3. Summary of the most important accounting principles

3.1 Consolidation principles

Subsidiaries

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

Acquired subsidiaries are consolidated from the date on which control is transferred to Vontobel. Changes to investments in subsidiaries are recorded as transactions in shareholders' equity provided Vontobel retains control of the subsidiary. Subsidiaries that are sold are consolidated until the date on which control is lost. If Vontobel loses control of a subsidiary, any investment that is retained in the former subsidiary is recognized as an interest in an associate or as a financial instrument in accordance with IFRS 9.

The acquisition of a subsidiary is accounted for using the purchase method. The acquisition costs are measured at the fair value of the consideration at the acquisition date. Previously held equity interests in the acquiree that are treated as financial instruments in accordance with IFRS 9 or as an associated company are measured at fair value at the acquisition date and any gain or loss is recorded in the income statement. The identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at fair value at the acquisition date. A minority interest in the acquiree is measured either at fair value or at its proportionate interest in the fair value of the net assets acquired; either method can be chosen on a transaction-by-transaction basis. If the aggregate of the fair value of the consideration, the fair value of the previously held equity interests and the minority interests measured according to the chosen method, as detailed above, exceeds the fair value of the net assets acquired, the difference between the two amounts is recorded as goodwill. If the opposite applies, the difference is immediately recorded in the income statement. The costs directly attributable to the acquisition (e.g. consulting and audit costs) are charged to the income statement.

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

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

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

Associates

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

According to the equity method of accounting, the interest acquired in a company is stated at cost in the balance sheet upon acquisition. After the acquisition, the carrying amount of the associate is adapted to reflect the Group's share of comprehensive income and ownership-related changes to the shareholders' equity of the associate and any impairment.

3.2 General principles

Foreign currency translation

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

When drawing up the consolidated financial statements, the balance sheets of Vontobel companies that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items of the income statement, other comprehensive income and cash flows. Currency translation adjustments that result from changes in exchange rates between the beginning and the end of the year, as well as the difference between the annual profit at average rates and at year-end rates, are recognized in other comprehensive income. If a realization event occurs (e.g. if control over a Group company is lost), the relevant currency translation adjustments are transferred from other comprehensive income to the income statement. For information on hedges of net investments in foreign operations, please refer to note 35 "Hedge accounting".

Segment reporting

Please refer to note 47 for information on the segments.

Recognition of fee and commission income

Please refer to note 2 for information on the recognition of fee and commission income.

3.3 Financial instruments

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 or 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 31 "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". Information on hedge accounting is provided in note 35.

Other financial assets at fair value ("fair value through profit or loss")
This balance sheet items contains financial assets that are not held for trading purposes but fall within the category "Fair value through profit or loss" due to the criteria set out in IFRS 9. Equity instruments that Vontobel assigned to "Financial investments" upon initial recognition are an exception. 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" below.

Cash, due from banks, receivables from securities financing transactions 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 financing transactions 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" below.

Due to banks, payables from securities financing transactions, 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 financing transactions 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 as well the methods and processes used to carefully manage counterparty risks resulting from unsecured exposures is provided 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 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, it is usual for only minimal expected credit losses to be reported in particular for lombard loans, – which account for by far the largest proportion of the balance sheet item “Loans”, and receivables from securities financing transactions in stages 1 and 2.

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.

3.4 Other basic principles

Precious metals and cryptocurrencies

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

Own shares and derivatives on own shares

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

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

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

An exception are put options written on own shares and forward contracts to purchase own shares in which physical settlement has been agreed on or offered as an alternative. In both cases, the discounted strike price or forward price upon execution of the contract is deducted from shareholders' equity as a liability. This liability is increased during the contract term up to the strike price or forward price using the effective interest rate method. Upon settlement of a contract, the liability is derecognized. If the contract is not settled, the liability is transferred to shareholders' equity.

Share-based payment

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

Property and equipment

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

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

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

Goodwill and other intangible assets

Please refer to note 18 for information on goodwill and other intangible assets.

Leasing

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

Income taxes

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

Deferred tax assets or deferred tax liabilities correspond to the tax effects arising from temporary differences between the carrying amounts of assets and liabilities in Vontobel's balance sheet and their corresponding tax values. They are included in the balance sheet items

“Other assets” or “Other liabilities”, respectively. Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled.

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

Pension plans

Please refer to note 41 for information on pension plans.

Provisions

A provision is recognized if Vontobel has, as a result of a past event, a current liability at the balance sheet date that will probably lead to an outflow of funds, the level of which can be reliably estimated. In principle, the recognition and release of provisions is recorded in the item “Provisions and losses” and expected credit losses on off-balance-sheet positions are recorded in “Net interest income”. If an outflow of funds is unlikely to occur or the amount of the liability cannot be reliably estimated, a contingent liability is shown. If there is, as a result of a past event, a possible liability as of the balance sheet date whose existence depends on future developments that are not fully under Vontobel’s control, a contingent liability is likewise shown.

4. Changes in financial reporting

4.1 Changes in accounting principles

4.1.1 Standards and interpretations that have been implemented

Vontobel applied the following new or revised standards and interpretations 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 1 January 2018. In October 2017, the IASB published an amendment to IFRS 9 regarding prepayment features with negative compensation, which is to be applied for the first time from 1 January 2019. Earlier application is permitted.

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

– Recognition in the balance sheet at amortized cost using the effective interest method;
– Recognition in the balance sheet at fair value, with changes in fair value being recognized in other comprehensive income and transferred to the income statement if the instrument is sold;
– Recognition in the balance sheet at fair value, with changes in fair value being recognized in the income statement.

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

All equity instruments are measured at fair value. This also applies to unquoted equity instruments that were usually recognized at cost less impairment under IAS 39. Changes in their fair value are recorded in the income statement. If an equity instrument is not held for trading purposes, it can be irrevocably classified as an instrument that is measured at fair value the first time it is recorded in the balance sheet. However, with the exception of dividends, all of its income components are recorded in other comprehensive income and are not transferred to profit and loss under any circumstances.

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

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

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

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 135 to 138. The accounting principles relating to IFRS 9 are set out in section 3.3 “Financial instruments”.

IFRS 15 – Revenue from Contracts with Customers

The new standard provides a five-step model for the recognition of revenue that should, in principle, be applied to all customer contracts. The model comprises the following steps:

- Identify the contract with the customer;
- Identify distinct performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognize revenue when the performance obligations are satisfied.

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

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

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 financial year 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. Earlier 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 financial year 2018, this resulted in a reduction in personnel expense of CHF 0.9 mn and in the income from defined benefit pension plans recognized in other comprehensive income of CHF 0.6 mn (each before taxes).

Other standards and interpretations that have been implemented
The following new or revised standards and interpretations did not have any significant impacts on Vontobel when applied for the first time or were not relevant for Vontobel:
- IAS 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 1 January 2018).

4.1.2 Other changes

Impairment losses on financial investments and loans, and reversals of impairment losses
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 (expense) / 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 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.

Securities financing transactions
The previous balance sheet items "Cash collateral for securities borrowing agreements" and "Cash collateral for reverse-repurchase agreements" on the assets side of the balance sheet, and "Cash collateral from securities lending agreements" and "Cash collateral from repurchase agreements" on the liabilities side of the balance sheet, are now combined in the new balance sheet items "Receivables from securities financing transactions" and "Liabilities from securities financing transactions", respectively. The figures for the previous year were adjusted accordingly. A breakdown showing the individual transaction types can still be found in note 20 "Securities financing transactions".

4.2 Changes in estimates
In the financial year 2018, material changes in estimates occurred solely in respect of the financial and demographic assumptions relating to employee benefit plans (see note 41, section on actuarial assumptions).

5. Standards and interpretations that have not yet been implemented

Various new and revised standards and interpretations have to be applied with effect from 1 January 2019 or a later date. Vontobel has not made use of the option of applying the following standards and interpretations prior to the effective dates.

IFRS 16 – Leases
In January 2016, the IASB published the new standard for the financial reporting of leases. The new standard introduces a new lessee accounting model that eliminates the classification of leases as either finance leases or operating leases. For all leases, the lessee recognizes a leasing liability for its obligation to make future lease payments. At the same time, the lessee capitalizes the right to use the underlying asset, which basically corresponds to the present value of future lease payments plus directly attributable costs. Exemptions apply in the case of short-term leases and low-value lease assets.

IFRS 16 replaces IAS 17 and the related interpretations and is to be applied for the first time for financial years beginning on or after January 1, 2019. Vontobel will recognize the cumulative effect of initially applying IFRS 16 in the opening balance sheet as of January 1, 2019, in accordance with transitional provisions, and will not adjust the figures for the previous year. Vontobel estimates that the leasing liabilities and rights of use to be recognized in the opening balance sheet each amount to around 10% to 12% of consolidated shareholders' equity as of December 31, 2018. The first-time application of IFRS 16 has no significant impact on consolidated shareholders' equity as of January 1, 2019.

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

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

IFRIC 23 is to be applied from 1 January 2019. Vontobel does not expect the first-time application of IFRIC 23 to have any effects on the consolidated financial statements.

Other new standards and interpretations
Based on initial analyses, the following new and revised standards and interpretations are not expected to have any significant impact on Vontobel's net profit, comprehensive income and shareholders' equity or are not expected to be relevant to Vontobel:
- IAS 1 / IAS 8 – Definition of Material;
- IAS 28 – Long-term Interests in Associates and Joint Ventures;
- IFRS 3 – Definition of a business;
- IFRS 17 – Insurance Contracts;
- Annual Improvements 2015–2017;
- Conceptual Framework.

Changes due to IFRS 9

Changes due to IFRS 9

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 (see next pages):

Assets

	IFRS 9 AND IAS 39 MEASUREMENT CATEGORY	IAS 39 31.12.2017 CHF MN	ADJUSTMENTS DUE TO IFRS 9 RECLASSI-FICATIONS 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
Receivables from securities financing transactions	1	1,015.7				1,015.7
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 RECLASSI- FICATIONS 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
Payables from securities financing transactions	1	0.0				0.0
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
Receivables from securities financing transactions	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.”

Risk management and risk control

1. Risk policy

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

As part of its risk policy – as a component of the framework concept for Group-wide risk management – Vontobel defines the relevant risk categories, the corresponding risk profile, as well as the powers of authorization, organizational structure, methods and processes for the management and control of risks. The appropriateness of the risk policy is reviewed at least once annually by the Board of Directors.

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

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

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

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

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

Independent control functions as well as adequate human and technical resources
The Risk Control unit reports directly to the Chief Financial Officer (CFO), who works independently from the business divisions and is a member of the Executive Board.

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

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

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

Adequacy of internal control systems
The management and control of all risks is essentially performed using a holistic approach referred to as the Internal Control System (ICS). In accordance with the FINMA Circular 01/17 "Corporate governance – banks", as well as the provisions governing control processes during the production of financial statements according to the Swiss Code of Obligations, existing control processes are regularly reviewed and further optimized. As well as ensuring compliance with legal and regulatory requirements, the focus is on ensuring the effectiveness, efficiency and reliability of business processes as well as of financial information and risk data.

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

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

The Executive Board and the Board of Directors are informed in full about any changes in individual risk factors and the Group's risk profile via consolidated periodic risk reports. The valuation principles are set out in note 31.

2. Strategic risk

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

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

3. Market risk

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

In Investment Banking, the major proportion of the risk positions originates from the business with proprietary products such as warrants, certificates and structured products, as well as the hedging of these instruments. The Financial Products business unit in Investment Banking is responsible for these positions, as well as for foreign exchange and money market trading, the management of the foreign exchange position and collateral trading (repo transactions and securities lending and borrowing transactions).

Market risks are limited and monitored using a multi-level system of limits. In addition to the Value at Risk limits and stress exposure limits prescribed at a global level and for each trading unit, this system defines a wide range of detailed sensitivity limits and volume limits in order to control and limit risks.

Positions involving market risks are also held outside Investment Banking. Financial investments consist of broadly diversified portfolios of interest rate instruments and some long-term and non-consolidated participations (see note 12). To quantify and limit risk, the same measurement methods – i.e. Value at Risk and stress exposure – are used for these positions at a consolidated level as for the positions held by Investment Banking.

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

3.2 Market risks related to Investment Banking and other securities holdings

3.2.1 Value at Risk (VaR)

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

VaR is measured daily using the historical simulation method. All instruments are revalued based on historical changes to the risk factors. As a result, the historically observed volatility of the individual risk factors and the historically observed correlations between the individual risk factors are imputed directly into the VaR calculations.

The confidence level is 99%, the holding period is set at one day and the historical period of observation to determine the time series relevant to VaR extends over the last four years.

The following table shows the VaR for Vontobel as a whole, as well as for Investment Banking. The average VaR for the year under review totalled CHF 6.1 mn for Vontobel as a whole, of which CHF 5.4 mn related to Investment Banking (2017: average VaR of CHF 4.1 mn for Vontobel and of CHF 2.5 mn for Investment Banking).

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

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

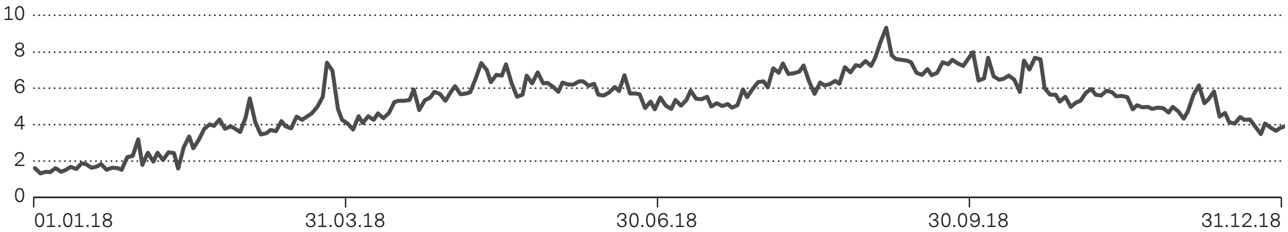
CHF MN	EQUITIES[2]	INTERESTS INCL. CREDIT SPREAD	CURRENCIES[3]	COMMODITIES	DIVERSIFICATION	31.12.2018 TOTAL
Vontobel:	**4.7**	**3.1**	**1.9**	**0.2**	**–3.7**	**6.2**
Average	4.7	2.9	1.6	1.2	–4.3	6.1
Minimum	1.0	2.1	0.4	0.2	n/a[4]	2.7
Maximum	7.7	4.0	6.3	5.0	n/a[4]	9.4
of which Investment Banking:	*3.6*	*1.7*	*0.6*	*0.2*	*–2.0*	*4.1*
Average	*4.1*	*1.3*	*0.6*	*1.2*	*–1.8*	*5.4*
Minimum	*0.8*	*1.0*	*0.2*	*0.2*	*n/a[4]*	*1.6*
Maximum	*7.1*	*1.9*	*3.0*	*5.0*	*n/a[4]*	*9.5*

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

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

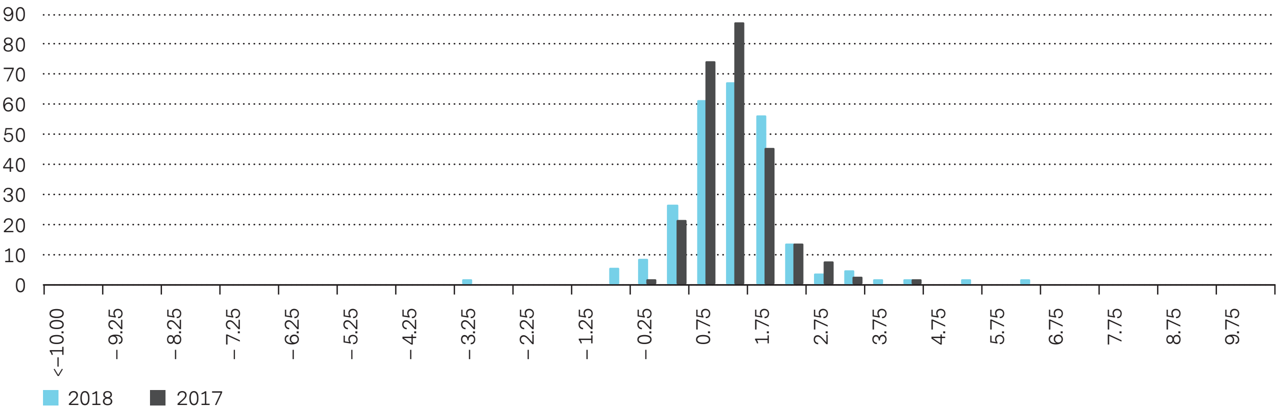
The graph below shows the development over time of 1-day VaR for the positions of Investment Banking / Financial Products at Vontobel. There is also a graph to show the frequency distribution of daily gains and losses for the years 2018 and 2017.

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



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

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



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

3.2.2 Stress exposure

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

3.3 Market risks related to the balance sheet structure

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

3.3.1 Interest rate risk

Interest rate and foreign-exchange risks arise in balance sheet management through differing fixed interest rate periods and foreign currencies on the asset and liability side of the balance sheet and of off-balance-sheet items. These risks are managed and monitored at an aggregated level. The interest rate sensitivities of the market value of shareholders' equity (broken down to show positions within and outside Investment Banking) are presented below. The table shows the gains and losses by currency and maturity range, assuming a + / –100 basis point change in interest rates. Assuming additive aggregation between individual currencies, the sensitivity to a +100 basis points change corresponds to CHF +2.2 mn for the current year and CHF –5.9 mn for the previous year.

Interest rate risk

	INTEREST SENSITIVITY AS OF 31.12.2018					
CHF MN	**UP TO 1 MONTH**	**1 TO 3 MONTHS**	**3 TO 12 MONTHS**	**1 TO 5 YEARS**	**MORE THAN 5 YEARS**	**TOTAL**
Interest rate risk						
+100 basis points						
CHF: Vontobel	0.3	1.8	13.4	41.3	–57.7	–0.9
of which IB	*0.1*	*1.1*	*4.8*	*4.5*	*1.0*	*11.5*
of which non-IB	*0.2*	*0.7*	*8.6*	*36.8*	*–58.7*	*–12.4*
USD: Vontobel	0.1	0.2	4.2	–1.5	–0.7	2.3
of which IB	*0.1*	*0.0*	*2.2*	*1.3*	*–0.5*	*3.1*
of which non-IB	*0.0*	*0.2*	*2.0*	*–2.8*	*–0.2*	*–0.8*
EUR: Vontobel	–0.3	–0.8	6.7	–2.1	1.4	4.9
of which IB	*–0.1*	*–0.8*	*2.9*	*–3.0*	*5.2*	*4.2*
of which non-IB	*–0.2*	*0.0*	*3.8*	*0.9*	*–3.8*	*0.7*
Others: Vontobel	0.0	0.0	–0.5	–3.5	–0.1	–4.1
of which IB	*0.0*	*0.1*	*–0.1*	*–1.7*	*–0.1*	*–1.8*
of which non-IB	*0.0*	*–0.1*	*–0.4*	*–1.8*	*0.0*	*–2.3*
–100 basis points						
CHF: Vontobel	–0.3	–1.0	–14.0	–41.3	64.2	7.6
of which IB	*–0.1*	*–0.3*	*–5.3*	*–2.9*	*0.2*	*–8.4*
of which non-IB	*–0.2*	*–0.7*	*–8.7*	*–38.4*	*64.0*	*16.0*
USD: Vontobel	–0.1	–0.2	–4.3	1.4	0.9	–2.3
of which IB	*–0.1*	*0.0*	*–2.3*	*–1.4*	*0.7*	*–3.1*
of which non-IB	*0.0*	*–0.2*	*–2.0*	*2.8*	*0.2*	*0.8*
EUR: Vontobel	0.3	0.7	–7.5	1.8	–2.1	–6.8
of which IB	*0.1*	*0.7*	*–3.7*	*2.6*	*–6.2*	*–6.5*
of which non-IB	*0.2*	*0.0*	*–3.8*	*–0.8*	*4.1*	*–0.3*
Others: Vontobel	0.0	–0.1	0.5	3.6	0.1	4.1
of which IB	*0.0*	*–0.2*	*0.1*	*1.7*	*0.1*	*1.7*
of which non-IB	*0.0*	*0.1*	*0.4*	*1.9*	*0.0*	*2.4*

IB = Investment Banking

Interest rate risk

	INTEREST SENSITIVITY AS OF 31.12.2017					
CHF MN	**UP TO 1 MONTH**	**1 TO 3 MONTHS**	**3 TO 12 MONTHS**	**1 TO 5 YEARS**	**MORE THAN 5 YEARS**	**TOTAL**
Interest rate risk						
+100 basis points						
CHF: Vontobel	0.2	1.9	5.0	16.3	–24.7	–1.3
of which IB	*0.0*	*1.5*	*1.2*	*4.0*	*2.1*	*8.8*
of which non-IB	*0.2*	*0.4*	*3.8*	*12.3*	*–26.8*	*–10.1*
USD: Vontobel	0.1	1.1	4.8	–7.2	–1.4	–2.6
of which IB	*0.0*	*0.6*	*1.2*	*0.5*	*–1.3*	*1.0*
of which non-IB	*0.1*	*0.5*	*3.6*	*–7.7*	*–0.1*	*–3.6*
EUR: Vontobel	–0.1	0.5	5.1	–0.8	–1.6	3.1
of which IB	*–0.1*	*0.3*	*2.8*	*–1.6*	*1.5*	*2.9*
of which non-IB	*0.0*	*0.2*	*2.3*	*0.8*	*–3.1*	*0.2*
Others: Vontobel	0.1	0.0	–0.4	–3.6	–1.2	–5.1
of which IB	*0.1*	*0.0*	*–0.2*	*–1.4*	*–0.9*	*–2.4*
of which non-IB	*0.0*	*0.0*	*–0.2*	*–2.2*	*–0.3*	*–2.7*
–100 basis points						
CHF: Vontobel	–0.2	–0.7	–5.1	–15.8	28.7	6.9
of which IB	*0.0*	*–0.3*	*–1.2*	*–3.1*	*–0.8*	*–5.4*
of which non-IB	*–0.2*	*–0.4*	*–3.9*	*–12.7*	*29.5*	*12.3*
USD: Vontobel	–0.1	–1.1	–5.0	7.4	1.6	2.8
of which IB	*0.0*	*–0.6*	*–1.3*	*–0.6*	*1.4*	*–1.1*
of which non-IB	*–0.1*	*–0.5*	*–3.7*	*8.0*	*0.2*	*3.9*
EUR: Vontobel	0.0	–0.6	–6.1	0.4	1.1	–5.2
of which IB	*0.0*	*–0.4*	*–3.7*	*1.2*	*–2.3*	*–5.2*
of which non-IB	*0.0*	*–0.2*	*–2.4*	*–0.8*	*3.4*	*0.0*
Others: Vontobel	–0.1	–0.1	0.4	3.7	1.3	5.2
of which IB	*–0.1*	*–0.1*	*0.2*	*1.4*	*1.0*	*2.4*
of which non-IB	*0.0*	*0.0*	*0.2*	*2.3*	*0.3*	*2.8*

IB = Investment Banking

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

If interest rates changed by +100 (–100) basis points, the impact on pre-tax profit in Investment Banking would be CHF +17.0 mn as of 31.12.2018 and CHF +10.3 mn as of 31.12.2017 (31.12.2018: CHF –16.3 mn, 31.12.2017: CHF –9.3 mn) and the pre-tax impact on consolidated shareholders' equity would be CHF –59.8 mn as of 31.12.2018 and CHF –25.1 mn as of 31.12.2017 (31.12.2018: CHF +64.5 mn, 31.12.2017: CHF +27.7 mn).

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

3.3.2 Currency risk

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

Currency risk

	CURRENCY SENSITIVITY AS OF 31.12.2018					
1,000 CHF	USD	EUR	JPY	GBP	PRECIOUS METALS	OTHERS
+5%						
Vontobel	4,676.6	8,013.0	–84.4	2,285.0	–226.5	3,421.9
of which IB	*–501.3*	*686.4*	*–41.0*	*–21.5*	*–226.5*	*387.0*
of which non-IB	*5,177.9*	*7,326.6*	*–43.4*	*2,306.5*	*0.0*	*3,034.9*
–5%						
Vontobel	–5,795.0	–7,903.2	66.9	–1,996.9	–228.9	–3,280.2
of which IB	*–617.0*	*–576.6*	*23.5*	*309.6*	*–228.9*	*–245.3*
of which non-IB	*–5,177.9*	*–7,326.6*	*43.4*	*–2,306.5*	*0.0*	*–3,034.9*

	CURRENCY SENSITIVITY AS OF 31.12.2017					
1,000 CHF	USD	EUR	JPY	GBP	PRECIOUS METALS	OTHERS
+5%						
Vontobel	6,835.2	6,785.5	–30.8	3,207.1	–868.7	3,484.1
of which IB	*1,489.7*	*293.6*	*–2.5*	*538.6*	*–868.7*	*402.8*
of which non-IB	*5,345.5*	*6,491.9*	*–28.3*	*2,668.5*	*0.0*	*3,081.3*
–5%						
Vontobel	–7,855.5	–7,357.7	–182.5	–2,574.6	–612.8	–2,779.6
of which IB	*–2,510.0*	*–865.8*	*–210.8*	*93.9*	*–612.8*	*301.7*
of which non-IB	*–5,345.5*	*–6,491.9*	*28.3*	*–2,668.5*	*0.0*	*–3,081.3*

IB = Investment Banking

4. Liquidity risk and refinancing

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

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

The maturity structure of assets and liabilities is shown in note 30. Liquidity has to be provided for the daily market making required for the issuing and trading business. Consequently, the balance sheet positions "Trading portfolio assets", "Positive replacement values", "Other financial assets at fair value", "Trading portfolio liabilities", "Negative replacement values" and "Other financial liabilities at fair value" are not broken down into individual cash flows and divided into different maturity ranges but are, instead, reported at fair value in the "Demand" column. In the case of the other financial balance sheet positions, the book values are reported in the maturity range which represents the earliest point at which payment can be demanded according to the contractual provisions. In view of the predominantly short maturities, the breakdown of these positions into individual cash flows would provide an only marginally different view.

As part of the package of reforms announced by the Basel Committee on Banking Supervision (BCBS) in December 2010, it was decided that two quantitative minimum standards for liquidity management would be introduced: (a) the liquidity coverage ratio (LCR), which took effect on 1 January 2015, and (b) the net stable funding ratio (NSFR), which is planned to be introduced later.

Liquidity Coverage Ratio in accordance with FINMA Circular 15/2

AVERAGE	2ND HALF YEAR 2018	4TH QUARTER 2018	3RD QUARTER 2018
Total stock of high quality liquid assets (HQLA) in CHF mn	8,461.0	8,575.7	8,346.3
Total net cash outflows in CHF mn	4,088.2	4,225.7	3,950.7
Liquidity Coverage Ratio LCR in %	207.0	202.9	211.3

The liquidity coverage ratio is disclosed in accordance with the requirements set out in FINMA Circular 16/1. The values used to calculate the liquidity coverage ratio are simple monthly averages for the relevant quarter or half-year. The average is calculated based on the values shown in the monthly liquidity status reports submitted to FINMA and the SNB. This results in three data points per quarter.

For 2018, the liquidity coverage ratio had 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.

5. Credit risk

5.1 General information

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

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

In principle, Vontobel does not engage in commercial lending. Mortgages to finance the purchase of real estate and lombard loans are offered to our clients and employees.

5.2 Lending to private and institutional investment clients

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

In cases where the exposures are covered by market values but not by collateral values (i.e. after taking account of risk discounts), a risk alert process is initiated with the aim of restoring coverage through the reduction of the exposures, portfolio switches or the provision of additional collateral.

As of 31.12.2018, gross exposures (incl. mortgages) to private clients and institutional investment clients totalled CHF 4,985.8 mn (31.12.2017: CHF 3,945.9 mn), of which CHF 4830.7 mn (31.12.2017: CHF 3,806.3 mn) was secured by recognized financial collateral (after risk discounts) and CHF 155.1 mn (31.12.2017: CHF 139.6 mn) was not secured by recognized financial collateral.

Lending to private and institutional investment clients [1]

CHF MN	COVERED BY RECOGNIZED COLLATERAL	NOT COVERED BY RECOGNIZED COLLATERAL	31.12.2018 TOTAL
Lending exposure	4,830.7	155.1	4,985.8

CHF MN	COVERED BY RECOGNIZED COLLATERAL	NOT COVERED BY RECOGNIZED COLLATERAL	31.12.2017 TOTAL
Lending exposure	3,806.3	139.6	3,945.9

1 Comprises not only cash credits but also the total due from private and institutional investment clients.

5.3 Exposures to professional counterparties and issuer risk

Vontobel has both secured and unsecured exposures to professional counterparties.

Secured exposures result from securities lending and borrowing, repo transactions, the collateral management of margin obligations and margin calls, as well as the collateralization of OTC derivatives that are eligible for netting. The **mitigation of credit risks** using securities as easily realizable liquid collateral is of key importance for these types of transactions. The transactions are generally concluded on the basis of collateralized netting agreements with strict requirements regarding eligible collateral, appropriate contractual collateral values and low contractual thresholds and minimum transfer amounts. The daily calculation and comparison of credit exposures and collateral is a core element of the management and monitoring of credit risks. During this process, conservative add-on factors are applied to the credit exposures and conservative haircuts are applied to the collateral in accordance with the "comprehensive approach" prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The different add-ons and haircuts are determined according to the instrument, rating, term to maturity, liquidity and tradability.

Unsecured exposures mainly comprise the **issuer risks in bond portfolios** held in Investment Banking or for the purpose of balance sheet management. They also include exposures relating to money market transactions, accounts, guarantees and contractual independent amounts (threshold values and minimum transfer amounts) that are agreed with counterparties in netting agreements for securities lending and borrowing, repurchase agreements and the collateralization of OTC derivatives.

Settlement risks are reduced through the use of the Continuous Linked Settlement (CLS) system when conducting foreign currency transactions. Vontobel is connected to the CLS system as a third party.

All exposures to professional counterparties and issuers are monitored and restricted using a differentiated system of limits – which is defined in the Credit Regulations and is reviewed annually – for the individual counterparty categories, rating segments, countries and regions.

Vontobel bases the management and limitation of exposures to professional counterparties on internal assessments by the Credit Research unit as well as on the ratings of external agencies recognized by FINMA. It uses the ratings of Fitch, Moody's, S&P and Fedafin (public sector bodies only). If various ratings exist for a specific position, the relevant rating is assigned according to the rules prescribed by the Basel Committee on Banking Supervision.

The requirements regarding **counterparty creditworthiness** are particularly high for unsecured credit risks as well as issuer risks. The breakdown of unsecured counterparty and issuer risks by rating category is shown in the following table and graph. This and the following tables only contain information on current unsecured exposures without potential exposures relating to collateralized positions. The figures including the application of add-ons or haircuts in accordance with capital regulations are presented in the tables in the section on capital.

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

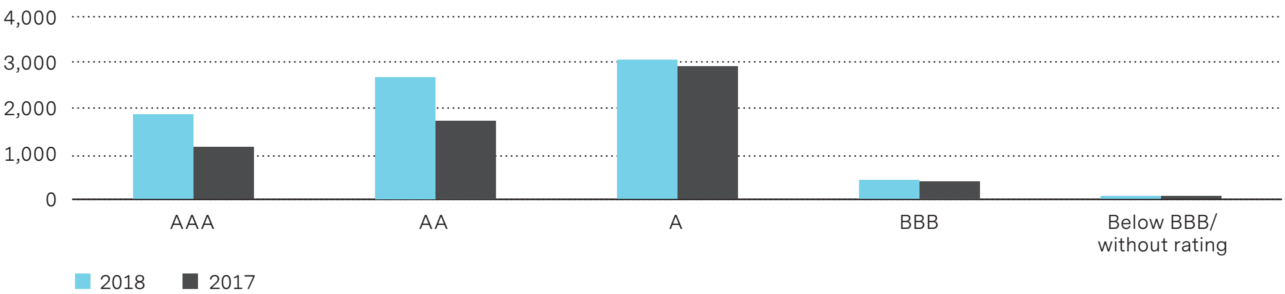
CHF MN	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2018 TOTAL
Issuer risk from debt instruments[2]	1,781.0	2,574.6	2,724.1	369.5	38.1	7,487.3
Money market and accounts[3]	79.2	62.9	144.0	79.8	22.1	388.0
Other financial receivables[4]	26.5	52.9	185.9	21.4	7.2	293.9
Total	**1,886.7**	**2,690.4**	**3,054.0**	**470.7**	**67.4**	**8,169.2**
Share (%)	23.1	32.9	37.4	5.8	0.8	100.0

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

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities
2 Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 65.9 mn as of 31.12.2018 or CHF 461.1 mn as of 31.12.2017
3 The cash account of CHF 3,533.1 mn as of 31.12.2018 or CHF 2,678.7 mn as of 31.12.2017 deposited at the SNB has been excluded.
4 Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

Breakdown of uncovered credit risks by rating (CHF mn)

in CHF mn



The exposures mainly relate to the rating categories "AAA" and "AA", as shown in the previous table and graph: as of 31.12.2018, 56% (31.12.2017: 46%) of the exposures related to these categories of high creditworthiness. 93% of the exposures comprised a rating of "A" or above (31.12.2017: 92%). The proportion of exposures with a rating of less than "BBB" or with no rating was 1% (31.12.2017: 1%).

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

CHF MN	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2018 TOTAL
Issuer risk from debt instruments[2]	3,737.6	1,365.2	2,384.5	7,487.3
Money market and accounts[3]	295.5	10.1	82.4	388.0
Other financial receivables[4]	116.6	172.3	5.0	293.9
Total	**4,149.7**	**1,547.6**	**2,471.9**	**8,169.2**

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

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities
2 Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 65.9 mn as of 31.12.2018 or CHF 461.1 mn as of 31.12.2017
3 The cash account of CHF 3,533.1 mn as of 31.12.2018 or CHF 2,678.7 mn as of 31.12.2017 deposited at the SNB has been excluded.
4 Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

In terms of counterparty type, a large proportion of unsecured counterparty and issuer risks relates to governments and banks, as expected. As of 31.12.2018, governments, including public sector bodies, accounted for CHF 2,471.9 mn (31.12.2017: CHF 1,990.9 mn) of a total of CHF 8,169.2 mn (31.12.2017: CHF 6,342.8 mn) or 30% (31.12.2017: 31%). Banks accounted for CHF 4,149.7.mn (31.12.2017: CHF 2,860.5 mn) of a total of CHF 8,169.2 mn (31.12.2017: CHF 6,342.8 mn) or 51% (31.12.2017: 45%).

When setting limits, considerable importance is assigned to preventing concentration risks relating to individual counterparties, thus ensuring that exposures within counterparty categories are broadly diversified.

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

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2018 TOTAL
Issuer risk from debt instruments[2]	1,102.4	3,066.0	1,463.5	1,753.9	101.5	7,487.3
Money market and accounts[3]	91.6	227.3	64.1	4.4	0.6	388.0
Other financial receivables[4]	107.4	156.3	12.4	17.8	0.0	293.9
Total	**1,301.4**	**3,449.6**	**1,540.0**	**1,776.1**	**102.1**	**8,169.2**

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

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities
2 Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 65.9 mn as of 31.12.2018 or CHF 461.1 mn as of 31.12.2017
3 The cash account of CHF 3,533.1 mn as of 31.12.2018 or CHF 2,678.7 mn as of 31.12.2017 deposited at the SNB has been excluded.
4 Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

In geographical terms, the unsecured credit and issuer risks mainly relate to the regions of Europe (excluding Switzerland) and Asia. Exposures in the regions of North America and Switzerland account for a smaller proportion of these risks.

Exposures involving country risks are avoided in principle. Consequently, there are no relevant country risks to report on a consolidated basis.

6. Operational risks

6.1 General information

Operational risks represent the risk of losses resulting from the inadequacy or failure of internal processes, people and systems or from external events.

6.2 Processes and methods

All business activities entail operational risks, which are prevented, mitigated, transferred or even assumed based on cost / benefit considerations. During this process, potential legal, regulatory and compliance-related risks are taken into account, as are follow-on risks in the form of reputational risks.

The Group-wide process model represents the basis for the management of operational risks. As part of the systematic assessments that are performed annually, the operational risks in all critical processes and process entities are identified and evaluated. In addition, further attention is focused on core security topics such as data protection and business continuity management, which are guaranteed through the use of extra tools.

6.2.1 Qualitative assessment

The qualitative assessment of operational risks is carried out using estimates of the loss potential and possible frequency of these risks. Once these inherent risks have been calculated, existing controls and further risk mitigation measures are taken into account to determine the residual risks. These residual risks are considered in order to determine compliance with pre-defined risk tolerances. If risk tolerances are exceeded, further risk mitigation measures are defined.

6.2.2 Quantitative assessment

In addition to qualitative assessments, quantitative methods are also used to measure and monitor operational risks. They include the monitoring of key risk indicators and the development of those indicators for all divisions. The risks measured in this context are also compared with the relevant pre-defined risk tolerances and if these tolerances are exceeded, further risk mitigation measures are defined.

6.2.3 Internal Control System

All measures to control operational risks form part of the Internal Control System (ICS). Consequently, the ICS encompasses all control elements that ensure the necessary framework for the achievement of strategic business objectives and the orderly running of operations at all levels of the organization. The ICS is reviewed at least once annually and is adapted or strengthened if necessary.

6.3 Legal, regulatory and compliance-related risks

Legal and compliance-related risks are the risk of losses occurring due to non-compliance with or the infringement of applicable laws, internal or external codes of conduct and market practices, as well as contractual obligations. Issues such as these may not only lead to financial losses but can equally result in regulators imposing fines and measures on the organization or can give rise to reputational harm. Regulatory risk is essentially the risk that changes to laws and rules of conduct could impact on Vontobel's activities.

As a market participant in the financial services industry, Vontobel is subject to extensive regulations and requirements defined by government bodies, regulatory authorities and self-regulatory organizations in Switzerland and other countries in which Vontobel operates.

To prevent or mitigate legal, regulatory and compliance-related risks, Vontobel has implemented the relevant structures and processes that are designed to raise employee awareness of or to provide initial or further training for employees about this topic. In addition, Vontobel has an appropriate system of policies and effective control processes in place to ensure compliance with legal and regulatory framework conditions. The corresponding compliance standards are regularly reviewed by Vontobel and adapted to regulatory and legal developments.

6.4 IT & cyber risks

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

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

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

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

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

6.5 Insurance

Vontobel's insurance policy is aligned with the Group's operational risk management and financial risks.

In the first instance, Vontobel strives to prevent or mitigate risks as far as possible in accordance with the Group's risk policy. In a second step, it determines whether Vontobel can and should bear the risks itself. If this is not the case, the risks are covered by insurance policies. In particular, Vontobel insures against risks of a catastrophic nature in order to protect its capital base.

The internal Insurance unit analyses and evaluates the need for insurance measures on an ongoing basis.

Various other factors are taken into account when purchasing insurance. They mainly comprise legal requirements (compulsory insurance). However, a whole series of other business considerations lead to a wide range of risks for which insurance cover is acquired.

7. Reputational risks

A reputational risk is understood to be the risk of events occurring that could cause sustained harm to Vontobel's image. As such, reputational risks often constitute follow-on risks to the other risk categories described above.

Vontobel's ability to conduct its business depends to a significant extent on its reputation, which it has built over the bank's long history. It is therefore of key importance for Vontobel to safeguard its good name and all employees have to assign this matter the highest priority. Consequently, appropriate measures are taken on an ongoing basis to make employees aware of the key importance of Vontobel's reputation.

Capital

The capital base serves primarily as a means of covering inherent business risks. The active management of the volume and structure of capital is therefore of key importance. The monitoring and management of capital adequacy is performed primarily on the basis of the regulations and ratios defined by the Basel Committee on Banking Supervision, as well as other criteria. Compliance with the statutory capital adequacy requirements prescribed by Switzerland and the Swiss Financial Market Supervisory Authority (FINMA) is mandatory. External capital adequacy requirements were met in the year under review and in previous years without exception.

1. Capital management

Capital management is aimed primarily at supporting growth and creating added value for shareholders while complying with regulatory capital requirements. A solid capital position and structure also enable Vontobel to demonstrate its financial strength and creditworthiness to its business partners and clients.

Capital management is performed while taking account of the economic environment and the risk profile of all business activities. Various control options are available to maintain the target level of capital and the desired capital structure or to adapt them in line with changing requirements. These options include flexible dividend payments, the repayment of capital or the procurement of various forms of regulatory capital. During the year under review, there were no significant changes to the objectives, principles of action or processes compared to the previous year.

2. Regulatory requirements

The new capital requirements (Basel III) entered into force on 1 January 2013. They are described in detail in the Swiss Capital Adequacy Ordinance (CAO) and the FINMA circulars that it refers to.

To determine net eligible Common Equity Tier 1 capital under Basel III, additional deductions are made from capital calculated in accordance with IFRS. These items were deducted in full – without the use of the offsetting arrangements permitted during the phase-in period that runs until 2018. In this context, goodwill and intangible assets are most relevant for Vontobel.

Banks can use a number of different approaches to calculate their capital adequacy requirements according to Basel III. Vontobel applies the International Standardized Approach (SA-BIS) for credit risks, the standardized approach for market risks and the basic indicator approach for operational risks. As part of the reduction of credit risks (risk mitigation), the comprehensive approach with standard haircuts defined by the supervisory authorities is applied for the recognition of collateral.

As a result of the recognition of the fair value option by FINMA in accordance with section XVI. of the FINMA Circular 13/1 (Eligible equity capital – banks), unrealized gains and losses are included in the calculation of tier 1 capital. This excludes the valuation adjustments of own liabilities recorded in accordance with IFRS rules due to a change in own creditworthiness. As a result, tier 1 capital totalled CHF 1,282.7 mn and the BIS tier 1 ratio was 18.9%. The BIS tier 1 ratio thus substantially exceeds the minimum capital ratio.

The scope of consolidation used for the calculation of capital was the same in the year under review and the previous year as the scope of consolidation used for accounting purposes. Please refer to the tables “Major subsidiaries and participations” and “Changes in the scope of consolidation” in the Notes to the consolidated financial statements for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of money or capital within the Group.

Eligible and required capital

CHF MN	31.12.2018	31.12.2017
Eligible capital		
Equity according to balance sheet	1,703.5	1,620.5
Paid-in capital	*56.9*	*56.9*
Disclosed reserves	*1,524.7*	*1,440.8*
Net profit for the current financial year	*220.7*	*202.4*
Deduction for treasury shares	*–98.8*	*–79.6*
Deduction for minority interests	0.0	0.0
Deduction for dividends, as proposed by the Board of Directors	–119.4	–119.4
Deduction for goodwill	–484.2	–226.8
Deduction for intangible assets	–95.2	–64.3
Deduction for deferred tax assets	–30.2	–20.0
Deduction (addition) for gains (losses) due to changes in own credit risk	–4.6	0.6
Deduction for unrealised gains related to financial investments	–66.7	–4.1
Deduction for defined benefit pension fund assets (IAS 19)	–12.3	–29.9
Other adjustments	–55.8	–58.0
Net eligible BIS common equity tier 1 capital (CET1)	**835.1**	**1,098.6**
Additional tier 1 capital (AT1)	447.6	0.0
Net eligible BIS tier 1 capital	**1,282.7**	**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)	**1,282.7**	**1,098.6**
Risk-weighted positions		
Credit risks	2,506.1	1,892.6
Receivables	*2,345.7*	*1,812.1*
Price risk relating to equity instruments in the banking book	*160.4*	*80.5*
Non-counterparty related risks	170.8	158.6
Market risks	1,882.1	2,079.3
Interest rates	*1,153.2*	*1,187.3*
Equities	*266.9*	*328.9*
Currencies	*265.9*	*242.8*
Gold	*3.8*	*69.8*
Commodities	*192.3*	*250.5*
Operational risk	2,242.1	1,825.1
Total risk-weighted positions	**6,801.1**	**5,955.6**

Capital ratios in accordance with FINMA Circular 16/1

(AS A PERCENTAGE OF RISK-WEIGHTED POSITIONS)	31.12.2018	31.12.2017
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%)[1]	12.3	18.4
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%)[2]	18.9	18.4
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%)[3]	18.9	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	12.3	14.9
CET1 available	12.3	14.2
T1 available	16.5	16.0
Eligible regulatory capital available	18.9	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 0.1 (31.12.2017: 0.0).
All investments in the financial sector (<10%) are risk-weighted for CAD calculations (31.12.2018: CHF 17.8 mn/31.12.2017: CHF 8.5 mn).

Leverage ratio in accordance with FINMA Circular 15/3

	31.12.2018	31.12.2017
Net eligible BIS tier 1 capital in CHF mn	1,282.7	1,098.6
Total leverage ratio exposure in CHF mn	26,393.5	23,438.1
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	4.9	4.7

Vontobel publishes further information in accordance with FINMA Circular 16/1 in a separate disclosure report on www.vontobel.com (Investor Relations).

Details on consolidated income statement

1 Net interest income

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Interest income from banks and customers	55.4	39.1	16.3	42
Interest income from receivables from securities financing transactions	2.3	7.1	–4.8	–68
Interest income from financial liabilities	5.3	4.5	0.8	18
Total interest income from financial instruments at amortized cost	**63.0**	**50.7**	**12.3**	**24**
Dividend income from equity instruments in financial investments [1]	3.6	3.6	0.0	0
Interest income from debt instruments in financial investments	32.6	28.6	4.0	14
Total interest and dividend income from financial investments (FVOCI)	**36.1**	**32.2**	**3.9**	**12**
Total interest income	**99.2**	**82.9**	**16.3**	**20**
Interest expense from payables from securities financing transactions	2.7	2.0	0.7	35
Interest expense from other financial liabilities at amortized cost	12.6	5.3	7.3	138
Interest expense from financial assets	9.1	6.9	2.2	32
Total interest expense from financial instruments at amortized cost	**24.5**	**14.2**	**10.3**	**73**
Credit loss (expense) / recovery on debt instruments in financial investments	–0.2	0.0	–0.2	
Other credit loss (expense) / recovery	–2.6	–0.2	–2.4	
Total credit loss (expense) / recovery	**–2.8**	**–0.2**	**–2.6**	
Total	**71.8**	**68.5**	**3.3**	**5**

1 All income comprises positions that were still held at the end of the reporting period.

2 Net fee and commission income

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Brokerage fees	97.3	111.8	–14.5	–13
Custody fees	194.5	164.8	29.7	18
Advisory and management fees	681.6	575.1	106.5	19
Issues and corporate finance	11.6	13.5	–1.9	–14
Other commission income from securities and investment transactions	41.3	31.2	10.1	32
Total fee and commission income from securities and investment transactions	**1,026.2**	**896.4**	**129.8**	**14**
Other fee and commission income	**9.0**	**6.1**	**2.9**	**48**
Brokerage fees	25.9	19.2	6.7	35
Other commission expense	223.6	190.4	33.2	17
Total commission expense	**249.5**	**209.6**	**39.9**	**19**
Total	**785.7**	**692.9**	**92.8**	**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

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	
	CHF MN	CHF MN	CHF MN	IN %
Securities	–1,701.3	889.2	–2,590.5	–291
Other financial instruments at fair value	1,961.2	–627.3	2,588.5	
Forex and precious metals	35.2	26.9	8.3	31
Total	**295.1**	**288.8**	**6.3**	**2**

Trading income as of 31.12.2018 includes income of CHF 5.7 mn (31.12.2017: CHF 2.5 mn), which is attributable to changes in fair value due to a change in Vontobel's own credit risk. Of the total impact, CHF 0.5 mn was realized as of 31.12.2018 (31.12.2017: CHF –0.8 mn), while the remaining CHF 5.2 mn (31.12.2017: CHF 3.3 mn) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF 9.0 mn, of which CHF 4.4 mn was realized and CHF 4.6 mn was unrealized. Cumulative unrealized income is shown in the balance sheet item "Other financial liabilities at fair value" and will be completely reversed over the term of the relevant instruments provided they are not redeemed or repurchased prior to their contractual maturity.

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 financial 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 December 31, 2018, the balance sheet item "Other financial liabilities at fair value" corresponded to 30% of the

Vontobel Group's total assets and 460% 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 a longer period of time, 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.

4 Other income

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Real estate income[1]	1.9	0.0	1.9	
Income from the sale of property and equipment	0.0	0.0	0.0	
Income from the sale of debt instruments in financial investments[2]	0.1	6.0	–5.9	–98
Impairments of financial investments[3]		–0.1	0.1	
Income from investments in associates	0.8	0.7	0.1	14
of which share of profit	*0.8*	*0.7*	*0.1*	*14*
of which impairments	*0.0*	*0.0*	*0.0*	
Other income	2.4	3.3	–0.9	–27
Total	**5.1**	**9.9**	**–4.8**	**–48**

1 Income from the subleasing of business premises
2 In the financial year 2017, this item included income of CH 0.3 mn from the sale of equity securities and units in investment funds that were classified as "available-for-sale" under IAS 39.
3 In the financial year 2017, this item included impairment losses on equity securities and units in investment funds that were classified as "available-for-sale" under IAS 39.

5 Personnel expense

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Salaries and bonuses	494.1	445.4	48.7	11
Pension and other employee benefit plans[1]	18.1	35.8	–17.7	–49
Other social contributions	39.7	36.8	2.9	8
Other personnel expense	18.1	14.6	3.5	24
Total	**570.1**	**532.6**	**37.5**	**7**

Personnel expense includes the expense for share-based compensation of CHF 34.0 mn, of which CHF 26.7 mn relates to performance shares and CHF 7.3 mn to the awarding of bonus shares at preferential terms and CHF 0.0 mn to other share-based compensation (previous year: performance shares CHF 25.6 mn, bonus shares CHF 7.0 mn, other CHF 0.0 mn; total CHF 32.6 mn) as well as deferred compensation in cash of CHF 2.3 mn (previous year: CHF 2.4 mn).

1 Financial year 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) as well as the effect related to the integration of Notenstein la Roche Privatbank AG due to employee transfers in the amount of CHF 10.5 mn and plan settlements in the amount of CHF 7.1 mn. All three effects reduced the personnel expense.

6 General expense

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Occupancy expense	37.3	33.0	4.3	13
IT, telecommunications and other equipment	79.6	71.7	7.9	11
Travel and representation, public relations, marketing	43.2	43.1	0.1	0
Consulting and audit fees	42.7	26.8	15.9	59
Other general expense	43.9	30.4	13.5	44
Total	**246.7**	**205.0**	**41.7**	**20**

7 Depreciation of property, equipment and intangible assets

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Depreciation of property and equipment	53.7	51.1	2.6	5
Amortization of other intangible assets	14.6	9.3	5.3	57
Impairments of property and equipment	0.4	0.6	–0.2	–33
Impairments of goodwill	0.0	0.0	0.0	
Impairments of other intangible assets	0.0	0.0	0.0	
Reversal of impairments of property and equipment	0.0	0.0	0.0	
Reversal of impairments of other intangible assets	0.0	0.0	0.0	
Total	**68.8**	**61.0**	**7.8**	**13**

8 Provisions and losses

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Increase in provisions	2.3	6.6	–4.3	–65
Release of provisions	–10.6	–0.2	–10.4	
Recoveries	0.1	0.0	0.1	
Other	4.2	–4.2	8.4	
Total	**–4.0**	**2.2**	**–6.2**	**–282**

9 Taxes

Tax expense

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Statement of tax expense				
Explanation of the relationship between tax expense and net profit before taxes:				
Current income taxes	40.5	43.3	–2.8	–6
Deferred income taxes	3.5	7.0	–3.5	–50
Total	**44.0**	**50.3**	**–6.3**	**–13**
Profit before taxes	276.2	259.3	17.0	7
Expected income tax rate of 21%[1] (previous year: 22%)	58.0	57.0	1.0	2
Explanations for higher (lower) tax expense:				
Applicable tax rates differing from expected rate	0.2	–0.4	0.7	
Tax losses not taken into account	0.8	0.7	0.2	29
Appropriation of non-capitalized deferred taxes on loss carryforwards	–1.8	0.0	–1.8	
Newly recognized deferred tax assets	–2.9	0.0	–2.9	
Value adjustments on deferred tax assets	0.2	0.0	0.2	
Deferred income tax as a result of a change in tax rates	–0.2	0.0	–0.2	
Other income with no impact on taxes	–1.6	–1.6	0.0	0
Income tax unrelated to accounting period	–1.5	0.8	–2.4	–300
Participation relief granted on dividend income	–10.8	–8.8	–2.1	
Other impacts	3.6	2.6	1.0	38
Total	**44.0**	**50.3**	**–6.3**	**–13**
Effective tax rate in %	15.9	19.4		

1 The anticipated income tax rate of 21% corresponds to the average tax rate in Switzerland.

Deferred taxes

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Value adjustments on credit risks	0.3	0.0	0.3	
Tax loss carryforwards	11.5	17.2	–5.7	–33
Other	18.4	2.8	15.6	557
Total deferred tax assets	**30.2**	**20.0**	**10.3**	**52**
Property and equipment	0.2	0.3	–0.1	–33
Intangible assets	16.4	9.3	7.1	76
Investments in associates	0.2	0.2	0.0	0
Other provisions	55.6	22.3	33.3	149
Unrealized gains on available-for-sale financial investments	21.3	3.1	18.2	587
Other	2.3	6.4	–4.1	–64
Total deferred tax liabilities	**96.1**	**41.6**	**54.5**	**131**

Changes in deferred taxes (net)

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Balance at the beginning of the year	21.6	18.0	3.6	20
Impact of changes to the accounting principles	12.3	0.0	12.3	
Changes affecting the income statement	3.7	3.0	0.7	23
Changes not affecting the income statement	–8.1	0.8	–8.9	
Change in scope of consolidation	36.3	0.0	36.3	
Translation adjustments	0.1	–0.2	0.3	
Total as at the balance sheet date	**65.9**	**21.6**	**44.3**	**205**

Unrecognized tax loss carryforwards expire as follows:

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Within 1 year	2.9	1.8	1.1	61
From 1 to 5 years	0.6	3.4	–2.8	–82
After 5 years	51.1	63.2	–12.1	–19
Total	**54.6**	**68.4**	**–13.8**	**–20**

Vontobel Holding AG and its subsidiaries are liable for income tax in most countries. The current tax assets and current tax liabilities reported as of the balance sheet date, as well as the resulting current tax expense for the period under review, are based partly on estimates and assumptions and may therefore differ from the amounts determined by the tax authorities in the future. In certain cases where complex tax questions arise, external tax specialists are consulted or preliminary clarification is obtained from the tax authorities.

In the case of deferred taxes, the level of recognized tax assets depends on assumptions regarding available future taxable profits that are eligible for offset. The determination of deferred tax assets is essentially based on budget figures and mid-term planning. If a company has posted a series of financial losses in the recent past, the deferred tax assets are only recognized to the extent that the company has sufficient taxable temporary differences or has convincing other evidence that sufficient taxable profits will be available in future periods. Recognized deferred tax assets for loss carryforwards eligible for offset amounted to CHF 11.5 mn in the current year respectively CHF 17.2 mn in the previous year. Unrecognized loss carryforwards in the amount of CHF 54.6 mn (prevoius year: CHF 68.4 mn) are subject to tax rates of 8% to 33% (prevoius year: 16% to 33%). If recognized in full, the deferred tax assets for loss carryforwards eligible for offset would total CHF 26.1 mn (prevoius year: CHF 35.0 mn).

10 Tax effects to other comprehensive income

CHF MN	31.12.2018 AMOUNT BEFORE TAX	TAX YIELD / TAX EXPENSE	AMOUNT NET OF TAX
Currency translation adjustments during the reporting period	–3.4	0.0	–3.4
Currency translation adjustments transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	–5.8	1.0	–4.8
Income from debt instruments in financial investments transferred to the income statement	0.2	–0.1	0.2
Income from cash flow hedges during the reporting period	0.1	0.0	0.1
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from equity instruments in financial investments	38.6	–7.5	31.1
Income from defined benefit pension plans	–69.7	14.7	–55.1
Total	**–40.0**	**8.1**	**–32.0**

CHF MN	31.12.2017 AMOUNT BEFORE TAX	TAX YIELD / TAX EXPENSE	AMOUNT NET OF TAX
Currency translation adjustments during the reporting period	1.6	0.0	1.6
Currency translation adjustments transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	–3.3	0.6	–2.7
Income from debt instruments in financial investments transferred to the income statement	–4.5	1.0	–3.5
Income from cash flow hedges during the reporting period	–0.6	0.1	–0.5
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from defined benefit pension plans	12.2	–2.6	9.6
Total	**5.4**	**–0.9**	**4.5**

11 Earnings per share

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	IN %
Net profit (CHF mn)[1]	220.7	202.4	18.3	9
Weighted average number of shares issued	56,875,000	56,875,000	0	0
Less weighted average number of treasury shares	1,105,221	1,498,741	–393,520	–26
Weighted average number of shares outstanding (undiluted)	55,769,779	55,376,259	393,520	1
Dilution effect number of shares[2]	1,181,427	1,443,430	–262,003	–18
Weighted average number of shares outstanding (diluted)	56,951,206	56,819,689	131,517	0
Basic earnings per share (in CHF)	3.96	3.65	0.31	8
Diluted earnings per share (in CHF)	3.88	3.56	0.32	9

1 The net profit attributable to the shareholders of Vontobel Holding AG constitutes the basis for the calculation of undiluted as well as diluted earnings per share.
2 The dilution effect is primarily the result of employee share-based benefit programs. The dilution effect from shares that will have to be issued if outstanding in-the-money options are exercised is insignificant. Shares that will have to be issued if outstanding out-of-the-money options are exercised do not have any dilution effect in the financial year but could dilute future earnings per share. The potential dilution effect is insignificant.

Details on consolidated balance sheet

12 Financial instruments at fair value through profit and loss

Trading portfolio assets

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Debt instruments				
Listed	485.0	331.5	153.5	46
Unlisted	26.8	0.0	26.8	
Total	**511.8**	**331.5**	**180.3**	**54**
Equity instruments				
Listed	1,626.2	2,651.5	–1,025.3	–39
Unlisted	0.1	0.4	–0.3	–75
Total	**1,626.3**	**2,651.9**	**–1,025.6**	**–39**
Units in investment funds				
Listed	166.7	166.1	0.6	0
Unlisted	0.1	1.1	–1.0	–91
Total	**166.8**	**167.2**	**–0.4**	**–0**
Precious metals and cryptocurrencies	**667.1**	**840.6**	**–173.5**	**–21**
Total	**2,972.1**	**3,991.2**	**–1,019.1**	**–26**

Trading portfolio liabilities

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Debt instruments				
Listed	107.6	106.0	1.6	2
Unlisted	0.7	0.0	0.7	
Total	**108.3**	**106.0**	**2.3**	**2**
Equity instruments				
Listed	100.1	52.2	47.9	92
Unlisted	0.0	0.0	0.0	
Total	**100.1**	**52.2**	**47.9**	**92**
Total	**208.4**	**158.2**	**50.2**	**32**

Open derivative instruments

	31.12.2018			31.12.2017		
CHF MN	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME
Debt instruments						
Forward contracts incl. FRAs						
Swaps	21.0	30.0	4,230.0	21.6	30.9	3,620.2
Futures			5.7			14.5
Options (OTC) and warrants	1.0	1.6	2.6	2.7	0.9	1.8
Options (exchange traded)	0.4	0.0	1.6	0.7		2.7
Total	**22.5**	**31.6**	**4,240.0**	**25.0**	**31.8**	**3,639.2**
Foreign currency						
Forward contracts	8.3	9.5	969.4	7.2	6.9	933.4
Swaps	36.4	48.0	6,548.0	106.9	48.4	7,032.8
Futures			4.7			1.0
Options (OTC) and warrants	6.2	11.1	1,042.4	5.9	13.0	1,078.6
Options (exchange traded)	0.2		1.1	0.1		0.9
Total	**51.0**	**68.6**	**8,565.5**	**120.1**	**68.3**	**9,046.7**
Precious metals and cryptocurrencies						
Forward contracts	0.3	0.5	38.6		0.0	0.1
Swaps	3.5	3.2	141.3	0.6	0.8	146.6
Futures			46.4			115.8
Options (OTC) and warrants	2.8	34.5	739.4	3.1	34.3	529.6
Options (exchange traded)				0.1		5.9
Total	**6.6**	**38.3**	**965.8**	**3.8**	**35.1**	**798.0**
Equities / indices						
Forward contracts						
Swaps	6.6	247.5	1,434.8	25.8	35.1	1,671.5
Futures			243.5			838.1
Options (OTC) and warrants	8.7	412.2	4,573.0	25.6	474.6	7,086.6
Options (exchange traded)	33.7	511.3	6,117.7	32.3	47.9	3,172.4
Total	**49.0**	**1,170.9**	**12,369.0**	**83.7**	**557.6**	**12,768.6**
Credit derivatives						
Credit default swaps	5.7	5.7	492.3	11.0	7.6	1,113.8
Total	**5.7**	**5.7**	**492.3**	**11.0**	**7.6**	**1,113.8**
Other						
Forward contracts						
Futures	0.6	0.4	62.1			115.5
Options (OTC) and warrants	0.1	10.2	60.8	0.2	25.2	67.9
Options (exchange traded)	0.5		4.9	0.1		0.7
Total	**1.2**	**10.6**	**127.7**	**0.3**	**25.2**	**184.1**
Total	**136.0**	**1,325.7**	**26,760.3**	**243.9**	**725.6**	**27,550.4**

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

Other financial assets at fair value through profit and loss

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Debt instruments				
Listed	3,417.7	2,762.2	655.5	24
Unlisted	588.9	657.5	–68.6	–10
Total	**4,006.7**	**3,419.7**	**587.0**	**17**
Equity instruments				
Listed	0.0	0.0	0.0	
Unlisted	1.9	0.0	1.9	
Total	**1.9**	**0.0**	**1.9**	
Units in investment funds				
Listed	0.0	0.0	0.0	
Unlisted	89.0	47.5	41.5	87
Total	**89.0**	**47.5**	**41.5**	**87**
Structured products	**45.6**	**23.7**	**21.9**	**92**
Total	**4,143.2**	**3,490.9**	**652.3**	**19**

Other financial liabilities at fair value through profit and loss

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Structured products				
Listed	4,261.0	4,951.8	–690.8	–14
Unlisted	3,575.2	3,499.5	75.7	2
Total	**7,836.2**	**8,451.3**	**–615.1**	**–7**

13 Loans

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Mortgages	1,032.1	235.9	796.2	338
Other accounts receivable	3,905.6	3,093.1	812.5	26
Less expected credit losses	–33.1	–18.5	–14.6	
Total	**4,904.6**	**3,310.5**	**1,594.1**	**48**

14 Financial investments

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Debt instruments [1]				
Listed	3,168.2	1,773.0	1,395.2	79
Unlisted	0.0	0.0	0.0	
Total	**3,168.2**	**1,773.0**	**1,395.2**	**79**
Equity instruments [2]				
Listed	0.0	0.2	–0.2	–100
Unlisted	108.2	14.8	93.4	631
Total	**108.2**	**15.0**	**93.2**	**621**
Units in investment funds				
Listed		0.0	0.0	
Unlisted		0.9	–0.9	–100
Total		**0.9**	**–0.9**	**–100**
Total financial investments	**3,276.4**	**1,788.9**	**1,487.5**	**83**

1 For information on expected credit losses on debt instruments, please refer to note 32 “Credit risks and impairment model”.
2 Participation in the SIX Group AG: CHF 90.8 mn; other participations: CHF 17.4 mn.

15 Investments in associates

Investments in associates

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Balance at the beginning of the year	0.9	0.6	0.3	50
Equity income	0.8	0.7	0.1	14
Dividends paid	–0.8	–0.4	–0.4	
Translation differences	0.0	0.0	0.0	
Total as at the balance sheet date	**0.9**	**0.9**	**0.0**	**0**

Subsidiary consolidated using the equity method

	DOMICILE	ACTIVITY	CURRENCY	SHARE CAPITAL MN	INTEREST HELD IN % 31.12.2018	INTEREST HELD IN % 31.12.2017
Deutsche Börse Commodities GmbH	Frankfurt	Issues	EUR	1.0	16	16

16 Minority interests

The only minority interests originate from the acquisition of TwentyFour Asset Management LLP. These minority interests are held by several partners in TwentyFour Asset Management LLP. Under the terms of the agreement, Vontobel can acquire further interests in TwentyFour Asset Management LLP from partners that are willing to sell their interests or from parties that cease to be partners of TwentyFour Asset Management LLP. Vontobel will acquire the then remaining minority interests in two half tranches in 2021 and 2023, whereby Vontobel has the right to already acquire the second tranche in 2021. In terms of the acquisition of minority interests, Vontobel recognizes a liability corresponding to the estimated acquisition price as a charge against minority interests and (if the liability exceeds the minority interests) as a charge against capital reserves. As of 31.12.2018 and 31.12.2017, the liability totalled CHF 70.9 mn and CHF 57.4 mn (please refer to note 31 "Fair value of financial instruments" for information on the measurement of the liability). Changes in the liability are recognized in shareholders' equity with the exception of a minor compensation component. A share of profits or losses continues to be allocated to minority interests in the income statement and the statement of comprehensive income.

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

Balance sheet

CHF MN	31.12.2018	31.12.2017
Assets		
Goodwill	65.6	68.9
Client relationships	4.6	8.5
Brand	0.2	0.3
Other assets	32.4	25.2
Total assets	**102.8**	**102.9**
Liabilities		
Liabilities	15.6	12.0
Equity	87.2	90.9
of which minority interests [1]	*8.8*	*9.2*
Total liabilities	**102.8**	**102.9**

1 In the consolidated balance sheet, shareholders' equity attributable to minority interests is derecognized due to the obligation to acquire the minority interests.

Comprehensive income

CHF MN	31.12.2018	31.12.2017
Operating income	56.5	38.4
Profit, net of tax	24.5	13.6
of which minority interests	*11.5*	*6.6*
Comprehensive income	23.4	14.7
of which minority interests	*11.1*	*7.0*

Further financial information

CHF MN	31.12.2018	31.12.2017
Cash flow from operating activities	31.3	20.4
Dividends paid to holders of minority interests	11.6	7.8
Minority interest in%	40	40

17 Property and equipment

CHF MN	BANK BUILDINGS	IT SYSTEMS	SOFTWARE	SOFTWARE IN DEVELOPMENT	OTHER FIXED ASSETS	TOTAL FIXED ASSETS
Acquisition cost						
Balance as of 01.01.2017	1.7	18.9	257.4	7.5	91.4	376.9
Additions	0.0	11.9	40.4	0.2	5.2	57.7
Disposals	0.0	–6.5	–57.1	–0.6	–2.4	–66.6
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	–2.1	0.0	–1.1	–3.2
Translation differences	0.0	–0.1	0.0	0.0	0.0	–0.1
Balance as of 31.12.2017	1.7	24.2	238.6	7.1	93.1	364.7
Additions	3.4	5.4	50.9	–2.9	9.9	66.7
Disposals	0.0	–1.5	–28.7	–0.1	–22.4	–52.7
Change in scope of consolidation	0.0	0.0	2.8	0.0	0.4	3.2
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	–0.1	–0.2
Balance as of 31.12.2018	**5.1**	**28.2**	**263.5**	**4.1**	**80.9**	**381.9**
Cumulative depreciation						
Balance as of 01.01.2017	–0.8	–12.2	–166.2	–0.7	–43.1	–223.0
Depreciation	–0.1	–5.6	–35.8	0.0	–9.6	–51.1
Impairment losses	0.0	0.0	–0.6	0.0	0.0	–0.6
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	6.5	57.1	0.6	2.4	66.6
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	2.0	0.0	1.1	3.1
Translation differences	0.0	0.1	0.0	0.0	–0.1	0.0
Balance as of 31.12.2017	–0.9	–11.2	–143.5	–0.1	–49.3	–205.0
Depreciation	–0.1	–6.9	–37.5	0.0	–9.2	–53.7
Impairment losses	0.0	0.0	–0.2	–0.1	–0.1	–0.4
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	1.5	28.7	0.1	22.4	52.7
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	0.1	0.1
Balance as of 31.12.2018	**–1.0**	**–16.6**	**–152.5**	**–0.1**	**–36.1**	**–206.3**
Net carrying values 31.12.2017	0.8	13.0	95.1	7.0	43.8	159.7
Net carrying values 31.12.2018	**4.1**	**11.6**	**110.9**	**4.0**	**44.8**	**175.5**

18 Goodwill and other intangible assets

Goodwill and other intangible assets

CHF MN	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL INTANGIBLE ASSETS
Acquisition cost			
Balance as of 01.01.2017	223.3	81.6	304.9
Additions	0.2	17.4	17.6
Disposals	0.0	0.0	0.0
Change in scope of consolidation	0.0	0.0	0.0
Translation differences	3.3	0.9	4.2
Balance as of 31.12.2017	226.8	99.9	326.7
Additions	0.0	0.0	0.0
Disposals	0.0	0.0	0.0
Change in scope of consolidation	260.6	45.8	306.4
Translation differences	–3.2	–0.9	–4.2
Balance as of 31.12.2018	**484.2**	**144.8**	**628.9**
Cumulative depreciation			
Balance as of 01.01.2017	0.0	–25.9	–25.9
Amortization		–9.3	–9.3
Impairment losses	0.0	0.0	0.0
Reversals		0.0	0.0
Disposals	0.0	0.0	0.0
Change in scope of consolidation	0.0	0.0	0.0
Translation differences	0.0	–0.4	–0.4
Balance as of 31.12.2017	0.0	–35.6	–35.6
Amortization		–14.6	–14.6
Impairment losses	0.0	0.0	0.0
Reversals		0.0	0.0
Disposals	0.0	0.0	0.0
Change in scope of consolidation	0.0	0.0	0.0
Translation differences	0.0	0.6	0.6
Balance as of 31.12.2018	**0.0**	**–49.7**	**–49.7**
Net carrying values 31.12.2017	226.8	64.3	291.1
Net carrying values 31.12.2018	**484.2**	**95.2**	**579.3**

Goodwill

The goodwill resulting from a business combination is recognized as an asset in the balance sheet and assigned to one or more cash-generating units. The following organizational units represent the lowest level at which the goodwill allocated to them is monitored for internal management purposes:

Goodwill positions of each organizational unit

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Wealth Management division	306.3	45.7	260.6	570
Francophone & Middle East business unit	15.6	15.6	0.0	0
Italy business unit	6.2	6.2	0.0	0
Asset Management division	63.2	63.6	–0.4	–1
Fixed Income business unit	57.9	60.7	–2.8	–5
Multi Asset business unit	26.3	26.3	0.0	0
Vescore business unit	8.7	8.7	0.0	0
Total	**484.2**	**226.8**	**257.4**	**113**

The above goodwill positions are subject to an annual impairment test, which is conducted in the third quarter of each year. If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently to determine whether the book value of the relevant organizational unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the book value of the organizational unit exceeds the recoverable amount, a goodwill impairment is recorded. Reversals of impairments are not recorded.

When conducting an impairment test, Vontobel begins by comparing the book value of the organizational unit with its fair value less costs to sell. Assets under management are a key factor that is considered in the case of all the organizational units that are assessed because it has a significant impact on their future earnings potential. The implicit multiplier for assets under management is calculated on the basis of the market capitalization of companies engaging in similar business activities, less reported shareholders' equity. This implicit multiplier is adjusted to take account of the difference between the gross margins of the organizational unit under review and the peer group as well as other factors that are relevant for the impairment test. If the book value of the organizational unit exceeds the fair value calculated using the adjusted multiplier less costs to sell, the book value is subsequently compared with the value in use of the organizational unit.

Multiplier

IN %	31.12.2018	31.12.2017
Wealth Management division	2.4	2.3
Francophone & Middle East business unit	3.4	3.5
Italy business unit	2.9	3.2
Asset Management division	1.1	0.9
Fixed Income business unit	0.8	0.6
Multi Asset business unit	0.7	0.6
Vescore business unit	0.7	0.9

The fair value calculated using these multipliers less costs to sell exceeded the book value of all organizational units both in the year under review and in the previous year. Management determined that no reasonably possible change in the assumptions would have resulted in the book value of an organizational unit significantly exceeding its recoverable amount.

All the input parameters that are relevant for the valuation can be observed. In the case of the fair value less costs to sell of the organizational units tested, this is a level 2 valuation.

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

19 Other assets

	NOTE	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Accrued income and prepaid expenses		156.1	152.7	3.4	2
Current tax assets		23.5	26.8	–3.3	–12
Deferred tax assets	9	30.2	20.0	10.2	51
Value-added tax and other tax receivables		158.2	143.0	15.2	11
Defined benefit pension asset	41	12.3	29.9	–17.6	–59
Settlement and clearing accounts		0.3	1.4	–1.1	–79
Open settlement positions		275.4	162.1	113.3	70
Assets held for sale		0.0	86.6	–86.6	–100
Other		37.7	41.8	–4.1	–10
Total		**693.8**	**664.3**	**29.5**	**4**

20 Securities financing transactions

	31.12.2018 CASH COLLATERAL FOR		31.12.2017 CASH COLLATERAL FOR	
CHF MN	SECURITIES BORROWING AGREEMENTS	REVERSE-REPURCHASE AGREEMENTS	SECURITIES BORROWING AGREEMENTS	REVERSE-REPURCHASE AGREEMENTS
Securities financing transactions due from banks	5.5	759.5	8.5	1,007.2
Securities financing transactions due from customers	0.0	0.0	0.0	0.0
Total receivables from securities financing transactions	**5.5**	**759.5**	**8.5**	**1,007.2**

	31.12.2018 CASH COLLATERAL FROM		31.12.2017 CASH COLLATERAL FROM	
CHF MN	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS
Securities financing transactions due to banks	0.0	34.5	0.0	0.0
Securities financing transactions due to customers	0.0	0.0	0.0	0.0
Total payables from securities financing transactions	**0.0**	**34.5**	**0.0**	**0.0**

21 Transferred and pledged assets

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Securities financing transactions	470.5	433.6	36.9	9
Trading portfolio assets	*92.0*	*197.6*	*–105.6*	*–53*
Other financial assets at fair value	*378.6*	*236.0*	*142.6*	*60*
Financial investments	*0.0*	*0.0*	*0.0*	
Other transactions	908.5	10.0	898.5	
Total transferred assets	**1,379.0**	**443.6**	**935.4**	**211**
Trading portfolio assets	92.0	207.6	–115.6	–56
Debt instruments	*22.0*	*53.3*	*–31.3*	*–59*
Equity instruments	*70.0*	*153.9*	*–83.9*	*–55*
Other	*0.0*	*0.4*	*–0.4*	*–100*
Other financial assets at fair value	1,287.1	236.0	1,051.1	445
Debt instruments	*1,287.1*	*236.0*	*1,051.1*	*445*
Equity instruments	*0.0*	*0.0*	*0.0*	
Financial investments	0.0	0.0	0.0	
Other assets	0.0	0.0	0.0	
Total transferred assets	**1,379.0**	**443.6**	**935.4**	**211**
of which those where the right to sell or repledge the assets has been assigned without restriction	*470.5*	*433.6*	*36.9*	*9*
Pledged assets	352.4	424.8	–72.4	–17
Total pledged assets	**352.4**	**424.8**	**–72.4**	**–17**

The transferred or pledged assets mainly serve the contracting partners as collateral against Vontobel liabilities arising from securities borrowing, securities lending and repurchase transactions, or as collateral for settlement limits and margin accounts with central banks, clearing centres and stock exchanges, as well as for OTC contracts, collateral secured instruments (COSI) and due to customers. These assets remain on Vontobel's balance sheet because Vontobel retains the associated risks and rewards.

22 Saleable or pledgeable securities not recorded in the balance sheet

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Securities financing transactions	1,324.3	1,566.0	–241.7	–15
Other transactions	54.7	60.3	–5.6	–9
Total fair value of securities received that can be sold or repledged	**1,379.0**	**1,626.3**	**–247.3**	**–15**
of which securities sold or repledged	899.2	557.7	341.5	61

The table contains the fair value of the securities received, where the counterparty has assigned Vontobel the unrestricted right to sell or repledge them, and the fair value of those securities for which Vontobel has made use of this right.

23 Debt issued

	INTEREST RATE IN %	31.12.2018 CHF MN	31.12.2017 CHF MN
Vontobel Holding AG			
Additional Tier-1 (AT1) bond	2.625	447.6	
Total		**447.6**	

In connection with the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued an Additional Tier-1 Bond (AT1 Bond) with a nominal value of CHF 450 mn in June 2018. The AT1 Bond is unsecured, subordinated and paid in full. It does not grant any voting rights and, in principle, has a perpetual term but it may be redeemed by Vontobel Holding AG for the first time on October 31, 2023, and thereafter annually on October 31. The AT1 Bond has an annual coupon of 2.625% until the first possible redemption date. If Vontobel Holding AG does not redeem the bond on October 31, 2023, the annual coupon for the next five years will be newly defined as the total of the CHF mid-market swap rate for five years that is applicable at the time (but at least 0%) and a margin of 2.605%. Interest payments cannot be made if the Swiss Financial Market Supervisory Authority (FINMA) issues an instruction to this effect or if Vontobel Holding AG does not have the necessary profit distribution reserves to finance the interest payments for the AT1 Bond and to make distributions that were already planned for the previous financial year. Cancelled interest payments will not be paid at a later point in time (non-cumulative). If interest payments are cancelled, the Board of Directors is not permitted to propose the distribution of dividends to the General Meeting of Shareholders of Vontobel Holding AG until interest payments on the AT1 Bond resume.

If a viability event occurs – i.e. if there is an imminent risk of insolvency as defined by Art. 29 of the Swiss Capital Adequacy Ordinance (CAO) issued by FINMA – an automatic debt waiver will take effect and the AT1 Bond will be written down to zero. If the Vontobel Group's Common Equity Tier 1 (CET1) ratio falls below the threshold of 7%, the AT1 will be written down to the extent required in order for the threshold of 7% to be reached once again or exceeded. After a partial or complete writedown of the AT1 Bond, a future reversal of the writedown is neither planned nor permitted.

24 Provisions

CHF MN	OTHER	2018 TOTAL	2017 TOTAL
Balance at the beginning of the year	40.6	40.6	33.4
Impact of changes to the accounting principles	0.1	0.1	0.0
Utilization in conformity with designated purpose	–18.5	–18.5	–0.8
Increase in provisions recognized in the income statement	2.3	2.3	8.0
Release of provisions recognized in the income statement	–10.6	–10.6	–0.2
Increase in provisions not recognized in the income statement	3.4	3.4	0.0
Recoveries	0.0	0.0	0.2
Change in scope of consolidation	1.1	1.1	0.0
Reclassification	0.0	0.0	–0.1
Translation differences	0.0	0.0	0.1
Provisions as at the balance sheet date	**18.5**	**18.5**	**40.6**

Other provisions consist of provisions for process risks and other liabilities as well for expected credit losses of off-balance positions.

A provision is recorded if, as a result of a past event, the Group has a current liability as of the balance sheet date that will probably lead to an outflow of funds, the level of which can be reliably estimated. When determining whether a provision should be recorded and whether the amount of the provision is appropriate, the best possible estimates and assumptions as of the balance sheet date are used; these estimates and assumptions may be adapted at a later date if necessary, based on new findings and circumstances.

Vontobel is involved in various legal proceedings in the course of its normal business operations. A provision is recorded in respect of current and potential legal proceedings if the above recognition criteria are met. In certain cases, external legal specialists are consulted to determine whether this is the case.

25 Other liabilities

	NOTE	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Accrued expenses and deferred income		346.5	324.8	21.7	7
Current tax liabilities		18.8	10.9	7.9	72
Deferred tax liabilities	9	96.1	41.6	54.5	131
Defined benefit pension liabilities	41	31.0	0.0	31.0	
Value-added tax and other tax liabilities		8.8	7.8	1.0	13
Settlement and clearing accounts		0.7	2.3	–1.6	–70
Open settlement positions		503.0	275.9	227.1	82
Liability to purchase minority interests		70.9	57.4	13.5	24
Liabilities held for sale		0.0	140.5	–140.5	–100
Others		58.3	66.8	–8.5	–13
Total		**1,134.0**	**928.0**	**206.0**	**22**

26 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 01.01.2016	56,875,000	56.9	0	0.0
Balance as of 31.12.2016	56,875,000	56.9	0	0.0
Balance as of 31.12.2017	56,875,000	56.9	0	0.0
Balance as of 31.12.2018	**56,875,000**	**56.9**	**0**	**0.0**

The share capital is fully paid in.

Authorized capital
In the financial years 2018 and 2017 the Board of Directors did not apply for the creation of authorized capital.

Contingent share capital
There is no contingent share capital.

Treasury shares

	NUMBER	CHF MN
Balance as of 01.01.2017	2,106,367	93.8
Purchases	1,007,777	58.6
Decreases	–1,525,807	–72.8
Balance as of 31.12.2017	1,588,337	79.6
Purchases	1,458,724	94.4
Decreases	–1,456,517	–75.2
Balance as of 31.12.2018	**1,590,544**	**98.8**

As of 31.12.2018 Vontobel held 12,052 (previous year 15,471) treasury shares to secure options and structured products. Own shares were offset against shareholders' equity in accordance with IAS 32.

27 Unrealized gains and losses on financial investments

	31.12.2018		31.12.2017	
CHF MN	UNREALIZED GAINS	UNREALIZED LOSSES	UNREALIZED GAINS	UNREALIZED LOSSES
Debt instruments [1]	7.3	–16.8	2.9	–7.5
Equity instruments [2]	76.5	0.0	1.4	0.0
Units in investment funds [3]			0.1	0.0
Total before taxes	**83.9**	**–16.8**	**4.4**	**–7.5**
Taxes	–17.2	3.4	–0.3	1.3
Total net of tax [4]	**66.7**	**–13.4**	**4.1**	**–6.2**

1 Unrealized gains and losses are included in the balance sheet position "Other components of shareholders' equity".
2 Unrealized gains and losses as of December 31, 2017, are included in the balance sheet position "Other components of shareholders' equity". Due to the adoption of IFRS 9, unrealized gains and losses as of December 31, 2018, are included in the balance sheet position "Retained earnings".
3 Unrealized gains and losses as of December 31, 2017, are included in the balance sheet position "Other components of shareholders' equity". As of December 31, 2018, units in investment funds were reclassified to "Other financial assets at fair value" due to the adoption of IFRS 9.
4 The total amount net of tax includes exchange differences in the amount of CHF –0.5 mn (previous year CHF –0.5 mn).

Transactions with related parties

28 Compensation and loans of governing bodies

Compensation of governing bodies
The governing bodies of Vontobel comprise the members of the Board of Directors of Vontobel Holding AG and the members of the Executive Board. Additional information about the current members of governing bodies can be found in the Corporate Governance section of this annual report. The compensation paid to this group of people is listed below. Further information can be found in the Vontobel Compensation Report commencing on page 57.

Compensation is recognized in the financial year in which it is accrued. It is thus reported according to the accrual principle, irrespective of cash flows. This does not include expense related to performance shares and other deferred compensation, which is recorded during the vesting period. However, once the vesting conditions have been met, the allocation of shares is shown at the point in time when the performance shares are transferred to employees.

Compensation of the members of the Board of Directors of Vontobel Holding AG and Bank Vontobel AG for the financial year

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	
	CHF MN	CHF MN	CHF MN	IN %
Short-term employee benefits	2.5	2.4	0.1	4
Post-employment benefits	0.1	0.1	0.0	0
Other long-term benefits	0.0	0.0	0.0	
Termination benefits	0.0	0.0	0.0	
Equity compensation benefits [1,2]	1.7	1.7	0.0	0
Total mandate-related compensation for the financial year [3]	**4.3**	**4.2**	**0.1**	**2**
Compensation for additional services	0.0	0.0	0.0	
Total compensation for the financial year [4]	**4.3**	**4.2**	**0.1**	**2**

1 The members of the Board of Directors received a total of 38,145 (previous year 34,273) shares of Vontobel Holding AG as part of their compensation for the year under review. None of those shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
2 The cost of the performance shares is not included in the calculation of share-based compensation during the vesting period of the shares.
3 Excluding flat rate compensation for expenses and employer contribution to AHV / IV / ALV
4 The expense relating to performance shares is not included in "Total compensation for the financial year". The allocation of performance shares is shown separately in the following table "Allocation of shares from the long-term employee share-based benefit program".

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

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	
	NUMBER	NUMBER	NUMBER	IN %
Number of performance shares allotted to Herbert J. Scheidt [1]	26,954	35,340	–8,386	–24

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 1.0 mn (previous year CHF 1.0 mn) and was included on a pro rata basis over the vesting period.

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

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Base salary	3.7	3.7	0.0	0
Other short-term employee benefits [1]	0.0	0.0	0.0	
Cash component of bonus [2]	5.8	5.7	0.1	2
Post-employment benefits	0.7	0.7	0.0	0
Other long-term benefits	0.0	0.0	0.0	
Termination benefits	0.0	0.0	0.0	
Equity compensation benefits bonus shares [2,3]	5.8	5.7	0.1	2
Total contract-related compensation for the financial year [4]	**16.0**	**15.8**	**0.2**	**1**
Compensation for additional services	0.0	0.0	0.0	
Total compensation for the financial year [5]	**16.0**	**15.8**	**0.2**	**1**
Number of persons receiving compensation	6	6	0	0

1 Other short-term employee benefits comprise family allowance payments and preferential interest rates for mortgages.
2 Financial year 2018: Subject to the approval of the General Meeting of Shareholders 2019
3 A total of 133,498 (previous year 118,902) Vontobel Holding AG shares were allocated to members of the Executive Board. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
4 Excluding flat rate compensation for expenses and employer contribution to AHV / IV / ALV
5 The expense relating to performance shares is not included in “Total compensation for the financial year”. The allocation of performance shares is shown separately in the “Allocation of shares from the long-term employee share-based benefit program” table below.

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

	31.12.2018 CHF MN OR NUMBER	31.12.2017 CHF MN OR NUMBER	CHANGE TO 31.12.2017 CHF MN OR NUMBER	IN %
Market value of performance shares at the date on which they were allotted in CHF mn [1]	9.7	10.5	–0.8	–8
Number of performance shares allotted	157,582	189,660	–32,078	–17
Number of persons receiving compensation	6	6	0	0

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 5.8 mn (previous year CHF 5.2 mn) and was included on a pro rata basis over the vesting period.

Employee share-based benefit program and other deferred compensation

Under the current share participation plan, which was introduced in spring 2005, employees can opt to receive 25% of their bonus in the form of bonus shares of Vontobel Holding AG at preferential terms. For bonus amounts exceeding CHF 100,000, it is mandatory for employees to take 25% of the bonus in the form of shares. Employees who exercise roles that are defined by the Board of Directors as special positions are required to take 33% of their bonus in the form of shares. In the case of members of the Executive Board, this mandatory portion increases to 50% of their total bonus. These shares are awarded at a price corresponding to 80% of the relevant market price. The relevant market price is the average of the closing prices in the month of December of the year for which the bonus is paid. The bonus shares are blocked for three years and cannot be disposed of during that period. The fair value of bonus shares at grant date is charged as personnel expense. Employees who receive bonus shares automatically participate in the performance shares program. The right to receive performance shares depends on the performance of the business over the last three years, hence the name “performance shares”, as well as on the number of bonus shares received.

The company's average return on equity (ROE) and the average risk profile (BIS total capital ratio) are taken into account when determining its performance. A third requirement when receiving performance shares is that they are only paid to employees who remain in an employment relationship on which notice has not been served three years after they received the bonus shares. On the balance sheet date, the expense relating to the performance share program is estimated for the entire vesting period and charged to personnel expense on a pro rata temporis basis. When determining the expense, the estimates for the return on equity, the BIS total capital ratio and the probability that employees will leave the company are updated, while the relevant share price is fixed at the time when the rights to receive performance shares are granted and is not adjusted during the vesting period. It corresponds to the fair value of the Vontobel Holding AG share at this time, less the present value of the dividends expected during the vesting period.

Blocked shares

	EMPLOYEES		MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD	
NUMBER	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Holdings of blocked shares at the beginning of the year	1,131,370	1,172,714	508,097	522,139
Allotted shares and transfers (addition)	400,471	375,579	153,175	166,127
Shares for which the holding period has lapsed	–392,729	–387,122	–159,363	–179,874
Shares of employees / members who have left the Group and transfers (reduction)	–93,452	–29,801	–3,594	–295
Holdings of blocked shares as at the balance sheet date	**1,045,660**	**1,131,370**	**498,315**	**508,097**
Charged as personnel expense in the year under review (CHF mn)	0.6	1.0	0.3	0.4
Charged as personnel expense in the preceding year (CHF mn)	24.1	19.9	9.2	8.8
Average price of shares upon allotment (CHF)	61.80	55.60	62.40	55.62
Fair value of blocked shares as at the balance sheet date (CHF mn)	52.7	69.6	25.1	31.2

Deferred compensation outstanding

Right to receive performance shares

Vontobel's compensation concept focuses on the achievement of sustained success. The awarding of performance shares is a long-term component of this compensation system. The number of shares allocated in the year under review is calculated on the basis of the number of bonus shares received for the financial year 2014 as well as the performance of the business in the years 2015 to 2017, measured in terms of the average return on equity (ROE) and the average risk profile (BIS total capital ratio). The cost per allocated share recorded as share-based compensation was CHF 36.50. The market price was CHF 61.80 on the allocation date in March 2018 and was CHF 50.40 as at the balance sheet date.

In view of expectations regarding the performance of the business (ROE and BIS total capital ratio), the calculation of the number of rights is based on the assumption that between 116% and 127% (previous year between 108% and 122%) of the original number of bonus shares will be allocated as performance shares to eligible employees in connection with the individual programs.

If the ROE in 2019 and 2020 is 3 percentage points higher (lower) than expected due to an improvement (deterioration) in the performance of the business, between 124% and 132% (108% and 127%) of the original number of bonus shares will be granted as performance shares to eligible employees in connection with the individual programs. If the BIS total capital ratio in 2019 and 2020 is 2 percentage points higher (lower) than expected, these factors would be between 127% and 139% (116% and 127%). Further information is available at: www.vontobel.com/compensation-report. As a result, a reasonably possible deviation from the expected values would not have a significant impact on Vontobel's future personnel expense.

Performance shares

	EMPLOYEES		CHAIRMAN OF THE BOARD OF DIRECTORS AND MEMBERS OF THE EXECUTIVE BOARD	
NUMBER	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Holdings of rights at the beginning of the year	1,321,283	1,458,398	493,880	577,654
Allotted rights and transfers (addition)	400,471	375,579	118,902	127,831
Recorded performance shares	–506,808	–514,518	–184,534	–225,000
Forfeited rights and transfers (reduction)	–92,343	–26,068	0	0
Change of rights due to modified parameters	142,401	27,892	42,616	13,395
Holdings of rights as at the balance sheet date	**1,265,004**	**1,321,283**	**470,864**	**493,880**
CHF MN				
Personnel expense recorded over the vesting period for recorded performance shares	18.5	14.2	6.7	6.2
Market value of recorded performance shares on the allocation date	31.3	28.6	11.4	12.5
Charged as personnel expense in the year under review	18.4	18.6	7.5	7.0
Cumulative charge to personnel expense for outstanding rights to performance shares as at the balance sheet date	31.6	30.4	12.4	11.6
Estimated personnel expense for the remaining vesting periods including future terminations	22.7	18.9	7.6	6.8
Estimated personnel expense for the remaining vesting periods excluding future terminations	26.4	21.9	8.8	7.9
Other deferred compensation as at the balance sheet date				
In cash	4.0	3.9	0.0	0.0
Share-based compensation benefits	0.0	0.0	0.0	0.0
Number of shares	0.0	0.0	0.0	0.0
Personnel expense recorded in the year under review for share-based compensation	0.0	0.0	0.0	0.0
Estimated personnel expense for share-based compensation for the remaining vesting periods	0.0	0.0	0.0	0.0

Governing body loans and employee terms and conditions

Loans to members of Vontobel's governing bodies and to significant shareholders and the persons and companies related to them may only be granted in accordance with the generally recognized principles of the banking industry. Governing body members are generally treated like employees, and that particularly in regard to lending terms. Governing body loans must be approved by the Board of Directors of Vontobel Holding AG in addition to the levels of authority applicable to employees.

As of December 31, 2018, fully secured loans and credits to and the promise of payment in favour of the members of Vontobel's governing bodies or related parties and significant shareholders of CHF 9.1 mn were outstanding. As of December 31, 2017, margin calls fully secured against collateral and guarantees for members of governing bodies and significant shareholders totalled CHF 2.5 mn. No loans to former members of the Board of Directors or the members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Vontobel has granted mortgage loans to members of its governing bodies and to employees since 1 October 2016. It provides mortgage loans to them at a preferential interest rate of up to 1 % below the usual interest rate up to a maximum loan amount of CHF 1 million per borrower. In addition, as part of a transitional arrangement, Vontobel provides the same terms and conditions in the case of existing mortgage loans of members of its governing bodies and employees from selected third-party banks until maturity. Vontobel does not assume any credit risks or other obligations in this context.

The members of the Board of Directors and the Executive Board conduct usual banking transactions with Vontobel at the same conditions as employees.

29 Transactions with related companies and persons

Companies and persons are deemed related if one side is able to control the other or exert a substantial influence on the other's financial or operational decisions.

Transactions with related companies and persons

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	
	CHF MN	CHF MN	CHF MN	IN %
Receivables	3.6	0.9	2.7	300
Liabilities	358.7	207.3	151.4	73

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

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

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

Risk related to balance sheet positions

30 Liquidity risk

CHF MN	DEMAND	SUBJECT TO NOTICE	DUE WITHIN 3 MONTHS	DUE WITHIN 3 TO 12 MONTHS	DUE WITHIN 1 TO 5 YEARS	DUE AFTER 5 YEARS	31.12.2018 TOTAL
Maturity structure of assets and liabilities							
Assets							
Cash	7,229.4						7,229.4
Due from banks	1,133.2		28.0				1,161.2
Receivables from securities financing transactions		5.5	759.5				765.0
Trading portfolio assets	2,972.1						2,972.1
Positive replacement values	136.0						136.0
Other financial assets at fair value	4,143.2						4,143.2
Loans	0.5	611.6	1,915.4	685.1	993.0	699.0	4,904.6
Financial investments	108.2		152.5	440.3	2,190.5	384.9	3,276.4
Investments in associates [1]						0.9	0.9
Property and equipment [1]						175.5	175.5
Goodwill and other intangible assets [1]						579.3	579.3
Other assets	693.8						693.8
Total assets	**16,416.3**	**617.1**	**2,855.4**	**1,125.4**	**3,183.4**	**1,839.6**	**26,037.3**
Liabilities							
Due to banks	651.7		28.1				679.8
Payables from securities financing transactions			34.5				34.5
Trading portfolio liabilities	208.4						208.4
Negative replacement values	1,325.7						1,325.7
Other financial liabilities at fair value	7,836.2						7,836.2
Due to customers	12,649.2						12,649.2
Debt issued					447.6		447.6
Provisions				1.2	15.9	1.3	18.5
Other liabilities	1,063.1				70.9		1,134.0
Total liabilities	**23,734.2**	**-**	**62.6**	**1.2**	**534.4**	**1.3**	**24,333.8**
Off-balance sheet							
Contingent liabilities and irrevocable commitments	59.4	614.1	0.3	0.1	10.0	0.4	684.3

1 Immobilized

Further information on liquidity risks can be found in section 4 of the notes on risk management and risk control.

CHF MN	DEMAND	SUBJECT TO NOTICE	DUE WITHIN 3 MONTHS	DUE WITHIN 3 TO 12 MONTHS	DUE WITHIN 1 TO 5 YEARS	DUE AFTER 5 YEARS	31.12.2017 TOTAL
Maturity structure of assets and liabilities							
Assets							
Cash	6,287.9						6,287.9
Due from banks	1,631.0		17.7	10.0			1,658.7
Receivables from securities financing transactions		8.5	1,007.2				1,015.7
Trading portfolio assets	3,991.2						3,991.2
Positive replacement values	243.9						243.9
Other financial assets at fair value	3,490.9						3,490.9
Loans	2.3	143.2	1,867.3	473.8	496.5	327.4	3,310.5
Financial investments	15.9		172.7	194.2	1,321.4	84.7	1,788.9
Investments in associates [1]						0.9	0.9
Property and equipment [1]						159.7	159.7
Goodwill and other intangible assets [1]						291.1	291.1
Other assets	664.3						664.3
Total assets	**16,327.5**	**151.7**	**3,064.9**	**678.0**	**1,817.9**	**863.8**	**22,903.7**
Liabilities							
Due to banks	1,221.3						1,221.3
Payables from securities financing transactions							0.0
Trading portfolio liabilities	158.2						158.2
Negative replacement values	725.6						725.6
Other financial liabilities at fair value	8,451.3						8,451.3
Due to customers	9,758.2						9,758.2
Debt issued							-
Provisions				2.5	38.1		40.6
Other liabilities	870.7				28.9	28.4	928.0
Total liabilities	**21,185.2**	**-**	**-**	**2.5**	**67.0**	**28.4**	**21,283.2**
Off-balance sheet							
Contingent liabilities and irrevocable commitments	126.7	556.0	0.3	0.1	14.7	0.5	698.3

1 Immobilized

31 Fair value of financial instruments

a) Financial instruments measured at fair value
The following table shows the fair value hierarchy of those financial instruments that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value

CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2018 TOTAL
Assets				
Trading portfolio assets	2,852.1	119.8	0.1	2,972.1
Debt instruments	*392.0*	*119.8*	-	*511.8*
Equity instruments	*1,626.3*	-	*0.0*	*1,626.3*
Units in investment funds	*166.7*	*0.0*	*0.1*	*166.8*
Precious metals and cryptocurrencies	*667.1*	-	-	*667.1*
Positive replacement values	35.3	100.7	0.0	136.0
Other financial assets at fair value	3,270.0	867.5	5.7	4,143.2
Debt instruments [1]	*3,190.4*	*816.3*	-	*4,006.7*
Equity instruments	*0.0*	-	*1.9*	*1.9*
Units in investment funds	*79.6*	*5.6*	*3.8*	*89.0*
Structured products	-	*45.6*	-	*45.6*
Financial investments	3,014.0	154.2	108.2	3,276.4
Debt instruments	*3,014.0*	*154.2*	-	*3,168.2*
Equity instruments	*0.0*	-	*108.2*	*108.2*
Other assets	0.0	0.0	1.1	1.1
Total financial assets at fair value	**9,171.4**	**1,242.2**	**115.0**	**10,528.6**
Liabilities				
Trading portfolio liabilities	197.5	10.9	0.0	208.4
Debt instruments	*97.4*	*10.9*	-	*108.3*
Equity instruments	*100.1*	-	*0.0*	*100.1*
Negative replacement values	511.7	814.0	-	1,325.7
Other financial liabilities at fair value [2]	-	7,836.2	-	7,836.2
Other liabilities	-	0.0	70.9	70.9
Total financial liabilities at fair value	**709.2**	**8,661.1**	**70.9**	**9,441.2**

1 In the case of interest rate instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 7.7 mn.
2 Level 2 of the balance sheet item “Other financial liabilities at fair value” contains listed issued products with a fair value of CHF 4,261.0 mn.

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*
Equity instruments	*0.0*	*0.0*	*-*	*0.0*
Units in investment funds	*32.8*	*9.2*	*5.5*	*47.5*
Structured products	*-*	*23.7*	*-*	*23.7*
Financial 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*
Negative replacement values	47.9	677.7	-	725.6
Other financial liabilities at fair value [2]	-	8,451.3	-	8,451.3
Other liabilities	0.6	0.0	74.4	75.0
Total financial liabilities at fair value	**201.5**	**9,134.2**	**74.4**	**9,410.1**

1 In the case of interest rate instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 37.3 mn.
2 Level 2 of the balance sheet item “Other financial liabilities at fair value” contains listed issued products with a fair value of CHF 4,951.8 mn.

Level 1 instruments

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

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

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

Level 2 instruments

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

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

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

Level 3 instruments

Level 3 instruments are financial instruments whose fair value is based on a valuation method that uses at least one significant input parameter that cannot be observed directly or indirectly in the market. They include primarily the liability to acquire the minority interests in TwentyFour Asset Management LLP, investment funds for which a binding net asset value is not published at least quarterly, and several unlisted equity instruments. The liability from the earn-out agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche Privatbank AG was derecognized due to the acquisition of Notenstein La Roche Privatbank AG in the second half of 2018.

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 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	FAIR VALUE FINANCIAL INSTRUMENTS	FINANCIAL INVESTMENTS	OTHER ASSETS	31.12.2018 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[1]	31.12.2018 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 consolidation	0.2	0.0	38.1	38.3	12.9	12.9
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	–0.7	0.0	–38.1	–38.8	0.0	0.0
Redemptions	0.0	0.0	0.0	0.0	2.3	2.3
Net gains / (losses) recognized in the income statement	–1.7	0.0	0.0	–1.7	–0.8	–0.8
Net gains / (losses) recognized in other comprehensive income	0.0	38.6	0.0	38.6	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	–15.4	–15.4
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	2.7	2.7
Total book value at balance sheet date	**5.8**	**108.2**	**1.1**	**115.0**	**–70.9**	**–70.9**
Income in the financial year on holdings on balance sheet date						
Net gains / (losses) recognized in the income statement	–2.1	0.0	0.0	–2.1	–0.8	–0.8
Net gains / (losses) recognized in other comprehensive income	0.0	38.6	0.0	38.6	0.0	0.0

1 This item includes the liability to acquire minority interests in TwentyFour Asset Management LLP and the liability from an earn-out agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche Privatbank AG, which was derecognized due to the acquisition of Notenstein La Roche Privatbank AG in the second half of 2018.

CHF MN	FAIR VALUE FINANCIAL INSTRUMENTS	FINANCIAL INVESTMENTS	OTHER ASSETS[1]	31.12.2017 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[2]	31.12.2017 TOTAL FINANCIAL LIABILITIES
Balance sheet						
Holdings at the beginning of the year	6.2	14.9	3.7	24.8	–50.3	–50.3
Additions in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	–17.0	–17.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Redemptions	–0.4	0.0	–3.7	–4.1	0.0	0.0
Net gains / (losses) recognized in the income statement	0.0	0.0	0.0	0.0	–0.8	–0.8
Net gains / (losses) recognized in other comprehensive income	0.0	–0.1	0.0	–0.1	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	–3.8	–3.8
Reclassifications to level 3	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications from level 3	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	–2.5	–2.5
Total book value at balance sheet date	**5.8**	**14.8**	**0.0**	**20.6**	**–74.4**	**–74.4**
Income in the financial year on holdings on balance sheet date						
Net gains / (losses) recognized in the income statement	0.0	0.0	0.0	0.0	–0.8	–0.8
Net gains / (losses) recognized in other comprehensive income	0.0	–0.1	0.0	–0.1	0.0	0.0

1 This item contains an asset from an earn-out agreement relating to the acquisition of Finter Bank Zurich AG, which was settled during the financial year 2017.
2 This item contains the liability to acquire the minority interests in TwentyFour Asset Management LLP (31.12.2017: CHF 57.4 mn) and the liability from an earn-out-agreement relating to the acquisition of the Eastern client portfolio of Notenstein La Roche Privatbank AG (31.12.2017: CHF 17.0 mn).

Valuation adjustments

The fair value of level 2 and level 3 instruments is always an estimate or an approximation of a value that cannot be determined with absolute certainty. Furthermore, the valuation methods used do not always reflect all of the factors that are relevant when determining fair value. To ensure that the valuations are appropriate, additional factors are considered in the case of products issued by Vontobel. These factors include uncertainties relating to models and parameters, as well as liquidity risks and the risk of the early redemption of the products issued. The adjustments due to uncertainties relating to the models and parameters reflect the uncertainties in the model assumptions and input parameters associated with the valuation methods used. The adjustments due to liquidity risks take account of the expected costs of hedging open net risk positions. Management believes it is necessary and appropriate to take these factors into account in order to correctly determine the fair value.

The appropriateness of the valuation of financial instruments that are not traded in an active market is ensured through the application of clearly defined methods and processes as well as independent controls. The control processes comprise the analysis and approval of new instruments, the regular analysis of risks as well as gains and losses, the verification of prices and the examination of the models on which the estimates of the fair value of financial instruments are based. These controls are conducted by units that possess the relevant specialist knowledge and operate independently from the trading and investment functions.

Sensitivity of fair values of level 3 instruments

Key assumptions for the measurement of the liability to acquire minority interests in TwentyFour Asset Management LLP are the discount rate (31.12.2018: 12.0 %; 31.12.2017: 12.0 %) that will be used to discount future cash flows, as well as the long-term growth of these cash flows (31.12.2018: 1.0 %; 31.12.2017: 1.0 %). The following table shows how the measurement is affected by changes in these two assumptions.

Key assumptions

	VARIATION OF THE KEY ASSUMPTION	CHANGE IN THE FAIR VALUE AS OF 31.12.2018 CHF MN	CHANGE IN THE FAIR VALUE AS OF 31.12.2017 CHF MN
Discount rate	+1 percentage point	–5.0	–4.4
Discount rate	–1 percentage point	6.0	5.1
Long-term growth	+1 percentage point	2.4	2.5
Long-term growth	–1 percentage point	–1.6	–2.1

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 2018 (previous year), positions with a fair value of CHF 102.4 mn (CHF 95.7 mn) were reclassified from level 1 to level 2 and positions with a fair value of CHF 57.2 mn (CHF 52.9 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.

b) Financial instruments measured at amortized cost
The following table shows the book value, the estimated fair value and the fair value hierarchy of those financial instruments that are measured at amortized cost.

Financial instruments measured at amortized cost

CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2018 FAIR VALUE TOTAL	31.12.2018 BOOK VALUE TOTAL	31.12.2017 FAIR VALUE TOTAL	31.12.2017 BOOK VALUE TOTAL
Assets							
Cash	7,229.4	-	-	7,229.4	7,229.4	6,287.9	6,287.9
Due from banks	-	1,161.2	-	1,161.2	1,161.2	1,658.7	1,658.7
Receivables from securities financing transactions	-	765.0	-	765.0	765.0	1,015.7	1,015.7
Loans	-	5,009.5	-	5,009.5	4,904.6	3,351.4	3,310.5
Other assets [1]	39.9	428.5	-	468.4	468.5	436.2	436.2
Total	**7,269.3**	**7,364.2**	**0.0**	**14,633.5**	**14,528.7**	**12,749.9**	**12,709.0**
Liabilities							
Due to banks	-	679.8	-	679.8	679.8	1,221.3	1,221.3
Payables from securities financing transactions	-	34.5	-	34.5	34.5	0.0	0.0
Due to customers	-	12,649.2	-	12,649.2	12,649.2	9,758.2	9,758.2
Debt issued	457.4	-	-	457.4	447.6		
Other liabilities [1]	0.6	907.9	-	908.5	908.5	792.6	792.6
Total	**458.0**	**14,271.4**	**0.0**	**14,729.4**	**14,719.6**	**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
This includes due from/to banks, loans and due to customers, as well as receivables/payables from securities financing transactions that have a maturity or a refinancing profile of a maximum of 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
This includes due from/to banks, loans and due to customers as well as receivables/payables from securities financing transactions 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 ask price is used.

32 Credit risks and impairment model

General information on the risk policy and credit risks

Please refer to sections 1 and 5 of the information about risk management and risk control.

Maximum credit risk before and after credit risk mitigation

The following table shows the maximum credit risk from all balance sheet and off-balance sheet positions and the available credit risk mitigation methods.

CHF MN	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION[1]	31.12.2018 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash[2]	7,229.4	0.0	7,229.4
Due from banks	1,161.2	797.4	363.7
Receivables from securities financing transactions	765.0	764.3	0.7
Trading portfolio assets (debt instruments)	511.8	0.0	511.8
Positive replacement values	136.0	132.8	3.2
Other financial assets at fair value (debt instruments)	4,006.7	0.0	4,006.7
Loans	4,904.6	4,564.3	340.2
Financial investments (debt instruments)	3,168.2	0.0	3,168.2
Other assets	469.5	274.2	195.3
Exposure from credit default swaps[3]	407.6	0.0	407.6
Off-balance-sheet positions	674.1	629.4	44.7
Total	**23,434.0**	**7,162.5**	**16,271.5**

CHF MN	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION[1]	31.12.2017 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash[2]	6,287.9	0.0	6,287.9
Due from banks	1,658.7	1,132.8	525.9
Receivables from securities financing transactions	1,015.7	1,015.3	0.4
Trading portfolio assets (debt instruments)	331.5	0.0	331.5
Positive replacement values	243.9	237.8	6.1
Other financial assets at fair value (debt instruments)	3,419.6	0.0	3,419.6
Loans	3,310.5	2,782.6	527.9
Financial investments (debt instruments)	1,773.0	0.0	1,773.0
Other assets	444.5	162.1	282.3
Exposure from credit default swaps[3]	1,068.3	0.0	1,068.3
Off-balance-sheet positions	627.1	304.6	322.5
Total	**20,180.7**	**5,635.3**	**14,545.4**

1 Credit risk mitigation is presented on the basis of Basel III regulations and encompasses netting agreements, securities collateral, cash collateral and mortgage collateral.
2 Bank notes and coins are included in the disclosure.
3 Default risks relating to the reference entities of credit default swaps where Vontobel acts as the protection seller. Any credit risk vis-à-vis the counterparty of the credit default swap is included in the balance sheet position “Positive replacement values”.

Impairment model

From the credit risks shown in the above table, those that fall within the scope of the IFRS 9 impairment model at Vontobel are mainly: financial assets recognized at amortized cost, debt instruments in financial investments, and credit risks from off-balance sheet positions.

a) Credit risks by region

The following table shows the credit risks that fall within the scope of the impairment model, broken down by region. The domicile of the counterparty or issuer generally serves as the basis for the geographical assignment of risks.

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2018 TOTAL
Cash	7,092.7	136.7	0.0	0.0	0.0	7,229.4
Due from banks	419.3	615.4	101.0	22.2	3.3	1,161.2
Receivables from securities financing transactions	426.9	338.1	0.0	0.0	0.0	765.0
Loans	2,106.8	1,450.9	146.6	219.2	981.0	4,904.6
Financial investments (debt instruments)	631.7	1,392.9	741.0	247.7	155.0	3,168.2
Other assets	179.8	228.9	34.5	21.0	5.2	469.5
Off-balance sheet	262.8	393.7	4.6	2.7	10.4	674.1
Total	**11,120.1**	**4,556.6**	**1,027.7**	**512.8**	**1,154.9**	**18,372.0**

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2017 TOTAL
Cash	6,163.1	124.8	0.0	0.0	0.0	6,287.9
Due from banks	1,227.5	402.3	10.4	14.3	4.3	1,658.7
Receivables from securities financing transactions	410.8	604.9	0.0	0.0	0.0	1,015.7
Loans	967.9	1,195.6	140.8	162.0	844.2	3,310.5
Financial investments (debt instruments)	40.1	785.7	638.6	176.5	132.1	1,773.0
Other assets	165.5	230.4	8.8	24.7	6.7	436.2
Off-balance sheet	314.0	159.2	11.1	22.5	120.4	627.1
Total	**9,288.9**	**3,502.8**	**809.7**	**400.0**	**1,107.7**	**15,109.0**

b) Credit risks by counterparty type or industry

The following table shows the credit risks that fall within the scope of the impairment model, broken down by counterparty type or industry.

CHF MN	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL COUNTER-PARTY	OTHERS	31.12.2018 TOTAL
Cash	3,629.6	182.2	0.0	0.0	3,417.6	7,229.4
Due from banks	0.0	1,161.2			0.0	1,161.2
Receivables from securities financing transactions	5.5	492.3	0.0	0.0	267.2	765.0
Loans	0.0	0.0	0.0	4,639.9	264.6	4,904.6
Financial investments (debt instruments)	159.6	1,442.0	340.8	31.7	1,194.1	3,168.2
Other assets	0.0	131.8	1.8	63.1	272.8	469.5
Off-balance sheet	0.0	80.5	0.0	268.8	324.8	674.1
Total	**3,794.7**	**3,490.1**	**342.7**	**5,003.5**	**5,741.1**	**18,372.0**

CHF MN	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL COUNTER-PARTY	OTHERS	31.12.2017 TOTAL
Cash	2,686.4	182.2	0.0	0.0	3,419.2	6,287.9
Due from banks	0.0	1,658.7			0.0	1,658.7
Receivables from securities financing transactions	8.5	1,007.2	0.0	0.0	0.0	1,015.7
Loans	0.0	0.0	0.0	3,290.1	20.4	3,310.5
Financial investments (debt instruments)	130.5	908.4	40.5	14.3	679.4	1,773.0
Other assets	54.6	216.2	0.2	30.5	134.8	436.2
Off-balance sheet	0.0	130.3	0.0	258.0	238.7	627.1
Total	**2,879.9**	**4,103.0**	**40.6**	**3,592.9**	**4,492.7**	**15,109.0**

c) Expected credit losses

The following table shows the expected credit losses for those credit risks that fall within the scope of the impairment model.

			31.12.2018			01.01.2018
CHF MN	12-MONTH LOSSES	LIFETIME LOSSES	TOTAL	12-MONTH LOSSES	LIFETIME LOSSES	TOTAL
Cash[1]	-	-	-	-	-	-
Due from banks[1]	0.1	0.1	0.2	0.2	0.2	0.4
Receivables from securities financing transactions[1]	-	-	-	-	-	-
Loans[1]	0.8	32.3	33.1	0.3	18.5	18.8
Financial investments (debt instruments)[2]	0.6	0.0	0.6	0.4	-	0.4
Other assets[1]	-	5.1	5.1	-	-	-
Off-balance sheet[3]	0.1	-	0.1	0.1	-	0.1
Total	**1.7**	**37.5**	**39.2**	**1.0**	**18.7**	**19.7**

1 Expected losses were deducted from the balance sheet position.
2 Expected losses were recognized in other comprehensive income.
3 Expected losses were recognized as a provision.

Due to the very good creditworthiness of the counterparties, the daily monitoring of credit positions (exception: mortgages), the short maturity of many interest rate instruments and the prudent lending rates of the collateral received, expected credit losses in stages 1 and 2 are very low.

Financial instruments in stage 3 of the impairment model represent impaired loans. In the year under review, they were contained in the balance sheet position “Loans” and “Other assets” and the previous year, they were contained exclusively in the balance sheet position “Loans”. The following table shows the development of expected credit losses from impaired loans and the stage of impaired loans before and after collateral is considered.

	31.12.2018	31.12.2017	CHANGE TO 31.12.2017	
EXPECTED CREDIT LOSSES FROM IMPAIRED LOANS	CHF MN	CHF MN	CHF MN	IN %
Balance at the beginning of the year	18.5	16.5	2.0	12
Utilization in conformity with designated purpose	0.0	–0.6	0.6	
Doubtful interest income[1]	1.7	1.9	–0.2	–11
Recoveries	0.0	0.0	0.0	
Increase / (decrease) recognized in the income statement, net	1.4	0.7	0.7	100
Change in scope of consolidation	15.8	0.0	15.8	
Reclassification	0.0	0.0	0.0	
Currency translation adjustments	0.0	0.0	0.0	
Allowances as at the balance sheet date	**37.4**	**18.5**	**18.9**	**102**
IMPAIRED LOANS				
Impaired loans	37.4	41.2	–3.8	–9
Estimated proceeds of liquidating collateral	0.0	14.5	–14.5	–100
Impaired loans, net	**37.4**	**26.7**	**10.7**	**40**

1 Interest of CHF 1.7 mn (previous year CHF 1.9 mn) on non-performing loans that had not yet been received was capitalized.

Depending on the specific case, receivables with evidence of impairment (or the collateral received) are sold or held until the insolvency or legal proceedings have been concluded and then derecognized.

d) Credit risks by rating classes

The following tables show credit risks that fall within the scope of the impairment model, broken down by rating classes to the extent that the internal or external rating of the borrower or of any guarantor represents a relevant criterion at the time of lending or when the purchase decision was made. For remaining credit risks, the collateral received is the primary or sole factor considered when granting the loan or reaching a purchase decision (especially receivables from securities financing transactions and lombard loans), which is why they are not included in the following tables. For "Due from banks", only the carrying amounts of unsecured exposures are shown. For loans, the carrying amounts of mortgages and of receivables guaranteed by a third party with an external rating are shown.

Due from banks (unsecured exposures)

			31.12.2018			31.12.2017
CHF MN	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**
AAA-AA	92.7	-	92.7	137.3	-	137.3
A	253.2	-	253.2	292.6	-	292.6
BBB-BB	7.2	0.5	7.8	74.2	6.9	81.1
B	-	-	-	-	-	-
CCC-CC	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	-	-	-	-
without rating	-	10.0	10.0	-	14.9	14.9
Total	**353.2**	**10.5**	**363.7**	**504.1**	**21.8**	**525.9**

Loans (mortgages)

			31.12.2018			31.12.2017
CHF MN	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**
Internal rating 1–2	673.2	-	673.2	167.1	-	167.1
Internal rating 3–4	307.5	-	307.5	60.6	-	60.6
Internal rating 5–6	51.4	-	51.4	8.2	-	8.2
Internal rating 7–8	-	-	-	-	-	-
Total	**1,032.1**	**0.0**	**1,032.1**	**235.9**	**0.0**	**235.9**

Loans (rating of third-party guarantor)

			31.12.2018			31.12.2017
CHF MN	STAGE 1	STAGE 2 & 3	TOTAL	STAGE 1	STAGE 2 & 3	TOTAL
AAA-AA	29.0	-	29.0	6.2	-	6.2
A	144.6	-	144.6	84.1	-	84.1
BBB-BB	0.5	-	0.5	-	-	-
B	-	-	-	-	-	-
CCC-CC	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	-	-	-	-
without rating	-	-	-	-	-	-
Total	**174.1**	**0.0**	**174.1**	**90.3**	**0.0**	**90.3**

Financial investments (debt instruments)

			31.12.2018			31.12.2017
CHF MN	STAGE 1	STAGE 2 & 3	TOTAL	STAGE 1	STAGE 2 & 3	TOTAL
AAA-AA	2,451.9	-	2,451.9	1,224.7	-	1,224.7
A	594.8	-	594.8	468.5	-	468.5
BBB-BB	118.2	1.6	119.8	79.8	-	79.8
B	-	-	-	-	-	-
CCC-CC	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	-	-	-	-
without rating	-	1.7	1.7	-	-	-
Total	**3,164.9**	**3.3**	**3,168.2**	**1,773.0**	**0.0**	**1,773.0**

33 Netting agreements

To reduce credit risks related to derivative contracts and securities financing transactions Vontobel enters into master netting agreements or similar netting arrangements with its counterparties. These netting agreements include ISDA Master Netting Agreements, Global Master Securities Lending Agreements (GMSLA), Global Master Repo Agreements (GMRA) and derivatives market rules.

These netting agreements enable Vontobel to protect itself against loss in the event of a possible insolvency or other circumstances that result in a counterparty being unable to meet its obligations. In such cases, the netting agreements provide for the immediate net settlement of all financial instruments covered by the agreement. The right of set-off essentially only becomes enforceable following a default event or other circumstances not expected to arise in the normal course of business. The financial instruments covered by a netting agreement do therefore not meet the requirements for balance sheet offsetting, which is why the book values of the corresponding financial instruments are not offset on the balance sheet.

Financial assets

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL RECEIVED	UNSECURED AMOUNT
Positive replacement values	136.0	0.0	136.0	69.9	62.9	3.2
Receivables from securities financing transactions	765.0	0.0	765.0	0.0	764.3	0.7
Total 31.12.2018	**901.0**	**0.0**	**901.0**	**69.9**	**827.2**	**3.9**

Financial liabilities

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL PROVIDED	UNSECURED AMOUNT
Negative replacement values [1]	1,119.2	0.0	1,119.2	69.9	1,029.4	19.9
Payables from securities financing transactions	34.5	0.0	34.5	0.0	34.5	0.0
Total 31.12.2018	**1,153.7**	**0.0**	**1,153.7**	**69.9**	**1,063.9**	**19.9**

1 Negative replacement values in the amount of CHF 206.5 mn are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Financial assets

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL RECEIVED	UNSECURED AMOUNT
Positive replacement values	243.9	0.0	243.9	142.0	95.8	6.1
Receivables from securities financing transactions	1,015.7	0.0	1,015.7	0.0	1,015.3	0.4
Total 31.12.2017	**1,259.6**	**0.0**	**1,259.6**	**142.0**	**1,111.1**	**6.5**

Financial liabilities

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL PROVIDED	UNSECURED AMOUNT
Negative replacement values[1]	377.6	0.0	377.6	142.0	121.1	114.5
Payables from securities financing transactions	0.0	0.0	0.0	0.0	0.0	0.0
Total 31.12.2017	**377.6**	**0.0**	**377.6**	**142.0**	**121.1**	**114.5**

1 Negative replacement values in the amount of CHF 348.0 mn are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Off-balance sheet and other information

34 Off-balance sheet information

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Contingent liabilities				
Credit guarantees	339.2	416.6	–77.4	–19
Performance guarantees	7.7	8.5	–0.8	–9
Other contingent liabilities	113.0	183.0	–70.0	–38
Total	**459.9**	**608.1**	**–148.2**	**–24**
Irrevocable commitments				
Undrawn irrevocable credit facilities	224.4	90.2	134.2	149
of which payment obligation to client deposit protection	*22.4*	*15.4*	*7.0*	*45*

Of the aggregate sum of CHF 684.3 mn (previous year CHF 698.3 mn) comprising contingent liabilities and irrevocable commitments, a total of CHF 616.1 mn (previous year CHF 579.6 mn) is secured by recognized collateral and CHF 68.2 mn (previous year CHF 118.7 mn) are unsecured.

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Fiduciary transactions				
Other fiduciary placements	2,859.8	1,608.3	1,251.5	78
Total	**2,859.8**	**1,608.3**	**1,251.5**	**78**

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 mn 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 directly or indirectly by the litigation in their capacity as a bank or custodian. The claims filed against Vontobel since 2010 concern the redemption of investments. Taking into account the rights and obligations transferred to Vontobel as a result of the merger by absorption of Notenstein La Roche Privatbank AG, the litigation amounts total around USD 44.1 mn. However, based on the information currently available to it, Vontobel believes the probability of a lawsuit resulting in an outflow of funds is low and has therefore decided not to set aside any provisions for such a lawsuit, but rather to disclose the amount under contingent liabilities.

35 Hedge accounting

Cash flow hedges
Vontobel is exposed to volatility in future interest income (or cash flows) on secured loans (lombard loans), the majority of which bear short-term interest and are likely to be reinvested. Vontobel hedges part of this interest income using multi-year receiver interest rate swaps. The amount and the timing of future interest income is forecast, taking account of the contractual terms of the secured loans and other relevant factors. Hedges are limited to the interest rate that corresponds to the interest rate adjustment period for the variable side of interest rate swaps (LIBOR). The client-related risk premium is therefore not part of the hedge. The effectiveness of the hedge is tested prospectively using various interest rate scenarios. Hedge ineffectiveness can arise primarily due to differences between the term of the lombard loans and the interest rate adjustment periods for the variable side of the interest rate swaps. Interest rate swaps are only entered into on a collateralized basis, which is why changes in the creditworthiness of the counterparty do not, in principle, have any impact on the valuation of the hedging instruments.

The change in fair value of the effective portion of the interest rate swaps is recognized in other comprehensive income and is shown in the statement of equity in the column “Cash flow hedges”, while the change in fair value of the ineffective portion of the interest rate swaps is recognized in trading income. When the hedged interest income affects profit or loss, the related income from hedges is transferred from shareholders’ equity to net interest income.

Fair value hedges
Vontobel hedges part of the long-term mortgages against general interest rate risks using payer interest rate swaps with maturities that match the terms of the hedged mortgages as far as possible. The client-related risk premium is therefore not part of the hedge. The effectiveness of the hedge is tested prospectively using various interest rate scenarios. Hedge ineffectiveness can arise primarily due to any differences between the term of the hedged mortgages and the maturities of the hedging instruments on the one hand, and changes in the fair value of the variable side of the interest rates swaps on the other. Interest rate swaps are only entered into on a collateralized basis, which is why changes in the creditworthiness of the counterparty do not, in principle, have any impact on the valuation of the hedging instruments.

The change in the fair value of interest rate swaps is recognized in trading income. The change in the fair value of the hedged mortgages that is attributable to the hedged risk leads to an adjustment of the carrying amount of the corresponding mortgages and is also recognized in trading income. In the case of early termination of the hedge, the cumulative adjustment of the carrying amount of the corresponding mortgages is recognized in net interest income over their remaining term.

Hedges of net investments in foreign operations
Vontobel hedges part of the foreign currency risks related to its net investments in foreign operations. The spot components of foreign currency forwards with short maturities and the foreign currency components of due to customers on demand in the corresponding currency serve as hedging instruments in this context. In principle, there is no ineffectiveness since, on the one hand, the foreign exchange rate used for the currency translation of the net investments and for the valuation of hedging instruments is identical and, on the other hand, the foreign currency forwards are only entered into on a collateralized basis, which is why changes in the creditworthiness of the counterparty do not, in principle, have any impact on the valuation of the hedging instruments.

The change in fair value of the effective portion of the forwards and of the foreign currency components of financial liabilities is recognized in other comprehensive income and is shown in the statement of equity in the column “Currency translation adjustments”, while the change in fair value of the ineffective and / or non-designated portion (interest component) of the forwards is recognized in trading income. If a realization event occurs (e.g. when control over a Group company is lost), the related income from hedges is transferred from shareholders’ equity to the item “Other income” in the income statement.

Information on hedging instruments

CHF MN	31.12.2018	31.12.2017
Cash flow hedges		
Positive replacement values of interest rate swaps	0.0	-
Negative replacement values of interest rate swaps	1.5	1.6
Nominal value of interest rate swaps	216.9	233.9
Nominal value-weighted residual term of interest rate swaps (in years)	1.2	1.5
Fair value hedges		
Positive replacement values of interest rate swaps	-	-
Negative replacement values of interest rate swaps	1.2	-
Nominal value of interest rate swaps	88.3	-
Nominal value-weighted residual term of interest rate swaps (in years)	11.6	-
Hedges of net investments in foreign operations		
Positive replacement values of forwards	0.2	-
Negative replacement values of forwards	-	0.4
Nominal value of forwards	78.9	81.9
Due to customers	41.4	43.5

Effect of hedge accounting on the components of shareholders' equity "Cash flow hedges" and "Currency translation adjustments" (before taxes)[1]

	CASHFLOW-HEDGES		CURRENCY TRANSLATION ADJUSTMENTS	
CHF MN	2018	2017	2018	2017
Balance at the beginning of the year	–1.2	–0.7	–1.2	7.1
Income during the reporting period	0.1	–0.5	4.3	–8.3
Gains and losses transferred to the income statement	0.0	-	0.0	-
As at the balance sheet date	**–1.1**	**–1.2**	**3.1**	**–1.2**

1 The two components of shareholders' equity are reported in the balance sheet item "Other components of shareholders' equity".

Effect of fair value hedge accounting on the carrying amount of mortgages

CHF MN	31.12.2018	31.12.2017
Cumulative adjustments	0.8	-

Ineffectiveness

CHF MN	31.12.2018	31.12.2017
Cash flow hedges	0.0	-
Fair value hedges	–0.4	-
Hedges of net investments in foreign operations	-	-

36 Client assets

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

Client assets

	31.12.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets under management	171.1	165.3	5.8	4
Other advised client assets	13.5	12.8	0.7	5
Structured products outstanding	7.9	8.5	–0.6	–7
Total advised client assets	**192.6**	**186.6**	**6.0**	**3**
Custody assets	54.7	59.9	–5.2	–9
Total client assets	**247.3**	**246.5**	**0.8**	**0**

Assets under management

	31.12.2018 CHF BN	31.12.2017 CHF BN	CHANGE TO 31.12.2017 CHF BN	IN %
Assets in self-managed collective investment instruments	48.9	48.3	0.6	1
Assets with management mandate	63.2	64.4	–1.2	–2
Other assets under management	59.1	52.6	6.5	12
Total assets under management (including double counts)	**171.1**	**165.3**	**5.8**	**4**
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	31.12.2018	31.12.2017
Total assets under management (incl. double counts) at the beginning of the year	165.3	138.5
Change attributable to net new money	5.0	5.9
Change attributable to market valuation	–13.7	18.8
Change attributable to other effects [1]	14.5	2.1
Total assets under management (incl. double counts) at the balance sheet date	**171.1**	**165.3**

1 Financial year 2018: Acquisition of Notenstein La Roche Privatbank AG in July 2018 and sale of the Liechtenstein operation in February 2018 as well reclassification of certain assets (CHF 0.2 bn) that are now held for investment purposes.
Financial year 2017: Acquisition of the Eastern European client portfolio of Notenstein La Roche Privatbank AG in December 2017 as well reclassification of certain assets (CHF 0.5 bn) that are not held for investment purposes.

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. With effect from July 1, 2018, new products in collective investment instruments are no longer counted as assets under management if no portfolio management activity is involved. Assets that are counted more than once, i. e. in several categories of assets under management to be disclosed, are shown under double counts. They primarily include shares in self-managed collective investment instruments in client portfolios.

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

37 Collective investment instruments

As an active asset manager, Vontobel manages a wide range of collective investment instruments. Vontobel's investment funds are classed as structured entities according to IFRS 12. Since Vontobel – as agent – acts primarily in the interests of investors, the investment funds are not consolidated. Shares of its proprietary investment funds are treated as financial instruments. There are no contractual or constructive obligations to provide financial or other forms of support for the investment funds.

Under the terms of the relevant investment regulations, Vontobel manages the fund assets on behalf of the investors who invested capital in the respective investment funds. Vontobel also performs various administrative functions for the investment funds. Vontobel receives fees for providing these services; the level of fees is in line with normal market rates. As of December 31, 2018, the volume of assets under management in Vontobel investment funds totalled CHF 43.9 bn (previous year CHF 42.6 bn). In the financial year 2018, Vontobel generated gross income of CHF 372.9 mn (previous year CHF 339.5 mn) from the provision of services to these investment funds.

The following table shows the book value of the shares of these investment funds held by Vontobel. The book value corresponds to the maximum of loss.

CHF MN	TRADING PORTFOLIO ASSETS	OTHER FINANCIAL ASSETS AT FAIR VALUE	FINANCIAL INVESTMENTS	TOTAL
Book value as of 31.12.2017	3.3	30.8	0.6	34.7
Book value as of 31.12.2018	**0.9**	**73.2**		**74.1**

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

CHF MN	OPERATING LEASE	31.12.2018 TOTAL	31.12.2017 TOTAL
Due within 1 year	31.0	31.0	28.0
Due within 1 to 2 years	31.0	31.0	24.9
Due within 2 to 3 years	29.8	29.8	24.6
Due within 3 to 4 years	24.5	24.5	24.3
Due within 4 to 5 years	19.6	19.6	23.6
Due in more than 5 years	45.2	45.2	76.2
Total minimum obligation	**181.2**	**181.2**	**201.6**

Financial year 2017: of which CHF 0.6 mn related to activities in Liechtenstein, which were sold in February 2018.

In the year under review, general expense include CHF 31.3 mn (previous year CHF 27.5 mn) from operating lease. The future liabilities from operating leases mainly comprise lease agreements for premises occupied by Vontobel.

39 Acquisition of Notenstein La Roche Privatbank AG

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 the business with External Asset Managers (EAM). In addition, Vontobel has strengthened its presence in its Swiss home market through the addition of Notenstein La Roche operations in 13 locations. Notenstein La Roche has been integrated into Vontobel, with the realization of existing synergies.

The assets and liabilities of Notenstein La Roche were included in Vontobel's consolidated financial statements as follows:

Balance sheet

CHF MN	01.07.2018
Assets	
Cash	1,257.9
Due from banks	275.8
Receivables from securities financing transactions	198.7
Loans	763.1
Financial investments	1,091.0
Intangible assets (excluding goodwill)	45.8
Goodwill	260.6
Other assets	170.2
Total assets	**4,063.1**
Liabilities	
Due to banks	63.7
Payables from securities financing transactions	364.5
Due to customers	2,865.9
Other liabilities	110.8
Equity	658.2
Total liabilities	**4,063.1**
Acquisition costs	658.2
of which paid in cash in 2018	*650.7*
of which recognized as a liability	*7.5*
Acquired cash and cash equivalents	1,533.7
Net inflow of cash and cash equivalents	**883.0**

Intangible assets (excluding goodwill) comprise client relationships. Their fair value was calculated using the multi-period excess earnings method. This is a level 3 valuation in the fair value hierarchy since various unobservable input parameters were used. Client relationships are amortized over 10 years. With the exception of goodwill (residual amount), all other assets and liabilities consist almost exclusively of level 1 or level 2 valuations in the fair value hierarchy.

Goodwill is mainly attributable to synergies on the cost side and was allocated to the Wealth Management division for the purpose of impairment testing. An impairment test was carried out for the first time in the second half of 2018 (see note 18 "Goodwill and other intangible assets" for details).

The inclusion of Notenstein La Roche Privatbank AG in Vontobel's consolidated accounts – taking account of the amortization of client relationships in the financial year 2018 and excluding the below transaction and integration costs – resulted in an increase in operating income of CHF 49.9 mn and in net profit of CHF 9.0 mn. If the transaction had been completed on 1 January 2018, this would – all other things being equal – have resulted in operating income of CHF 1,206.0 mn and net profit of CHF 240.7 mn. In 2018, costs of CHF 37.9 mn were charged to the income statement for the integration of Notenstein La Roche Privatbank AG. These integration costs consist primarily of expenses relating to the adjustment of headcount, consulting and IT costs, accelerated depreciation due to reduced useful lives of property, equipment and intangible assets, as well as provisions for onerous leases. CHF 23.2 mn was charged to personnel expense (excluding the opposite effects of defined benefit pension plans of CHF 17.6 mn), CHF 13.9 mn was charged to general expense, CHF 0.5 mn to depreciation of property, equipment and intangible assets, and CHF 0.3 mn to provisions and losses. The transaction costs were immaterial.

40 Acquisition US-based private clients portfolio from Lombard Odier

Vontobel and Lombard Odier have entered into a strategic wealth management partnership for international US-based private clients. In future, Lombard Odier's US-based private clients will be advised by Vontobel Swiss Wealth Advisors AG (VSWA), a wholly-owned subsidiary of Vontobel Holding AG. As part of this partnership, Lombard Odier will sell its existing discretionary and advisory wealth management business with US-based private clients through an asset transfer to Vontobel. In addition, Vontobel will take over any US-based brokerage private clients who wish to switch from their previous brokerage mandate to a wealth management or advisory relationship as part of the transaction. At the time of signing, Lombard Odier managed CHF 0.6 bn for US-based wealth management clients and around CHF 0.6 bn for private brokerage clients. As part of the transaction, Vontobel will also integrate relationship managers into the VSWA team in New York. The closing of the transaction will take place in the first half of 2019. Lombard Odier and Vontobel have also entered into a cooperation agreement under which Lombard Odier will recommend Vontobel as the preferred partner to wealth management clients based in the US.

41 Employee benefit plans

In Switzerland, Vontobel insures its employees against the financial consequences of old age, disability and death primarily through two autonomous occupational pension funds (basic fund and supplementary fund). It also operates an employee welfare fund.

The Board of Trustees is the most senior governing body of the pension funds and is composed of employee and employer representatives. Pension benefits are funded through employer and employee contributions, which amount to between 3% and 18% or between 1.5% and 15.5% of the insured salary, depending on the age group. Upon reaching the ordinary retirement age of 64 years for women or 65 years for men, the pension funds give the insured the choice between receiving a lifelong pension and drawing part or all of their pension benefits in the form of a lump-sum payment. The annual pension is calculated on the basis of the pension assets available at the retirement date, multiplied by the applicable conversion rate. Depending on the year in which the insured was born and on the pension fund, the conversion rate at the ordinary retirement age is between 5.8% and 6.4%. The insured can take early retirement from the age of 58. Disability pensions and pensions for surviving spouses are defined as a percentage of the insured salary. The benefits and contributions are set out in the pension fund regulations, with the minimum benefits being prescribed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). In the event of a funding deficit according to the BVG, the employer can be required to pay contributions towards the restructuring of the pension fund. At the end of 2018, both pension funds had a funded status – as defined by the BVG – of over 100%.

The Board of Trustees of each pension fund is responsible for investing its assets. The investment strategy is defined in such a way as to enable pension benefits to be paid when they fall due.

The Swiss pension funds were set up according to the Swiss method of defined contributions but are classed as defined benefit plans under IAS 19 because both the actuarial risks and the investment risks are borne not only by the insured but also by the company.

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

The most recent actuarial calculation according to IAS 19 was carried out for these pension plans by independent experts as of 1 May 2018. Past service costs in the year under review include the impact of changes to pension fund regulations in Switzerland, effective January 1, 2019, in the amount of CHF 7.4 mn (primarily a reduction of conversion rates), as well as the effect of employee transfers from Notenstein La Roche Privatbank AG to Vontobel's pension plans in the amount of CHF 10.5 mn. The gain from the plan settlement of CHF 7.1 mn in the year under review is attributable to the reduction of headcount in connection with the integration of Notenstein La Roche Privatbank AG. There were no plan curtailments in the year under review. There were no plan amendments, plan settlements or plan curtailments in the previous year.

Vontobel has foreign pension plans in the UK, Italy, Hong Kong, Luxembourg, Singapore, Spain, Dubai, Australia and the US that are classed as defined contribution plans under IAS 19. Vontobel has individual pension commitments in Germany, for which the corresponding provisions have been recognized.

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

Defined benefit pension plans in Switzerland

CHF MN	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2018	**–974.0**	**1,003.9**	**0.0**	**29.9**
Current service cost	–38.4			–38.4
Past service cost	18.0			18.0
Gain / losses on settlement	7.1	0.0		7.1
Interest income / (interest expense)	–4.7	4.8	-	0.1
Administration cost	–0.5			–0.5
Others	0.0	0.0		0.0
Total cost recognized in personnel expense	**–18.5**	**4.8**	**-**	**–13.7**
Actuarial gains / losses on obligations				
of which changes in financial assumptions	–57.3			–57.3
of which changes in demographic assumptions	26.7			26.7
of which experience adjustments	–13.3			–13.3
Return on plan assets excluding interest income		–26.0		–26.0
Change in effect of asset ceiling excluding interest			-	-
Total cost recognized in other comprehensive income	**–43.9**	**–26.0**	**-**	**–69.9**
Employee contributions	–23.2	23.2		-
Employer contributions		33.8		33.8
Benefits paid resp. deposited	4.8	–4.8		-
Business combination	–213.9	215.1		1.2
Others	0.0	0.0		0.0
Total at 31.12.2018	**–1,268.7**	**1,250.0**	**0.0**	**–18.7**
of which active members	*944.7*			
of which pensioners	*324.0*			
of which reported in Other assets				*12.3*
of which reported in Other liabilities				*–31.0*

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 18.1 mn, consisting of CHF 13.7 mn for defined benefit pension plans and CHF 4.4 mn for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

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

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 35.8 mn, consisting of CHF 31.8 mn for defined benefit pension plans and CHF 4.0 mn for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

Composition of plan assets

CHF MN	31.12.2018	31.12.2017
Quoted market price		
Cash and cash equivalents	107.8	86.5
Equity instruments	277.1	190.6
Debt instruments	283.7	220.7
Real estate	66.6	40.7
Derivatives	0.0	0.0
Equity funds	151.5	166.1
Bond funds	111.8	121.9
Real estate funds	78.5	75.9
Commodities funds	46.6	43.3
Other funds	72.4	46.1
Others	54.0	12.1
Total fair value	**1,250.0**	**1,003.9**
Non-quoted market price		
Debt instruments	0.0	0.0
Real estate	0.0	0.0
Others	0.0	0.0
Total fair value	**0.0**	**0.0**
Total plan assets at fair value	**1,250.0**	**1,003.9**
of which registered shares of Vontobel Holding AG	*0.0*	*0.0*
of which debt instruments of Vontobel	*0.0*	*0.0*
of which credit balances with Vontobel companies	*63.3*	*62.9*
of which securities lent to Vontobel	*0.0*	*0.0*

Maturity profile of defined benefit obligation

IN YEARS	31.12.2018	31.12.2017
Weighted average duration of defined benefit obligation	11.3	11.0

Actuarial assumptions

Demographic assumptions (e.g. probability of death, disability or termination) are based on the BVG 2015 actuarial tables (cohort life tables), which draw on observations of large insurance portfolios in Switzerland over a period of several years, and are adapted to reflect conditions specific to Vontobel or empirical values where necessary. When estimating the probability of death, the model developed by the Continuous Mortality Investigation research institute (CMI Model) has been used since the second half of 2018 to extrapolate mortality improvements, replacing the Menthonnex Model that was previously used. This change of model resulted in an actuarial gain of CHF 26.7 mn in the second half of 2018.

The discount rate is used to determine the present value of pension obligations and is based on the yields on high-quality corporate bonds in Swiss francs. Until June 30, 2018, a regression line was calculated using the yields on this type of corporate bonds by means of linear regression. The individual pension obligations were then discounted using the interest rate on the regression line that applied to their duration. In the second half of 2018, the calculation of the present value of pension obligations was refined. This refinement was treated as a change in accounting estimates in accordance with IAS 8. A yield curve has since been calculated using the yields on this type of corporate bonds. The individual pension obligations are discounted using the interest rate on the yield curve that applies to their duration. This change resulted in an actuarial loss of CHF 33.5 mn in the second half of 2018.

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

Actuarial assumptions

IN %	31.12.2018	31.12.2017
Discount rate	1.0	1.2
Interest rate used to determine net interest income	0.4	0.4
Expected rate of salary increases	1.0	1.0
Expected rate of pension increases	0.0	0.0

Estimated contributions to defined benefit pension plans in the following year

CHF MN	31.12.2018	31.12.2017
Employer contributions	34.3	28.2
Employee contributions	22.7	19.3

Plan-specific sensitivities

The following overview shows the impacts of an isolated change in the main actuarial assumptions on the present value of pension obligations as of December 31, 2018 and December 31, 2017. The discount rate was reduced/increased by 0.25 percentage points and the expected rate of salary increases was reduced/increased by 0.5 percentage points. The sensitivity relating to mortality was calculated using a method where mortality was reduced or increased by a set factor so that life expectancy for most age categories was increased or reduced by approximately one year. The sensitivity analyses were produced in the same way as in the previous year.

Plan-specific sensitivities

CHF MN	DEFINED BENEFIT OBLIGATION 31.12.2018	DEFINED BENEFIT OBLIGATION 31.12.2017
Current actuarial assumptions	1,268.7	974.0
Discount rate		
Reduction of 25 basis points	1,306.1	1,002.0
Increase of 25 basis points	1,233.6	947.7
Salary increases		
Reduction of 50 basis points	1,259.9	967.3
Increase of 50 basis points	1,277.3	980.9
Life expectancy		
Reduction in longevity by one year	1,248.5	958.2
Increase in longevity by one additional year	1,288.6	989.6

42 Other employee benefits payable in the long term

Other employee benefits payable in the long term exist in the form of long service awards and sabbatical leaves. Analogously to the defined benefit pension plans, actuarial calculations have been performed and an accrued expense recognized for these benefits.

CHF MN	31.12.2018	31.12.2017
Accrued expense for long service awards and sabbatical leaves	1.6	1.5

43 Significant foreign currency rates

For the significant currencies, the following rates were used:

	YEAR END RATES		AVERAGE RATES	
	31.12.2018	31.12.2017	2018	2017
1 EUR	1.12692	1.17018	1.15213	1.11257
1 GBP	1.25551	1.31825	1.30104	1.27350
1 USD	0.98580	0.97450	0.97674	0.98252

44 Events after the balance sheet date

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

45 Dividend payment

The Board of Directors will propose the payment of a dividend of CHF 2.10 per registered share with a par value of CHF 1.00 to the General Meeting of Shareholders of Vontobel Holding AG on April 2, 2019. This corresponds to a total payment of CHF 117.7 mn.[1]

1 Shares entitled to a dividend as of 31.12.2018

46 Authorization of the consolidated accounts

The Board of Directors discussed and approved the present annual report during the board meeting on 6 February 2019. It will be submitted for approval at the General Meeting on April 2, 2019.

Segment reporting

47 Segment reporting principles

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

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

Wealth Management
Wealth Management encompasses holistic wealth management 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, Corporate Services and 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	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2018 TOTAL
Net interest income after credit losses	56.0	0.7	13.5	1.7	71.8
Net fee and commission income	273.8	464.1	78.3	–30.5	785.7
Trading income and other operating income	21.4	–0.1	241.4	37.5	300.2
Total operating income	**351.2**	**464.7**	**333.2**	**8.7**	**1,157.8**
Personnel expense [1]	142.7	175.8	118.2	133.3	570.1
General expense	18.3	55.7	66.3	106.4	246.7
Services from / to other segment(s)	93.4	43.1	49.2	–185.6	0.0
Depreciation of property, equipment and intangible assets	6.8	9.4	7.0	45.5	68.8
Provisions and losses	–3.0	0.4	0.8	–2.2	–4.0
Total operating expense	**258.2**	**284.4**	**241.5**	**97.4**	**881.6**
Segment profit before taxes	**93.0**	**180.3**	**91.7**	**–88.7**	**276.2**
Taxes					44.0
Net profit					**232.2**
of which minority interests					*11.5*
Additional information					
Segment assets	4,429.0	520.1	8,924.2	12,164.0	26,037.3
Segment liabilities	9,927.6	1,003.1	12,919.7	483.5	24,333.8
Allocated equity according to BIS [2]	510.5	266.1	220.6	130.8	1,128.0
Client assets (CHF bn)	55.3	117.5	77.6	–3.2	247.3
Net new money (CHF bn)	1.6	3.1	0.3	0.1	5.0
Capital expenditure	0.0	2.0	9.4	55.2	66.7
Employees (full-time equivalents)	574.6	432.0	421.4	567.7	1,995.7

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), as well as the effect related to the integration of Notenstein la Roche Privatbank AG due to employee transfers in the amount of CHF 10.5 mn and CHF 7.1 mn from plan settlements. This positive impact was allocated to the divisions as follows: Wealth Management CHF 2.0 mn; Asset Management CHF 1.5 mn; Investment Banking CHF 1.7 mn; Corporate Center CHF 19.8 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 579.4 mn from core capital for intangible assets has been included in the above figures of the corresponding segments. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 98.8 mn from core capital for treasury shares is not included in the figures above.

Information on regions [1]

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES [2]	CONSOLIDA-TION	31.12.2018 TOTAL
Operating income related to external customers	667.8	276.4	119.8	93.8		1,157.8
Assets	18,423.7	694.2	119.4	8,490.8	–1,690.8	26,037.3
Property, equipment and intangible assets	677.3	73.9	2.2	1.4		754.8
Capital expenditure	63.7	2.0	0.5	0.5		66.7

1 Reporting is based on operating locations.

2 Mainly U.A.E.

Segment reporting

CHF MN	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2017 TOTAL
Net interest income after credit losses	38.5	0.1	10.0	19.9	68.5
Net fee and commission income	215.2	431.8	76.0	–30.1	692.9
Trading income and other operating income	18.7	3.0	242.8	34.2	298.7
Total operating income	**272.4**	**434.9**	**328.8**	**24.0**	**1,060.1**
Personnel expense	113.1	172.2	115.3	132.0	532.6
General expense	17.1	43.6	54.1	90.2	205.0
Services from / to other segment(s)	77.9	49.5	41.6	–169.0	0.0
Depreciation of property, equipment and intangible assets	3.2	6.5	5.5	45.8	61.0
Provisions and losses	0.6	0.3	0.2	1.1	2.2
Total operating expense	**211.9**	**272.1**	**216.7**	**100.1**	**800.8**
Segment profit before taxes	**60.5**	**162.8**	**112.1**	**–76.1**	**259.3**
Taxes					50.3
Net profit					**209.0**
of which minority interests					*6.6*
Additional information					
Segment assets	3,051.0	374.4	9,694.5	9,783.8	22,903.7
Segment liabilities	7,570.5	801.7	12,528.6	382.4	21,283.2
Allocated equity according to BIS[1]	172.7	272.6	227.8	93.8	766.9
Client assets (CHF bn)	45.8	121.3	82.2	–2.8	246.5
Net new money (CHF bn)	1.0	3.6	1.4	–0.1	5.9
Capital expenditure	0.5	0.0	1.5	73.3	75.3
Employees (full-time equivalents)	408.2	404.9	383.1	492.0	1,688.2

1 The allocation of the regulatory capital required in accordance with BIS standards to the individual segments is based on the principle of origination. With regard to capital requirements for credit risks related to balance sheet assets, allocation is based on guidelines analogous to those used for reporting segmental assets. The prescribed deduction of CHF 291.1 mn from core capital for intangible assets has been included in the above figures of the corresponding segments. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 79.6 mn from core capital for treasury shares is not included in the figures above.

Information on regions[1]

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES[2]	CONSOLIDA-TION	31.12.2017 TOTAL
Operating income related to external customers	533.2	250.5	126.9	149.5		1,060.1
Assets	15,398.1	734.7	131.8	7,949.7	–1,310.6	22,903.7
Property, equipment and intangible assets	366.5	80.2	2.6	1.5		450.8
Capital expenditure	73.6	0.6	0.5	0.6		75.3

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

Subsidiaries and participations

Major fully consolidated companies

	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL MN	SHARE OF VOTES AND CAPITAL IN %
Vontobel Holding AG	Zurich	Holding	CHF	56.9	Parent company
Vontobel Beteiligungen AG	Zurich	Holding	CHF	10.0	100
Bank Vontobel AG	Zurich	Bank	CHF	149.0	100
Bank Vontobel Europe AG	Munich	Bank	EUR	40.5	100
Vontobel Swiss Wealth Advisors AG	Zurich	Wealth management	CHF	0.5	100
Vontobel Wealth Management (Hong Kong) Ltd.	Hong Kong	Wealth management	HKD	200.0	100
Vontobel Fonds Services AG	Zurich	Fund management	CHF	4.0	100
Vontobel Asset Management AG	Zurich	Fund & Portfolio management	CHF	20.0	100
Vontobel Asset Management S.A.	Luxembourg	Portfolio management	EUR	2.6	100
Vontobel Asset Management UK Holdings Ltd.	London	Holding	GBP	26.0	100
TwentyFour Asset Management LLP	London	Portfolio management	GBP	2.1	60
Vontobel Asset Management, Inc.	New York	Portfolio management	USD	6.5	100
Vontobel AM Fixed Income US, Inc.	New York	Portfolio management	USD	0.3	100
Vontobel Asset Management Asia Pacific Limited	Hong Kong	Financial Advisor	HKD	7.0	100
Vontobel Asset Management Australia Pty. Ltd.	Sydney	Portfolio management	AUD	1.0	100
Vontobel Securities AG	Zurich	Brokerage	CHF	2.0	100
Vontobel Financial Products GmbH	Frankfurt	Issues	EUR	0.05	100
Vontobel Financial Products Ltd.	Dubai	Issues	USD	2.0	100
Vontobel Pte. Ltd.	Singapore	Distribution deritrade®	SGD	0.3	100
Vontobel Limited	Hong Kong	Brokerage	HKD	25.0	100

The share of voting rights held corresponds to the equity interest held.
Only the shares of Vontobel Holding AG are listed on the Swiss Exchange (SIX). Please see pages 8 and 243 for more detailed information.
In the case of regulated subsidiaries, part of the capital is not available for dividends or transfers due to regulatory requirements (e.g. Basel III). These restrictions do not have any material impact on Vontobel's activities.

Associated companies

	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL MN	SHARE OF VOTES AND CAPITAL IN %
Deutsche Börse Commodities GmbH	Frankfurt	Issues	EUR	1.0	16.2

Changes in the scope of consolidation

Companies fully consolidated for the first time

COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL MN	SHARE OF VOTES AND CAPITAL IN %
Vontobel AM Fixed Income US, Inc.	New York	Portfolio management	USD	0.3	100
Notenstein La Roche Privatbank AG	St. Gallen	Bank	CHF	22.0	100

Participations removed from the scope of consolidation

PARTICIPATION	REGISTERED OFFICE	REASON FOR REMOVAL
Bank Vontobel (Liechtenstein) AG	Vaduz	Sale to Kaiser Partner Privatbank AG, Vaduz
VTT-Management Trust reg.	Vaduz	Sale to Kaiser Partner Privatbank AG, Vaduz
Vontobel Treuhand AG	Vaduz	Sale to Kaiser Partner Privatbank AG, Vaduz
Notenstein La Roche Privatbank AG	St. Gallen	Merged with Bank Vontobel AG

Changes in company names during the year under review

NEW COMPANY NAME	OLD COMPANY NAME	REGISTERED OFFICE
Vontobel Pte. Ltd.	Vontobel Financial Products (Asia Pacific) Pte. Ltd.	Singapore

Statutory Banking Regulations

Vontobel's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). FINMA stipulates that banks domiciled in Switzerland that report their financial statements according to US GAAP or IFRS must explain any material differences between Swiss accounting regulations for banks (Banking Ordinance and FINMA Circular 2015/01, referred to hereinafter as "Swiss GAAP") and the reporting standard used. The most significant differences between IFRS and Swiss GAAP that are of relevance to Vontobel are as follows:

Financial investments
The financial instruments included in financial investments are carried at fair value under IFRS. In the case of equity instruments, dividends are recognized in the income statement and all other income components are recognized through other comprehensive income. Realized gains are not transferred to the income statement. In the case of interest rate instruments, changes in fair value are recognized through other comprehensive income. The change in expected credit losses is shown in the income statement, with the offsetting entry made in other comprehensive income. If an interest rate instrument is sold, the expected credit losses and cumulative changes in fair value are transferred from other comprehensive income to the income statement. Interest is accrued in the period in which it is earned using the effective interest method and recognized in the income statement. Under Swiss GAAP, these kinds of financial investments are recorded at the lower of amortized cost or market. Impairment losses, any reversal of impairment losses as well as profits and losses from disposals are recognized as "Other ordinary income".

Other financial assets and liabilities measured at fair value through profit and loss (Fair Value Option)
According to IFRS, under certain conditions financial instruments can be assigned to the Other financial assets or liabilities category measured at fair value through profit and loss. These financial assets and liabilities are carried at fair value in the balance sheet, and income from the financial instruments is recognized in the income statement. 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. Swiss GAAP prescribes a narrower interpretation of the fair value option. It is intended primarily to prevent an accounting mismatch when recognizing structured products issued by the company itself. Under Swiss GAAP, changes in fair value due to a change in the Group's own credit risk are not recorded in the income statement.

Goodwill
IFRS stipulates that goodwill cannot be amortized and must, instead, be tested for impairment at least once annually. Under Swiss GAAP, goodwill is amortized on a straight-line basis over five years. In justified cases, the amortization period can be a maximum of 10 years.

Cash flow hedges
Vontobel uses interest rate swaps to hedge cash flows from lombard loans (see note 35). Under IFRS, the change in fair value of the effective portion of interest rate swaps is recognized in other comprehensive income. As soon as the hedged cash flows occur, cumulative unrealized income is transferred to the income statement. Under Swiss GAAP, the change in fair value of the effective portion of interest rate swaps is recognized in the compensation account. As soon as hedged cash flows occur, cumulative unrealized income is transferred to the income statement.

Fair value hedge
Vontobel uses interest rate swaps to hedge the fair value of mortgages (see note 35). Under IFRS, the change in fair value of interest rate swaps is recognized in the income statement. The change in the fair value of hedged mortgages due to the hedged risk leads to an adjustment in the carrying amount of the corresponding mortgages and is also recognized in the income statement. Under Swiss GAAP, the change in fair value of the effective portion of interest rate swaps is recognized in the compensation account.

Pension funds
In principle, Swiss GAAP allows the relevant IFRS standard (IAS 19) to be applied. Unlike IAS 19, however, Swiss GAAP disallows entries not affecting the income statement.

Extraordinary profit
Under IFRS, all items of income and expense are allocated to ordinary operating activities. Under Swiss GAAP, items of income and expense are classified as extraordinary if they are not recurring and are not related to operating activities.

Other differences in presentation

Under IFRS, the consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of equity, the statement of cash flows and the notes. Under Swiss GAAP, there is no requirement to present a statement of comprehensive income. In addition, numerous other differences in presentation exist.

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To the General Meeting of
Vontobel Holding AG, Zurich

Zurich, 11 February 2019

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Vontobel Holding AG and its subsidiaries (the Group), which comprise the income statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes (pages 126 to 217) for the year then ended at 31 December 2018, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 118 to 217) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Fair value of financial instruments

Area of focus	Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values can be based on quoted prices in active markets (level 1) or on a valuation model where significant input parameters can be observed directly or indirectly in the market (level 2), or on a valuation model where significant input parameters cannot be observed in the market (level 3). The use of valuation models is influenced to a significant extent by the assumptions applied, including interest rates, forward rates and swap rates, spread curves, volatility and estimates of future cash flows. The determination of these assumptions involves the exercise of significant judgment. In its consolidated balance sheet as of 31 December 2018, Vontobel Holding AG reports total financial assets at fair value of CHF 10.5 bn and financial liabilities at fair value of CHF 9.4 bn. In view of the inherent exercise of judgment and the significance of these balance sheet items in the financial statements of Vontobel Holding AG, their valuation is of particular importance from an audit perspective. The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 127 to 129 and 182 to 188 of the Annual Report. Please also refer to notes 12, 14 and 31 of the Notes to the consolidated financial statements
Our audit response	Our audit procedures included an evaluation of the design and the operational effectiveness of relevant key controls. In particular, they comprised the approval processes for products and valuation models, as well as the independent price verification. Furthermore, we performed procedures to evaluate the assumptions used and tested the valuation of financial instruments using independent valuation models. Based on a sample and using comparisons with third-party sources, we tested the fair values that were used and that were directly available in an active market. Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.

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Goodwill and other intangible assets

Area of focus	Vontobel Holding AG accounts for the acquisition of subsidiaries using the acquisition method, whereby the acquisition costs are measured at the fair value of the consideration at the acquisition date. If the fair value of the consideration exceeds the fair value of the net assets acquired, goodwill is recognized and assigned to one or more cash-generating units. Goodwill is subject to an annual impairment test. The valuation of net assets acquired that is carried out in connection with the acquisition of a subsidiary, the allocation of goodwill acquired to cash-generating units, and the recoverable value that is determined as part of the impairment test, are influenced to a significant extent by the assumptions that are used, the determination of which involves the exercise of significant judgment. The client relationships and brands acquired during business combinations are recognized as other intangible assets and depreciated over their estimated useful life. If events or circumstances indicate that the carrying amount may be impaired, an impairment test is carried out. The fair values of these intangible assets are determined on the basis of valuation methods that use various input parameters that cannot be observed. The determination of these input parameters and the estimation of useful life involve the exercise of significant judgment. In its consolidated balance sheet as of 31 December 2018, Vontobel Holding AG reports goodwill totaling CHF 484.2 mn and other intangible assets totaling CHF 95.2 mn. In the financial year 2018, Vontobel Holding AG acquired Notenstein La Roche Privatbank AG. Due to the acquisition and the inherent exercise of judgment, the identification and the valuations of goodwill and other intangible assets are of particular importance from an audit perspective. The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 126, 127 and 130 of the Annual Report. Please also refer to notes 18 and 39 of the Notes to the consolidated financial statements.
Our audit response	In the course of our audit, we examined the valuation models used as well as significant assumptions. In particular, they comprised valuation multipliers related to assets under management, gross margins, cash flow projections, discount rates, useful life, etc. We assessed these assumptions on the basis of current market conditions. With regard to the acquisition of Notenstein La Roche Privatbank AG, we examined the reported amount and the valuations of the identified intangible assets and goodwill. In addition, we assessed the disclosure of the acquisition in the notes to the consolidated financial statements. Our audit procedures did not lead to any reservations concerning the recognition and measurement of goodwill and other intangible assets.

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Other information in the annual report
The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

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Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Patrik-Arthur Schwaller (Qualified Signature)	Rafael Bussmann (Qualified Signature)
Patrick Schwaller Licensed audit expert (Auditor in charge)	Rafael Bussmann Licensed audit expert

Vontobel Holding AG

Additional information

Review of business activities

Vontobel Holding AG, which is headquartered in Zurich, generated a net profit of CHF 177.6 million in the financial year 2018, compared to CHF 302.4 million in the previous year. This strong decrease (–41 %) was mainly attributable to significantly lower dividend income from participations, which more than halved from CHF 394.6 million in 2017 to CHF 182.8 million (–54 %). The holding company's income mainly stems from prior-year profits, i.e. dividends distributed by its operational subsidiaries in Switzerland and abroad.

Operating income subsequently declined by 47 % to CHF 223.1 million. Several subsidiaries paid higher dividends to Vontobel Holding AG in the year under review. In the previous year, however, the subsidiary that sold the 4 % participation in Helvetia at a large profit in 2016 paid the proceeds from that sale to Vontobel Holding AG in the form of a dividend. This transfer resulted in an impairment of around CHF 75 million on this participation in the financial statements of Vontobel Holding AG in 2017.

Personnel expense and general expense decreased slightly to CHF 34.1 million in the year under review. Depreciation and valuation adjustments declined by 95 % to CHF 3.7 million compared to the previous year, which was impacted by exceptional items. In contrast, financial expense rose significantly from CHF 1.3 million to CHF 7.0 million as a result of interest charges from the CHF 450 million Additional Tier 1 (AT1) bond with a coupon of 2.625 % issued by Vontobel Holding AG in June to partly finance the acquisition of Notenstein La Roche Privatbank AG.

In February 2018, Vontobel Holding AG completed the sale of Bank Vontobel (Liechtenstein) AG, which has since no longer been included in the scope of consolidation.

The Board of Directors of Vontobel Holding AG will propose the distribution of an ordinary dividend of CHF 2.10 per registered share, unchanged from the previous year, to the General Meeting of Shareholders of April 2, 2019. As of December 31, 2018, the company's share capital totaled CHF 56.875 million, consisting of 56,875,000 registered shares with a par value of CHF 1.00 each. Of this total, 56,064,721 shares were entitled to a dividend as of the balance sheet date.

Key figures

Key figures

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Net profit	177.6	302.4	–124.8	–41
Net profit per registered share in CHF[1]	3.17	5.40	–2.23	–41
Dividend in percent of share capital[2]	210	210		
Dividend per registered share in CHF[2]	2.10	2.10	0.00	0
Shareholders' equity (before distribution of profits)	1,073.4	1,025.8	47.6	5
Shareholders' equity per registered share in CHF[1]	19.15	18.32	0.83	5
Operating income	223.1	422.9	–199.8	–47
Dividend income from participations	182.8	394.6	–211.8	–54
Personnel and general expense	34.1	34.9	–0.8	–2
Depreciation and valuation adjustments	3.7	77.0	–73.3	–95
Financial expense	7.0	1.3	5.7	438
Operating income before taxes	181.9	305.3	–123.4	–40
Total assets	1,772.3	1,235.8	536.5	43
Share capital	56.9	56.9	0.0	0
Debt issued	450.0	0.0	450.0	
Participations	1,711.3	1,076.3	635.0	59
Average return on equity in %	17.9	34.8		

1 Basis: dividend-bearing shares as per end of year
2 Financial year 2018: As per the proposal submitted to the General Meeting

Income statement

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Dividend income from participations	182.8	394.6	–211.8	–54
Securities income, fee and commission income and trading income	25.6	22.9	2.7	12
Other ordinary income	0.1	0.0	0.1	
Gains on the sale of financial investments	14.6	5.4	9.2	170
Operating income	**223.1**	**422.9**	**–199.8**	**–47**
Securities and fee and commission expense	0.3	0.1	0.2	200
Other ordinary expense	0.1	0.2	–0.1	–50
Operating expense	**0.4**	**0.3**	**0.1**	**33**
Net operating income	**222.7**	**422.6**	**–199.9**	**–47**
Personnel costs	6.8	7.8	–1.0	–13
Employee benefits and pension fund	0.7	0.7	0.0	0
Personnel expense	**7.5**	**8.5**	**–1.0**	**–12**
Occupancy expense, furniture and equipment	0.3	0.3	0.0	0
PR, marketing, annual report, consulting and audit fees	24.9	25.3	–0.4	–2
Other business and office expenses	1.4	0.8	0.6	75
General expense	**26.6**	**26.4**	**0.2**	**1**
Operating income before financial income, taxes, depreciation and valuation adjustments	**188.6**	**387.7**	**–199.1**	**–51**
Depreciation of property and equipment	0.6	0.0	0.6	
Impairments on participations	3.4	77.6	–74.2	–96
Reversal of impairments on participations	–0.3	–0.6	0.3	
Depreciation and valuation adjustments	**3.7**	**77.0**	**–73.3**	**–95**
Operating income before financial income and taxes	**184.9**	**310.7**	**–125.8**	**–40**

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Operating income before financial income and taxes	**184.9**	**310.7**	**–125.8**	**–40**
Interest income	1.4	2.4	–1.0	–42
Interest income, Group companies	*1.4*	*2.3*	*–0.9*	*–39*
Foreign exchange income	2.6	–6.5	9.1	
Financial income	**4.0**	**–4.1**	**8.1**	
Interest expense	7.0	1.3	5.7	438
Interest expense, Group companies	*1.1*	*1.3*	*–0.2*	*–15*
Interest expense, debt issued	*5.9*	*0.0*	*5.9*	
Financial expense	**7.0**	**1.3**	**5.7**	**438**
Operating income before taxes	**181.9**	**305.3**	**–123.4**	**–40**
Ordinary income before taxes	**181.9**	**305.3**	**–123.4**	**–40**
Extraordinary / one-off expense or expense unrelated to the reporting period	0.1	0.0	0.1	
Extraordinary / one-off income or income unrelated to the reporting period	0.0	0.0	0.0	
Extraordinary / one-off income and income unrelated to the reporting period	**–0.1**	**0.0**	**–0.1**	
Net profit for the year before taxes	**181.8**	**305.3**	**–123.5**	**–40**
Direct taxes	**4.2**	**2.9**	**1.3**	**45**
Net profit for the year	**177.6**	**302.4**	**–124.8**	**–41**

Balance sheet

Assets

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Current assets				
Total cash and short-term holdings of assets with a market price	1.1	0.4	0.7	175
Current accounts banks, Group companies	*1.1*	*0.4*	*0.7*	*175*
Other short-term receivables	8.3	108.0	–99.7	–92
Due from Group companies, other	*0.2*	*0.0*	*0.2*	
Other short-term receivables	*8.1*	*108.0*	*–99.9*	*–93*
Accrued income and prepaid expenses	3.8	0.5	3.3	660
Total current assets	**13.2**	**108.9**	**–95.7**	**–88**
Non-current assets				
Financial assets, Group companies	45.4	47.5	–2.1	–4
Participations	1,711.3	1,076.3	635.0	59
Total fixed assets	2.4	3.1	–0.7	–23
Total intangible assets	0.0	0.0	0.0	
Total non-current assets	**1,759.1**	**1,126.9**	**632.2**	**56**
Total assets	**1,772.3**	**1,235.8**	**536.5**	**43**
of which subordinated assets due from Group companies	*4.0*	*4.0*	*0.0*	*0*

Liabilities and Shareholders' equity

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Liabilities				
Current liabilities				
Short-term interest-bearing liabilities	215.9	177.5	38.4	22
Due to banks, Group companies	*208.4*	*177.5*	*30.9*	*17*
Due to banks	*7.5*	*0.0*	*7.5*	
Other short-term liabilities	5.4	6.9	–1.5	–22
Accrued expenses and deferred income	2.6	0.6	2.0	333
Total current liabilities	**223.9**	**185.0**	**38.9**	**21**
Long-term liabilities				
Long-term interest-bearing liabilities	450.0	0.0	450.0	
Debt issued	*450.0*	*0.0*	*450.0*	
Provisions	25.0	25.0	0.0	0
Total long-term liabilities	**475.0**	**25.0**	**450.0**	
Total liabilities	**698.9**	**210.0**	**488.9**	**233**
Shareholders' equity				
Share capital	56.9	56.9	0.0	0
Statutory capital reserve	0.8	0.8	0.0	0
Reserves from capital contributions	*0.8*	*0.8*	*0.0*	*0*
Statutory retained earnings	80.4	72.0	8.4	12
General statutory retained earnings	*32.2*	*32.2*	*0.0*	*0*
Reserves for treasury shares	*48.2*	*39.8*	*8.4*	*21*
Voluntary retained earnings	986.2	936.2	50.0	5
Retained earnings approved by resolution	*1.8*	*10.2*	*–8.4*	*–82*
Retained earnings brought forward	*806.8*	*623.6*	*183.2*	*29*
Net profit for the year	*177.6*	*302.4*	*–124.8*	*–41*
Own shares of capital	–50.9	–40.1	–10.8	
Total shareholders' equity	**1,073.4**	**1,025.8**	**47.6**	**5**
Total liabilities and shareholders' equity	**1,772.3**	**1,235.8**	**536.5**	**43**

Notes to the financial statements

Name, legal form and domicile of the company
Vontobel Holding AG, Zurich

The nominal capital amounts to CHF 56.875 mn, consisting of 56.875 mn registered shares with a par value of CHF 1.00 each (previous year: nominal capital of CHF 56.875 mn, 56.875 mn registered shares).

Easing of requirements for the notes to the separate financial statements of Vontobel Holding AG
Vontobel prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). Consequently, Vontobel Holding AG is exempt from numerous disclosure requirements in the statutory separate financial statements.

Applied accounting principles

General principles
The accounting principles are based on the requirements set out in the Swiss Code of Obligations.

Transactions concluded as of the balance sheet date are recorded on a daily basis. Spot transactions concluded but not yet settled as of the balance sheet date are recognized according to the trade date principle. To ensure that the principle of substance over form is applied, all expenses and income are recognized on an accrual basis up to the balance sheet date.

In valuations, the more prudent of two available values is always taken into account. Valuations are performed based on the assumption that the company will continue to operate as a going concern.

In principle, the offsetting of assets and liabilities or of expense and income is not carried out (except in the case of transactions of the same type with the same counterparty, the same maturity and the same currency that cannot lead to a counterparty risk).

Foreign currency transactions during the year are converted at the applicable exchange rate on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the closing exchange rates, and unrealized exchange differences are recognized in the income statement. Non-monetary items carried at historical cost in a foreign currency are translated at the historical exchange rate.

Other principles
Securities in current assets are valued at the current market value.

The item "Other short-term receivables" includes all receivables from Vontobel companies and third parties. It is valued at nominal value less any valuation adjustments for identified risks.

The item "Non-current assets" includes all participations, property and equipment, and intangible assets, as well as financial assets with a residual term of over one year. Property and equipment as well as intangible assets are valued at acquisition costs less any depreciation. They are depreciated on a straight-line basis over their estimated useful life. Financial assets are valued at nominal value less any valuation adjustments for identified risks. Participations are valued according to the individual valuation principle. The value of participations is determined based in particular on calculations of the net asset value and income value, while also taking account of fluctuations in exchange rates. If the calculated value is lower than the previously stated value, an impairment is recognized in the income statement. A reversal of the impairment up to the acquisition cost is also recognized in the income statement.

The item "Short-term liabilities" includes all liabilities on demand and fixed-term liabilities at Swiss and foreign banks and non-banks. The items "Accrued income and deferred expenses" and "Accrued expenses and deferred income" include all assets and liabilities resulting from the accrual of interest and other income and expenses. Amounts not due for payment until the following year, such as taxes, performance-based compensation components or audit fees, are charged to the year in which they originated in accordance with the accrual principle.

"Long-term liabilities" includes liabilities with a residual term of over one year, debt instruments issued and provisions. Debt instruments issued are recognized at nominal value. Any premiums / discounts are recorded in "Other liabilities" / "Other assets" and are released through profit or loss by the final maturity or the first possible redemption date.

The company's nominal share capital is recognized in "Share capital". The item "Statutory capital reserves" comprises capital paid in by shareholders as well as premiums. The item "Statutory retained earnings" includes capital generated by the company and that is increased annually in accordance with legislative and regulatory requirements. The item "Reserves for treasury shares" corresponds to the registered shares of Vontobel Holding AG held by subsidiaries, which are valued at the acquisition price. In the item “Own shares of capital”, registered shares held by Vontobel Holding AG as treasury shares are deducted from shareholders’ equity at the acquisition price. Income from the sale of treasury shares is recognized in the income statement.

The expense for shares of Vontobel Holding AG that are allotted to employees as part of the annual bonus (bonus shares) are charged to personnel expense in the year in which the relevant performance was delivered. The expense for shares of Vontobel Holding AG that are allotted to employees as part of the long-term share participation plan (performance shares) are charged to personnel expense on a pro rata temporis basis over the vesting period. Liabilities arising from shares that have not yet been allotted are recognized at market value in the item “Other short-term liabilities”. Refer to the Compensation Report, page 57ff. for further information regarding the share participation plan.

Net release of hidden reserves and replacement reserves
No significant amount of hidden reserves was released. There are no replacement reserves.

Due from and to governing bodies

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Due from governing bodies	0.0	0.0	0.0	
Due to governing bodies	2.4	3.9	–1.5	–38

For information on compensation awarded to members of the Board of Directors and the Executive Board as well as their shareholdings, refer to the Compensation Report, page 57ff.
For information on loans to governing bodies, refer to the consolidated financial statements, note 28.

Direct taxes

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	CHANGE TO 31.12.2017 IN %
Income tax	3.7	2.4	1.3	54
Tax on capital	0.5	0.5	0.0	0
Total	**4.2**	**2.9**	**1.3**	**45**
Status of tax assessment	2014	2012		

Debt issued
Please also refer to note 23 of the Notes to the consolidated financial statements.

Collateral provided for liabilities of third parties and contingent liabilities

	31.12.2018 CHF MN	31.12.2017 CHF MN	CHANGE TO 31.12.2017 CHF MN	IN %
Guarantees	0.0	0.0	0.0	
Pledges	0.0	0.0	0.0	
Collateral assignments	0.0	0.0	0.0	
Guarantee commitments	7,786.7	8,174.0	–387.3	–5
Total	**7,786.7**	**8,174.0**	**–387.3**	**–5**
of which guarantee commitments for Group companies	*7,714.8*	*8,039.5*	*–324.7*	*–4*

Guarantee commitments mainly encompass guarantees for certificates issued as well as letters of comfort in favour of Group companies.
The company forms part of Vontobel's Swiss value added tax (VAT) group and has a joint liability to the tax authorities for the VAT liabilities of the entire group.

Assets used as collateral for own liabilities and assets to which title has been reserved
As of 31.12.2018, assets totalling CHF 1.1 mn (31.12.2017: CHF 0.5 mn) were used as collateral to secure own liabilities to subsidiaries.

Liabilities under employee benefit schemes
Insurance contributions that have not yet been settled totalled CHF 0.0 mn as of 31.12.2018 (31.12.2017: CHF 0.1 mn).

Vontobel Holding AG did not draw any credits from employee benefit schemes.

Participations
For information on the principal participations, refer to the consolidated financial statements on page 214.

Major shareholders and participations held by governing bodies
For information on shareholders pursuant to Art. 663c of the Swiss Code of Obligations, refer to Corporate Governance on page 35 and the Compensation Report, page 57ff.

Participation rights and options
For information on allotted participation rights from the share participation plan, refer to the Compensation Report, page 57ff. and page 175ff. of the consolidated financial statements.

Full-time equivalents
In the year under review and the previous year, the annual average number of full-time positions was less than 10 FTEs (full-time equivalents). For further information, refer to the Sustainability Report, page 87ff.

Acquisition, sale and holdings of treasury shares
For information on the acquisition, sale and holdings of treasury shares, including transactions and holdings in the case of subsidiaries, refer to the consolidated financial statements, note 26.

In accordance with the resolution of the General Meeting of Shareholders of 28 April 2015 to carry out a capital reduction, 8,125,000 treasury shares were cancelled in the financial year 2015.

No repurchase agreements for registered shares of Vontobel Holding AG were in place as of the balance sheet date (previous year: 0 registered shares).

Amount of the authorized or conditional capital increase
See the consolidated financial statements, note 26.

Further details
See the consolidated financial statements, pages 117 to 217.

Events after the balance sheet date
No events have occurred since the balance sheet date that affect the relevance of the information provided in the year 2018 financial statements and would therefore need to be disclosed.

Proposal of the Board of Directors

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

CHF MN	
Net profit for the year	177.6
Retained earnings prior year	806.8
Retained earnings	**984.4**
Retained earnings approved by resolution	1.8
Reserves from capital contributions	0.8
General statutory reserves [1]	20.8
Distributable statutory reserves	**21.6**
Own shares of capital [2]	–50.9
At the disposal of the General Meeting of Shareholders	**956.9**
Total dividend [3]	**117.7**
Allocation to general statutory retained earnings	0.0
Allocation to retained earnings by resolution	0.0
Carried forward to the new accounting period	839.2
At the disposal of the General Meeting of Shareholders	**956.9**

1 Eligible general statutory reserves that exceed the statutory minimum requirement (Art. 671 para. 3 and para. 4 of the Swiss Code of Obligations)
2 Restriction on the distribution of dividends equivalent to the cost of acquiring own shares (Art. 959a Abs. 2 Ziff. 3 lit. e of the Swiss Code of Obligations)
3 Depends on the number of dividend-entitled shares, max. 56.875 million, as of December 31, 2018. The treasury shares held by Vontobel Holding AG at the time of the distribution of the dividend are not entitled to a dividend.

Dividend payment

If the proposal is approved, the dividend will be distributed as follows:

DIVIDEND PER REGISTERED SHARE WITH A PAR VALUE OF CHF 1.00 (IN CHF)	2.10
Coupon no.	19
Ex-dividend date	April 4, 2019
Record date	April 5, 2019
Payment date	April 8, 2019

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To the General Meeting of
Vontobel Holding AG, Zurich

Zurich, 11 February 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Vontobel Holding AG, which comprise the balance sheet, income statement and notes (pages 35, 73, 81, 172, 174, 177, 178, 214 and 232 to 234), for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of Participations

Area of focus	Vontobel Holding AG values participations individually at the greater of historical cost or at its impaired value determined. In subsequent valuations, impairments are recognized for any loss in value. Vontobel Holding AG identifies impairment by comparing the carrying amount of the participation with the recoverable amount, which is calculated based on the net asset value or income value. This calculation is based on assumptions (e.g. future income streams, discount rates), the determination of which involves the exercise of significant judgment. In its financial statements as of 31 December 2018, Vontobel Holding AG reports the carrying amount of participations of CHF 1.7 bn, corresponding to 96.6 % of total assets. Due to the assumptions used in the impairment assessment and the significance of the balance sheet item in the financial statements of Vontobel Holding AG, its valuation is of particular importance from an audit perspective. The accounting principles applied are explained by Vontobel Holding AG on page 232 of the Annual Report.
Our audit response	We assessed the valuation methods used and analyzed the calculations made by management. We did so with a focus on the assumptions made by the company in the context of the valuations and thus evaluated management's assessment of impairment. Furthermore, we assessed the presentation and disclosures in the accounting statements as of 31 December 2018. Our audit procedures did not lead to any reservations concerning the valuation of participations.

Building a better working world

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Patrik-Arthur Schwaller (Qualified Signature)

Rafael Bussmann (Qualified Signature)

Patrick Schwaller
Licensed audit expert
(Auditor in charge)

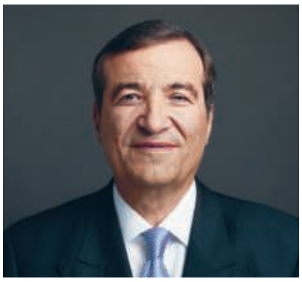
Rafael Bussmann
Licensed audit expert

Vontobel Advisory Council: Sparring partners and ambassadors for Vontobel

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

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

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



Nicolas Oltramare
was a member of the Board of Directors of the Vontobel Holding and Bank Vontobel AG from 2013 to 2018. He was also a member of the Nomination & Compensation Comittee from 2013 to 2015 and a member of the Risk & Audit Comittee from 2015 to 2018. Nicolas Oltramare is a Swiss entrepreneur with broad experience in private equity in Europe and Asia, with a broad network in these regions. In addition, Nicolas Oltramare provides advice to a large number of family offices and is a member of various Swiss charitable foundations.

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

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

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

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.

The Italian Certificate Awards 2018 honored Vontobel with the first place in the category "Best Participation Certificate".

Vontobel took first place at the Zertifikate Awards 2018 / 2019 in Germany in the categories of reverse convertibles and participation certificates.

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

April 2, 2019
Annual General Meeting 2019

July 25, 2019
Publication of half-year results 2019

March 30, 2020
Annual General Meeting 2020

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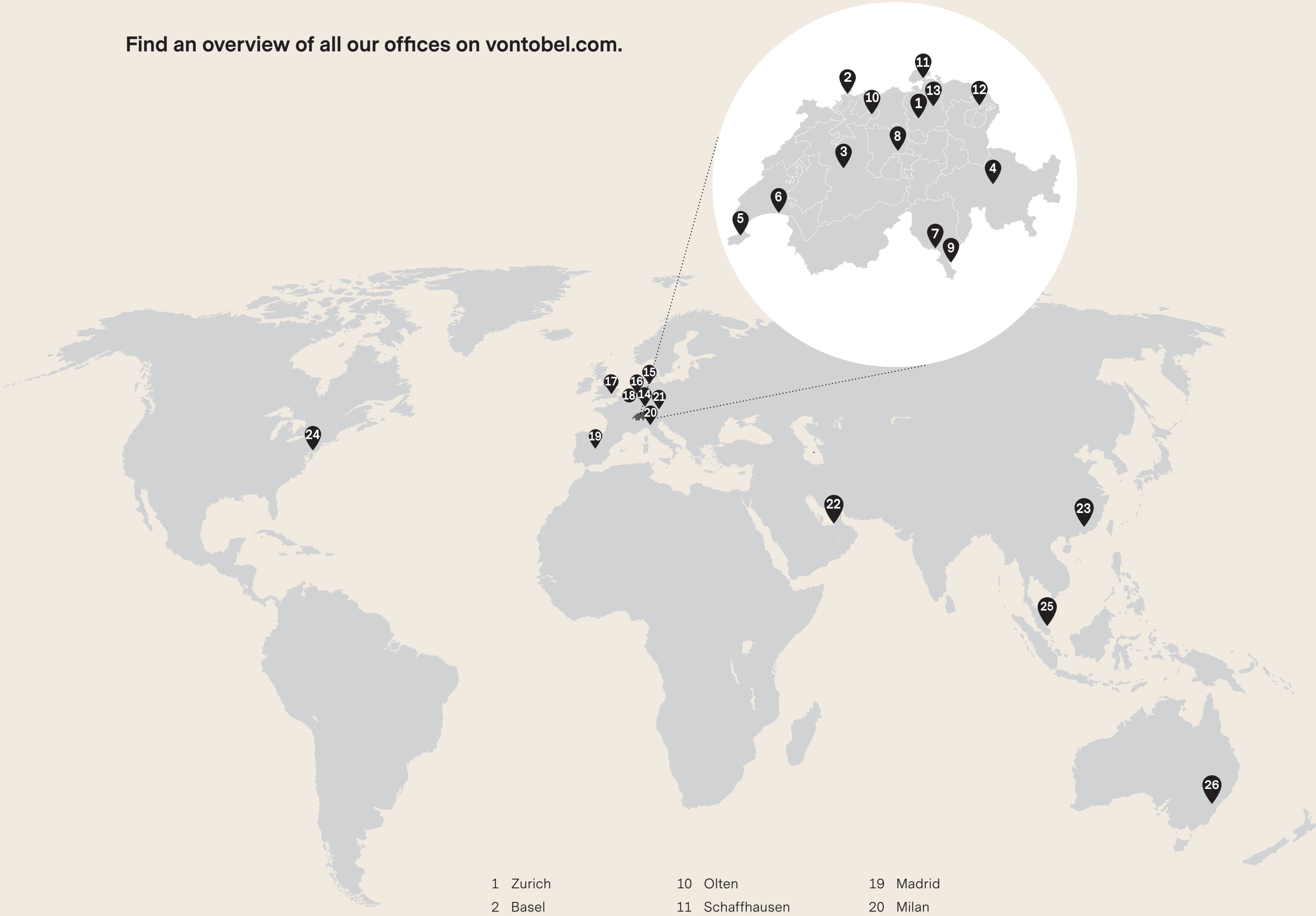
Our locations

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.



1 Zurich
2 Basel
3 Bern
4 Chur
5 Geneva
6 Lausanne
7 Locarno
8 Lucerne
9 Lugano
10 Olten
11 Schaffhausen
12 St. Gallen
13 Winterthur
14 Frankfurt am Main
15 Hamburg
16 Cologne
17 London
18 Luxembourg
19 Madrid
20 Milan
21 Munich
22 Dubai
23 Hong Kong
24 New York
25 Singapore
26 Sydney

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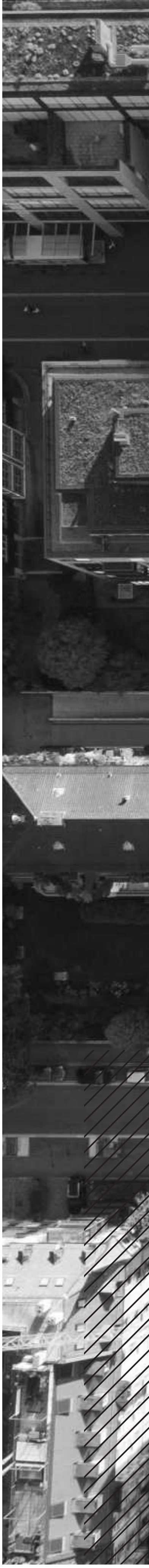
COMMENTS ON THE FIGURES
The figures shown are rounded. Consequently, the total may differ from the figure calculated when the individual numbers are added together.

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



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