

Compensation report

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“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.

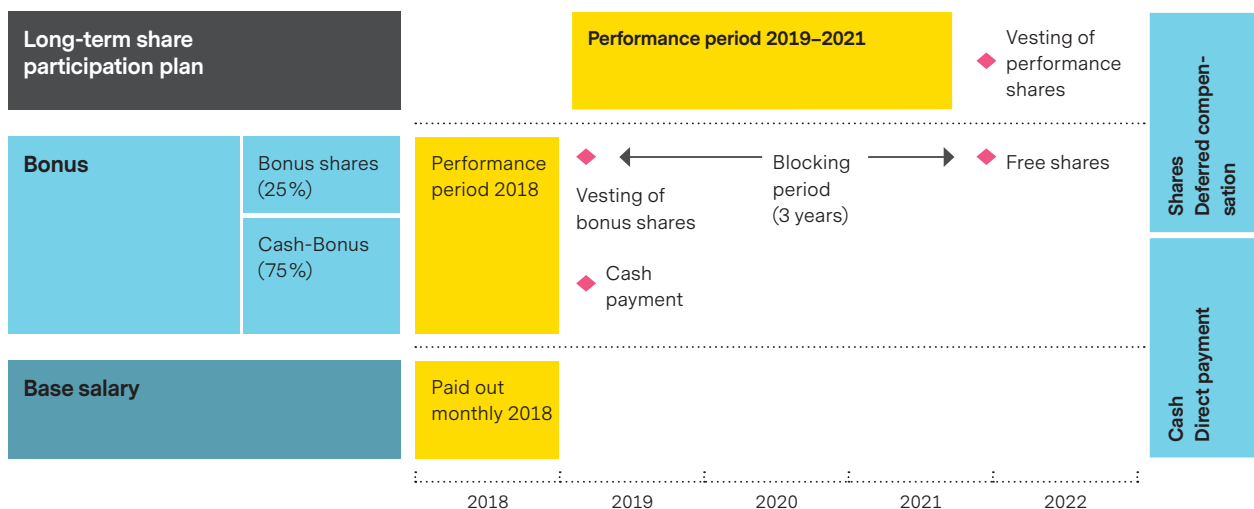
Variable compensation

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 individual'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	PERFOR- MANCE SHARES
Perfor- mance	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 Compensation in Listed Stock Corporations (VegüV). Additionally, 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.

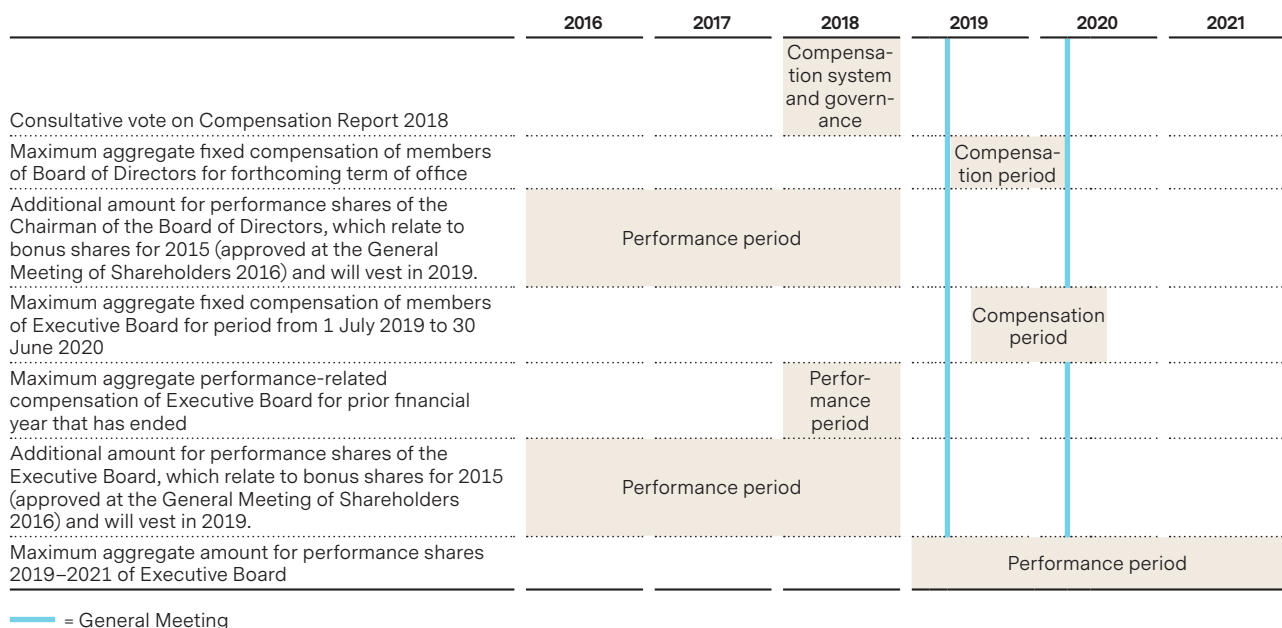
The NCC oversees the compensation of the Board of Directors, the Chairman of the Board of Directors, the members of the Executive Board and the CEO, as well as basic elements of the compensation of all Vontobel employees.

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



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.

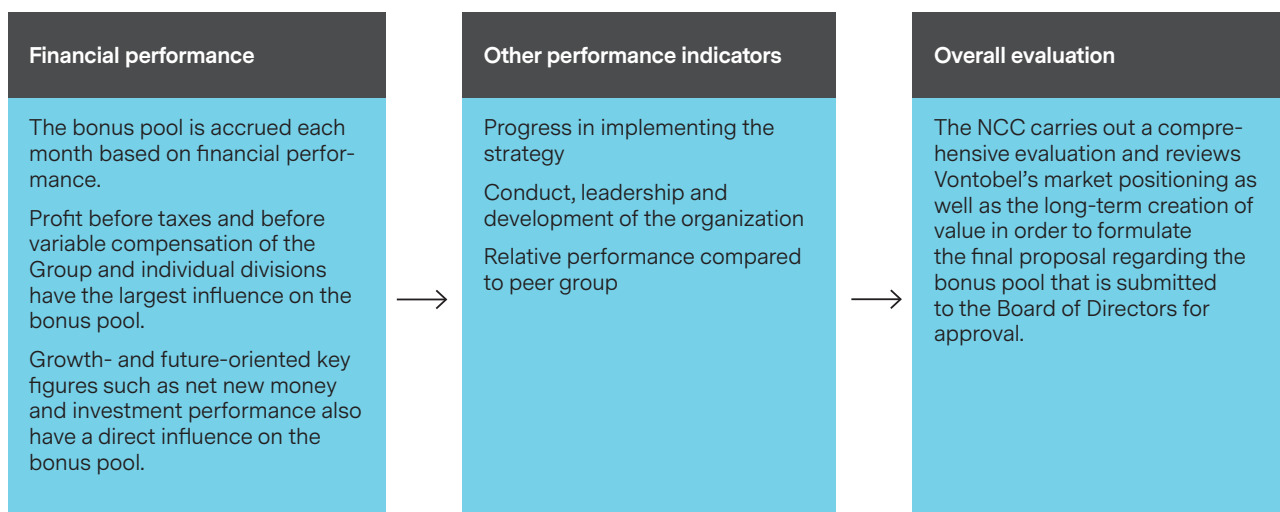
The current peer group used to assess the appropriateness of our compensation is shown below:

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:



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	31.12.2017
					TOTAL FIXED COMPENSATION CHF 1,000	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 Schneuwlin	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)

NAME	FUNCTION	31.12.2018 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE			31.12.2017 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		
		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 cred-

its 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

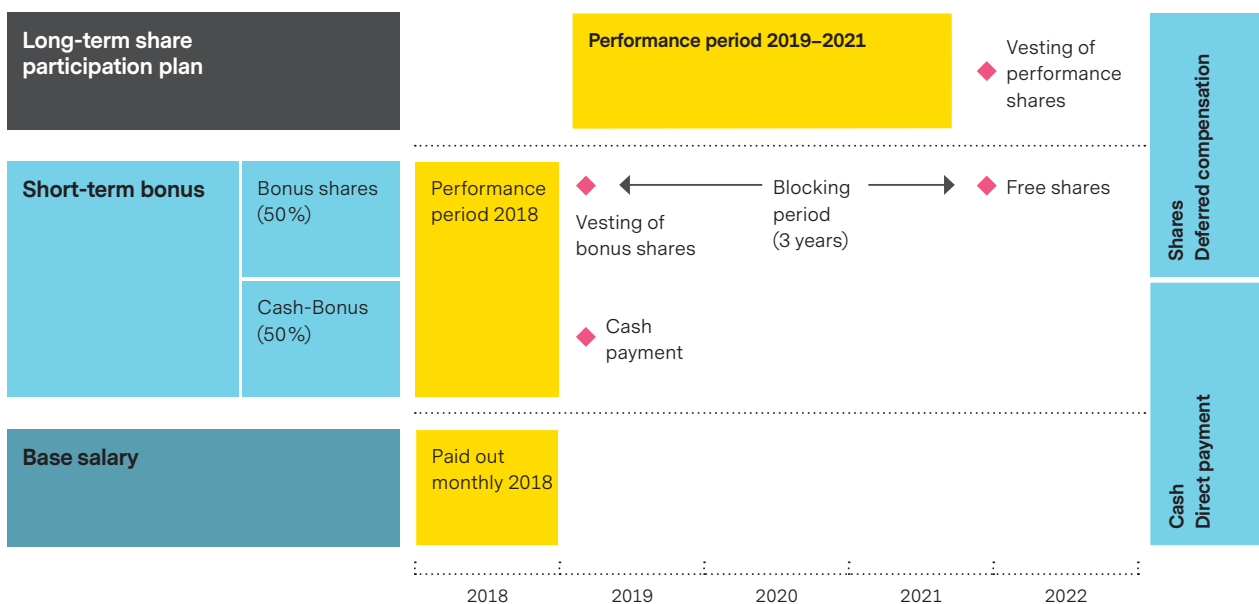
- Current market rates of compensation and efforts to achieve a compensation policy with a long-term focus, and
- Balanced distribution between groups of stakeholders

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:

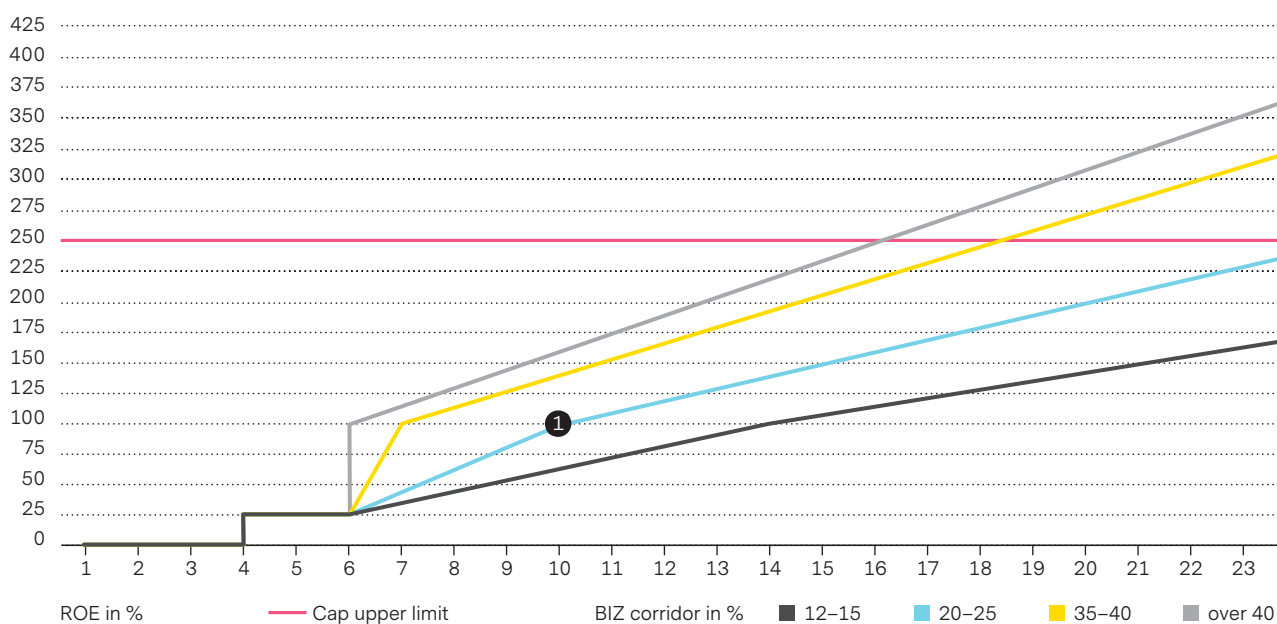
COMPENSATION COMPONENTS

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)	<p>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.</p> <p>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.</p> <p>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.</p> <p>Further details of the share participation plan can be found in the brochure “Vontobel Share Participation Plan” at: www.vontobel.com/compensation-report</p>
Long-term share participation plan	100% paid in shares (performance shares)	<p>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.</p> <p>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.</p> <p>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%.</p> <p>If one of these requirements is not met, all rights to performance shares lapse (see chart on the next page for further details).</p> <p>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.</p>
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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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 opportunities created by technology - Supplement growth through M&A 	Outstanding performance contribution
QUALITATIVE OBJECTIVES (50%)		EVALUATION ¹
Behaviour	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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 Pen-

sion 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

FINANCIAL YEAR	FIXED COMPENSATION			PERFORMANCE-RELATED COMPENSATION		TOTAL ^{4,5}	NUMBER OF RECIPIENTS
	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		
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	31.12.2017	CHANGE TO 31.12.2017	
	CHF MN OR NUMBER	CHF MN OR NUMBER	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.

Highest total compensation for the financial year (audited information)

FINANCIAL YEAR	NAME	FUNCTION	FIXED COMPENSATION			PERFORMANCE RELATED COMPENSATION		TOTAL CHF 1,000
			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	
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:

SERVICE PERIOD (BUSINESS YEAR)	PERFORMANCE PERIOD	ALLOCATION YEAR	DETERMINING FACTORS MULTIPLIER			MARKET PRICE AT ALLOCATION DATE IN CHF
			AVERAGE RETURN ON EQUITY (ROE)	AVERAGE BIS TOTAL CAPITAL RATIO ¹	MULTIPLIER	
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)

NAME	FUNCTION	31.12.2018 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE			31.12.2017 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		
		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 ensures 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.



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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