Vontobel

Bank Vontobel AG, Zurich
Annual Report

2023

For eight years, Vontobel has been serving wealth management clients from its branch in Ticino, which it acquired through the takeover of Finter Bank. With this step, Vontobel consciously sent out a positive signal to the Italian-speaking region. “Vontobel is clearly demonstrating that it sees growth potential in the area of active wealth and asset management, coupled with individual investment solutions, in the Italian-speaking region”, was the message back at the beginning in October 2015. Today, around three dozen Vontobel specialists serve wealth management clients in Lugano, Switzerland’s third-largest financial center, and Locarno. These clients can also access the global investment know-how of more than 300 Vontobel investment experts.

Bank Vontobel AG, Zurich

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Balance sheet

	APPENDIX	31.12.2023 CHF 1,000	31.12.2022 CHF 1,000	CHANGE TO 31.12.2022 CHF 1,000	IN %
Assets					
Liquid assets		3,411,761	3,722,764	–311,003	–8.4
Amounts due from banks		1,590,636	1,373,227	217,409	15.8
Amounts due from securities financing transactions	1	19	893,984	–893,965	–100.0
Amounts due from customers	2	5,478,019	6,629,019	–1,151,000	–17.4
Mortgage loans	2	1,800,117	1,780,551	19,566	1.1
Trading portfolio assets	3	4,026,917	4,275,719	–248,803	–5.8
Positive replacement values of derivative financial instruments	5	624,071	867,865	–243,794	–28.1
Financial investments	6	995,347	1,516,244	–520,897	–34.4
Accrued income and prepaid expenses		115,278	107,785	7,492	7.0
Participations		18,154	18,154		
Tangible fixed assets		166,269	169,360	–3,090	–1.8
Intangible assets		23,639	27,504	–3,865	–14.1
Other assets	7	462,452	300,513	161,939	53.9
Total assets		**18,712,679**	**21,682,689**	**–2,970,010**	**–13.7**
Liabilities					
Amounts due to banks		1,336,442	1,307,189	29,254	2.2
Liabilities from securities financing transactions	1		92,520	–92,520	–100.0
Amounts due in respect of customer deposits		10,440,546	13,694,146	–3,253,601	–23.8
Trading portfolio liabilities	4	189,846	174,279	15,567	8.9
Negative replacement values of derivative financial instruments	5	1,083,162	1,300,933	–217,770	–16.7
Liabilities from other financial instruments at fair value	4, 12	2,331,056	2,105,059	225,997	10.7
Debt issued		571,660	593,600	–21,940	–3.7
Accrued expenses and deferred income		225,237	204,580	20,658	10.1
Other liabilities	8	1,162,819	856,857	305,962	35.7
Provisions	13	112,672	112,501	171	0.2
Total liabilities		**17,453,441**	**20,441,664**	**–2,988,223**	**–14.6**
Equity					
Bank's capital	14	149,000	149,000		
Statutory capital reserve		169,369	169,369		
of which tax-exempt capital contribution reserve		*169,369*	*169,369*		
Statutory retained earnings reserve	18	217,206	217,206		
Voluntary retained earnings reserve		427,600	383,600	44,000	11.5
Profit carried forward		100,540	247,045	–146,505	–59.3
Profit (result of the period)		195,523	74,805	120,718	161.4
Total equity		**1,259,238**	**1,241,025**	**18,213**	**1.5**
Total liabilities and equity		**18,712,679**	**21,682,689**	**–2,970,010**	**–13.7**
Off-balance sheet operations					
Contingent liabilities	2	327,217	304,595	22,622	7.4
Irrevocable commitments	2	53,817	53,890	–73	–0.1

Income statement

	APPENDIX	2023 CHF 1,000	2022 CHF 1,000	CHANGE TO 2022 CHF 1,000	CHANGE TO 2022 IN %
Result from interest operations					
Interest and discount income	23	*251,975*	*111,667*	*140,308*	*125.6*
Interest and dividend income from trading portfolio		*50,752*	*52,925*	*–2,173*	*–4.1*
Interest and dividend income from financial investments		*16,572*	*18,044*	*–1,472*	*–8.2*
Interest expense	23	*–68,512*	*–1,288*	*–67,223*	
Gross result from interest operations		**250,787**	**181,347**	**69,440**	**38.3**
Changes in value adjustments for default risks and losses and losses from interest operations		*–8,739*	*–11,916*	*3,177*	*–26.7*
Subtotal net result from interest operations		**242,048**	**169,431**	**72,617**	**42.9**
Result from commission business and services					
Commission income from securities trading and investment activities		*412,968*	*429,232*	*–16,264*	*–3.8*
Commission income from lending activities		*12,585*	*401*	*12,185*	
Commission income from other services		*41,293*	*31,503*	*9,790*	*31.1*
Commission expense		*–125,872*	*–132,476*	*6,604*	*–5.0*
Subtotal result from commission business and services		**340,974**	**328,659**	**12,315**	**3.7**
Result from trading activities and the fair value option	22	**212,718**	**195,086**	**17,632**	**9.0**
Other result from ordinary activities					
Result from the disposal of financial investments		*3,551*	*–4,449*	*7,999*	*–179.8*
Income from participations		*3,187*	*2,357*	*830*	*35.2*
Other ordinary income		*176,593*	*159,311*	*17,282*	*10.8*
Other ordinary expenses			*–84,246*	*84,246*	*–100.0*
Subtotal other income from ordinary activities		**183,331**	**72,973**	**110,358**	**151.2**
Operating expenses					
Personnel expenses	24	*–411,056*	*–388,328*	*–22,728*	*5.9*
General and administrative expenses	25	*–265,558*	*–267,260*	*1,702*	*–0.6*
Subtotal operating expenses		**–676,613**	**–655,587**	**–21,026**	**3.2**
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		*–63,304*	*–63,918*	*615*	*–1.0*
Changes to provisions and other value adjustments, and losses	26	*–4,638*	*–9,293*	*4,655*	*–50.1*
Operating result		**234,517**	**37,351**	**197,165**	**527.9**
Extraordinary income	26	12	101	–88	–88.0
Changes in reserves for general banking risks	26		44,000	–44,000	–100.0
Taxes	27	–39,006	–6,647	–32,359	486.9
Profit		**195,523**	**74,805**	**120,718**	**161.4**

Appropriation of profit

Profit		195,523	74,805	120,718	161.4
Profit carried forward		225,700	247,045	–21,345	–8.6
Distribution from profit carried forward (extraordinary dividend)		–125,160		–125,160	
Distributable profit		**296,062**	**321,850**	**–25,787**	**–8.0**
Appropriation of profit					
Allocation to voluntary retained earnings reserves			*–44,000*	*44,000*	*–100.0*
Distribution from distributable profit (ordinary dividend)		*–195,488*	*–52,150*	*–143,338*	*274.9*
New amount carried forward		**100,574**	**225,700**	**–125,125**	**–55.4**

Statement of equity

Statement of changes in equity

CHF M	BANK'S CAPITAL	STATUTORY CAPITAL RESERVES	STATUTORY RETAINED EARNINGS RESERVES	VOLUNTARY RETAINED EARNINGS RESERVES AND PROFIT CARRIED FORWARD	RESULT OF THE PERIOD	TOTAL
Equity as of 01.01.2023	**149.0**	**169.4**	**217.2**	**630.6**	**74.8**	**1,241.0**
Appropriation of profit 2022						
Allocation to voluntary retained earnings reserves				*44.0*	*–44.0*	
Ordinary dividend					*–52.2*	*–52.2*
Extraordinary dividend				–125.2		–125.2
Net change in profit carried forward				–21.3	21.3	
Profit of the year					195.5	195.5
Equity as of 31.12.2023	**149.0**	**169.4**	**217.2**	**528.1**	**195.5**	**1,259.2**

Appendix

1. Name, legal form and domicile

1.1 The Bank
Bank Vontobel AG is a public limited company under Swiss law. Services are provided at the bank's head office in Zurich and at its branches in Basel, Berne, Chur, Geneva, Lausanne, Locarno, Lugano, Lucerne, St. Gallen and Winterthur. It is a 100 percent subsidiary of Vontobel Holding AG, Zurich.

2. Accounting and valuation principles

2.1 Type of financial statements and presentation
The reliable assessment statutory single-entity financial statements of Bank Vontobel AG were prepared in accordance with the accounting rules for banks (Banking Ordinance, FINMA Accounting Ordinance and FINMA Circular 2020/1). The accounting year end is 31 December. Since Vontobel prepares consolidated financial statements in accordance with IFRS, Bank Vontobel AG makes use of disclosure exemptions in the single-entity financial statements.

The figures contained in the tables have been rounded. The total may therefore differ from the sum of the individual figures. An empty space means that the corresponding line item does not have any value. 0.0 means that the corresponding line item contains a value that amounts to 0.0 when rounded.

2.2 Recognition of transactions
Purchases and sales of financial assets are recorded on the trade date in the balance sheet.

2.3 Foreign currency translation
Foreign currency transactions are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary foreign currency positions are translated using the closing exchange rates. Profit and losses arising from exchange differences in foreign currency positions are recognized in trading income.

	BALANCE SHEET RATES AS OF 31.12.2023	BALANCE SHEET RATES AS OF 31.12.2022
1 USD	0.84165	0.92520
100 JPY	0.59700	0.70120
1 EUR	0.92973	0.98742
1 GBP	1.07294	1.11292

2.4 Valuation and recognition of individual positions

2.4.1 Liquid assets, receivables due from banks and clients, mortgages as well as borrowed funds
They are recognized in the balance sheet at nominal value. Specific value adjustments are made for identifiable risks of losses on receivables. In addition, value adjustments are recorded for latent default risks from mortgages.

2.4.2 Determining fair value
If a position (financial instrument, precious metal, cryptocurrency, etc.) is traded in an active market, its fair value is based on the listed market prices or the prices quoted by traders. Otherwise, the fair value is determined on the basis of valuation models or other generally accepted valuation methods. The appropriateness of the valuation of positions 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 fair value are based. These controls are conducted by units that possess the relevant specialist knowledge and operate independently from the trading and investment functions.

2.4.3 Trading portfolio assets
Fair value is used for the valuation of trading portfolio assets. Realized and unrealized gains and losses are recognized in “Result from trading activities and the fair value option” and interest and dividend income are recognized in “Result from interest operations”.

2.4.4 Trading portfolio liabilities
Short positions are recognized at fair value in this balance sheet item. Realized and unrealized gains and losses are recognized in “Result from trading activities and the fair value option” and interest and dividend expense are recognized in “Result from interest operations”.

2.4.5 Liabilities from other financial instruments at fair value as well as other financial instruments at fair value
Products issued by the bank are recognized in the balance sheet item “Liabilities from other financial instruments at fair value”. The balance sheet item “Other financial instruments at fair value” comprises structured products. Both balance sheet positions are measured at fair value. Realized and unrealized gains and losses as well as any accrued or deferred interest are recognized in “Result from trading activities and the fair value option”. In the case of products issued by the bank with an interest component, any impact of a change of own creditworthiness on fair value is recognised in the compensation account.

2.4.6 Derivative financial instruments
Derivative instruments are stated at fair value and shown in the balance sheet as positive and negative replacement values. All income components from trading instruments are recognized in "Result from trading activities and the fair value option". Information on derivatives used in hedge accounting is provided in the next section.

2.4.7 Hedge Accounting
Bank Vontobel AG hedges a proportion of its long-term mortgage receivables 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. The interest rate swaps are carried in the balance sheet at fair value as positive or negative replacement values, with changes in the value of the effective portion of the interest rate swaps recognized in the compensation account and changes in the value of the ineffective portion of the interest rate swaps carried under "Result from trading activities and the fair value option".

Bank Vontobel AG hedges two long-term private placements of Vontobel Holding AG in the amount of USD 200 million each against general interest rate risks using two USD receiver interest rate swaps with maturities that match the terms of the hedged private placements. The risk premium included in the interest rate of the private placements is therefore not part of the hedge. The effectiveness of the hedge is tested prospectively using various interest rate scenarios. The interest rate swaps are carried in the balance sheet at fair value as positive or negative replacement values, with changes in the value of the effective portion of the interest rate swaps recognized in the compensation account and changes in the value of the ineffective portion of the interest rate swaps carried under "Result from trading activities and the fair value option".

2.4.8 Financial investments
Available-for-sale debt instruments (i.e. debt instruments purchased with the intent of selling before they reach maturity) are stated at the lower of amortized cost or market. Interest is accrued in the period in which it is earned using the effective interest method and recognized together with dividend income in the item "Interest and dividend income from financial investments". Foreign exchange income is recognized in "Result from trading activities and the fair value option". The balance of other market-induced value adjustments is recognized in "Other ordinary income" or "Other ordinary expense". When a financial investment is sold, the difference between the carrying value and the sale price is reported in "Result from the disposal of financial investments".

2.4.9 Participations
Equity securities owned by the bank in enterprises, where the securities are intended to be a permanent investment, are classed as participations. At Bank Vontobel AG, they comprise shares in companies of an infrastructural nature. The participations are recognized at acquisition costs less economically necessary value adjustments. They are tested for impairment at each balance sheet date. Dividends received are reported in "Income from participations".

2.4.10 Securities lending and borrowing transactions
Own securities that have been lent continue to be reported as a trading position or financial investment as long as control over the securities has not been surrendered. Borrowed securities are not carried in the balance sheet as long as the control over the securities remains with the lender. The re-sale of securities received is shown at market value in the item "Trading portfolio liabilities".

In securities borrowing agreements, cash collateral provided is recognized in the balance sheet as "Amounts due from securities financing transactions". In securities lending agreements, cash collateral received is recognized in the balance sheet as "Liabilities from securities financing transactions". Fees and interest from securities lending and borrowing operations are recognized as "interest income" and "interest expense", respectively.

2.4.11 Repurchase and reverse-repurchase agreements
Repurchase and reverse-repurchase agreements are treated as secured financing agreements. Securities received within the scope of reverse-repurchase agreements and securities delivered within the scope of repurchase agreements are recognized on or removed from the balance sheet only if control over the contractual rights that comprise these securities has been transferred.

In reverse-repurchase agreements, cash collateral provided is recognized in the balance sheet as "Amounts due from securities financing transactions". In repurchase agreements, the cash collateral received is recognized in the balance sheet as "Liabilities from securities financing transactions. Interests from reverse-repurchase agreements and from repurchase agreements are recognized over the term of the corresponding transactions on an accrual basis.

2.4.12 Tangible fixed assets

Tangible fixed assets are sub-divided into leasehold improvements, other tangible fixed assets (furniture, information technology and telecommunications equipment), tangible assets in finance lease and software (purchased and internally developed, including software in development). The cost of acquisition or construction is capitalized if the Bank is likely to receive an economic benefit derived therefrom in the future and the costs can be identified as well as reliably measured. Depreciation is computed on a straight-line basis over the useful life period of 3 to 10 years. Tangible fixed assets are tested for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds the recoverable value, an impairment loss will be recognized.

2.4.13 Intangible Assets

Intangible assets comprise client relationships and goodwill, which are amortized on a straight-line basis over 10 years. The intangible assets are tested for impairment if results or circumstances indicate that the carrying amount may be impaired. If the carrying amount exceeds the recoverable amount, an impairment loss is recorded.

2.4.14 Accruals and deferrals

Items in the income statement unrelated to the accounting period are accrued or deferred. Interest and commissions due from clients and banks that are more than 90 days in arrears are not credited until actually received.

2.4.15 Value adjustments and provisions

Based on the size and structure of the credit portfolio, as well as Vontobel's policy of essentially only granting loans on a secured basis or to counterparties with very high creditworthiness, only specific allowances are made for credit losses, with the exception of mortgages.

In the case of mortgages, value adjustments for latent default risks are additionally recorded. Value adjustments for latent default risks comprise value adjustments for losses that have been incurred but are not yet assigned to a specific borrower ("incurred but not yet reported" approach). These value adjustments represent total mortgage receivables in the three highest risk classes excluding individual value adjustments, multiplied by a factor.

A loan is considered impaired if it is likely that the contractually due amount cannot be collected in full. If the debtor's total exposure exceeds the estimated realizable disposal value of the collateral and if the assessment of the debtor's creditworthiness does not justify such an unsecured portion, an allowance for credit loss in the corresponding amount is made in the income statement. The reasons for impairment are specific to the relevant counterparties or countries. Interest income on loans that are not overdue is accrued in the period incurred. As a rule, derecognition occurs at the time when a legal title confirms the conclusion of the liquidation process or a loan that was already written off is no longer expected to be recovered. Default-related value adjustments and losses from interest operations are recognized in "Result from interest operations". Value adjustments are deducted from the corresponding assets. Provisions for other business that are operationally necessary are recognized through the item "Changes to provisions and other value adjustments, and losses". The general risks associated with banking activities are covered by precautionary provisions.

2.4.16 Accrual of earnings

Income from services rendered over a specific period of time is recorded on a pro rata basis for the duration of the service. This includes asset management fees and custody fees. Performance-based income is not recorded until all of the relevant criteria have been met. This type of income may, for example, be generated in the corporate finance business. Interest is accrued in the relevant period. Dividends are recorded when payment is received. Fees for services provided at a point in time (e.g. brokerage fees) are recognized immediately after the service is rendered.

2.4.17 Income taxes

Current income taxes are calculated on the basis of the applicable tax laws and recognized as expense in the period in which the related profits are made. The tax effects of loss carryforwards are not taken into consideration.

2.4.18 Employee and management stock ownership plans

According to the bonus model of Vontobel, employees of Bank Vontobel AG are offered an annual bonus as well as a performance-related future allocation of shares. Employees have the right and / or the obligation to draw part of their annual bonus in shares of Vontobel Holding AG instead of cash. The fair value of these shares at grant date is charged to personnel expense. Employees who elect to draw part of their annual bonus in shares are entitled to receive a further allocation of shares of Vontobel Holding AG after three years have lapsed depending on the performance of the business. The anticipated liability as of the end of the vesting period (estimated number of shares to be allocated multiplied by the fair value of the Vontobel Holding AG share as of the balance sheet date, less the present value of the anticipated dividends between the balance sheet date and the allocation date) for these so-called performance shares is accrued on a pro rata temporis basis. The change in this accrual is recorded in the personnel expense for the corresponding period.

2.4.19 Pension funds
If a pension fund has a shortfall according to Swiss GAAP FER 26, Bank Vontobel AG records a liability in the amount of the probable outflow of funds required to make up the shortfall. In the event of a pension fund surplus (incl. employer contribution reserves), the surplus is not capitalized as a future economic benefit.

2.4.20 Extraordinary expense and income
Expense and income that are both non-recurring and not related to ordinary operating activities are classed as extraordinary.

2.4.21 Contingent liabilities, irrevocable commitments
These are reported off the balance sheet at their nominal value.

2.5 Changes to accounting and valuation principles
There are no changes.

2.6 Disclosures relating to capital and liquidity
In accordance with FINMA Circular 2016/1 (Disclosure–banks), Bank Vontobel AG benefits from an extended consolidation discount. The minimum disclosure nevertheless required in this context according to Appendix 4 is shown on page 29. Further detailed information on capital and liquidity is provided in Vontobel's consolidated Annual Report, pages 173 to 174 and 181 to 183.

2.7 IBOR reform
As of December 31, 2021, Vontobel had adjusted all LIBOR-based positions in CHF, EUR, GBP and JPY. In the first half of 2023, the remaining positions based on USD LIBOR were migrated to an alternative interest rate.

2.8 Transfer of share-based Actively Managed Certificates (AMCs)
In the second half of 2023, the issuance and hedging of share-based AMCs were transferred from Vontobel Financial Products Ltd., Dubai to Bank Vontobel AG. The purchase price of CHF 4.5 million was recognized as an intangible asset and will be amortized over its useful life of 10 years.

2.9 Important events after the balance sheet date
As of January 3, 2024, Bank Vontobel AG has transferred a particular business to Vontobel Swiss Financial Advisers AG in the form of a transfer of assets in accordance with Art. 69 ff. FusG. This transfer is in the context of the integration of Vontobel Swiss Financial Advisers AG into the Vontobel Group. According to the asset transfer agreement the Company has transferred assets of CHF 19,427,110.35 and liabilities of CHF 19,427,109.35. Additionally, client assets of CHF 736.8 Mio. were transferred. The consideration amounted to CHF 1.00.

3. Risk management and risk control

3.1 Risk policy

For Bank Vontobel AG, Zurich a conscious and prudent approach to risk is a prerequisite for the achievement of sustained, long-term success. The bank assumes risks as an inherent part of its business activities. The Group-wide risk culture, which is firmly established at every level of the company and is reviewed on an ongoing basis, ensures that risks are recognized and that appropriate control and mitigation mechanisms are implemented and refined in all areas of the organization, including Bank Vontobel.

As part of its risk policy – as a component of the framework concept for Group-wide risk management – Vontobel defines the relevant risk categories (risk taxonomy), the corresponding risk appetite, as well as the powers of authorization, organizational structure, methods and processes relating to the management and control of risks. The appropriateness of the risk policy is reviewed at least once annually by the Board of Directors. The Risk Management and Risk Control units are responsible for managing and controlling the risks with the utmost care. Vontobel is managed strictly according to functional criteria. This is also the case at Bank Vontobel AG, Zurich, which is 100 percent owned by Vontobel Holding AG. Consequently, the risk management and risk controls of Bank Vontobel AG, Zurich form part of the Group-wide processes and methods. They are explained in detail in the consolidated Annual Report of Vontobel (pages 167 to 168).

3.2 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.

3.3 Market risk

3.3.1 General information

Market risk refers to the risk of losses occurring 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 a number of areas, both in the Structured Products division and in the Treasury division (collectively, the Center of Excellence Structured Solutions & Treasury).

In the Structured Products division, the major proportion of 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 Structured Products division in the Center of Excellence Structured Solutions & Treasury 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 in Treasury. These financial investments consist of broadly diversified portfolios and non-consolidated holdings, with the allocation to equities being maintained at a consistently low level. To quantify and limit risk, the same measurement methods – i.e. Value at Risk and stress exposure – are used for these positions at an aggregate level as for the positions held by Structured Products.

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" of the consolidated Annual Report of Vontobel (page 170 to 173).

3.3.2 Market risks for Structured Products and Treasury "Value-at-Risk" (VaR)

In line with the general market standard the management and control of market risks for the positions in Structured Products as well as for securities holdings in Treasury are based on "Value-at-Risk" and stress exposure measurements that are calculated daily. More detailed information on the methods used as well as the resulting exposures at

Group level can be found in the consolidated Annual Report of Vontobel (pages 169 to 170).

— 3.3.2.1 Stress Exposure

In addition to the VaR limits that are based on a 99% confidence level, stress exposure limits have also been defined. The corresponding stress tests are conducted on a daily basis. More information can be found in the consolidated Annual Report of Vontobel (page 170).

3.3.3 Market risks related to the balance sheet structure

The Treasury division 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.

— 3.3.3.1 Interest rate risks

Interest rate risks and currency risks arise in balance sheet management as a result of differing interest commitments and foreign currencies on the asset and liability side of the balance sheet and in off-balance-sheet items. These risks are managed and monitored at an aggregate level (see the consolidated Annual Report of Vontobel, pages 171 to 172).

— 3.3.3.2 Currency risks

Like interest rate risks, currency risks resulting from trading and the balance sheet structure are managed and monitored on an aggregate basis at Group level (see the consolidated Annual Report of Vontobel, page 173). The overall market risks related to currency incongruities are very low.

3.4 Liquidity risk and refinancing

Liquidity risk refers to the risk of being unable to cover short-term funding needs at any time (e.g. due to the impossibility of substituting or renewing deposits, outflows of funds due to drawing on lending commitments or margin calls, etc.). Liquidity risk management ensures that Bank Vontobel and the Vontobel Group always have sufficient liquidity to meet their payment obligations, including in stress situations. Liquidity risk management therefore comprises operational risk measurement and control systems to guarantee their continued ability to pay their obligations at any time. It also determines 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 adequate refinancing capabilities are always available. In the event of an unexpected tightening of liquidity, it is also possible to access a portfolio of positions that retain their value and can easily be liquidated.

3.5 Credit, counterparty and issuer risk

3.5.1 General information

Credit risk corresponds to the risk of losses if a counterparty fails to honour its contractual obligations. In the case of Bank Vontobel and the Vontobel Group, it comprises default risks associated with:

- Lending against collateral ("Lombard lending") and loans secured by real estate
- Bond positions (issuer risk)
- Money market investments
- Securities lending and borrowing, repo transactions, collateral management and derivatives

In principle, Bank Vontobel and the Vontobel Group do not engage in commercial lending.

Like the other risk categories, credit risks and counterparty risks are managed and monitored at Group level on the basis of the functional organization. Detailed information on the corresponding processes and methods, as well as the aggregate exposures, can be found in the consolidated Annual Report of Vontobel (pages 175 to 178).

3.5.2 Lending to private and institutional investment clients

In the case of private and institutional investment clients, Bank Vontobel AG, Zurich, engages primarily in lending against collateral ("lombard lending"), i.e. the granting of loans subject to the provision of securities that serve as marketable collateral. A precondition for lending, internal credit lines are set. An exposure must essentially be covered by the deposited collaterals. For the lombard lending business, i.e. the granting of loans subject to the provision of securities that serve as marketable collateral, 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 calculations. Exposures to clients that are covered by collateral not recognized by the regulator are only entered into in exceptional situations.

In cases where the exposures are covered by market values but not by lending values, 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. More information can be found in the consolidated Annual Report of Vontobel (page 175).

— 3.5.2.1 Valuation of collateral

In the case of loans against collateral, transferable financial instruments (such as investment funds, bonds and equities) that are liquid and are actively traded are accepted by the bank. It also accepts transferable structured products for which regular price information and a market maker are available. The bank applies haircuts to market values to cover the market risk associated with securities and to determine their collateral value.

The collateral 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 the case of loans secured by real estates (mortgages), a current valuation of the collateral is required for every mortgage that is provided . This serves as the basis for the granting of the loan by the bank. The granting of mortgages also depends on the usage of the property. The valuation principles set out in paragraph 3.5.2.2 apply in this context.

— 3.5.2.2 Methods to identify default risks and to determine the need for value adjustments

Exposures and the value of collateral for securities-backed loans are monitored on a daily basis. In cases where the exposures are covered by market values but not by collateral values (i.e. after taking account of haircuts), a risk alert process is initiated with the aim of restoring coverage through the reduction of the exposures, portfolio shifting or the provision of additional collateral. If the shortfall in coverage increases or if exceptional market conditions occur, the collateral is liquidated to offset the loan.

In the case of mortgage-backed loans, the bank has access to estimates. Using these valuations, the bank periodically updates the loan-to-value ratio. In addition, an analysis is conducted in the case of interest payments and capital repayments that are in arrears. This enables the bank to identify mortgages that pose higher levels of risk. Where necessary, additional collateral is requested or an appropriate value adjustment is recorded based on the shortfall in cover.

Client exposures that are only secured from a market value perspective (but not after the application of collateral 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.

Other unsecured loans can arise as a result of unsecured account overdrafts. These are identified directly by Wealth Management and assessed. If material risks exist, the Credit department performs a detailed assessment and consults with Wealth Management to determine whether action needs to be taken. If, during this phase, it is to be assumed that the credit exposure is at risk, a corresponding value adjustment is considered.

The need for a new value adjustment or provision to be recorded is determined according to the procedure described above. In addition, known risk positions that were already identified as being at risk are reassessed on each balance sheet date and the value adjustment is amended if necessary. The Risk Committee assesses and approves the aggregate value adjustments recorded in respect of risk positions.

In addition to specific value adjustments for positions at risk, the bank records value adjustments for latent default risks. These are value adjustments for losses that have been incurred but cannot yet be allocated to a specific loan. These value adjustments represent total mortgage receivables from all financing in the three highest risk classes excluding individual value adjustments, multiplied by a factor.

3.5.3 Exposures to professional counterparties and issuer risk

Bank Vontobel and the Vontobel Group have 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 marketable 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 as well as the comparison of credit exposures and collateral are 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 the division Structured Products 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 are monitored and restricted using a differentiated system of limits for the individual counterparty categories, rating segments, countries and regions.

Bank Vontobel and the Vontobel Group base the management and limitation of exposures to professional counterparties on internal assessments by the Credit Management unit as well as on the ratings of external agencies recognized by the FINMA. It uses the ratings of Fitch, Moody's, S&P and Fedafin (only public sector entities). 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.

3.6 Operational risks

3.6.1 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.

3.6.2 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 Governance, Risk and Compliance (GRC) Platform serves as the basis for the management of operational risks. During the annual Risk & Controls Self-Assessment (RCSA), the key operational risks in the bank's processes are identified and evaluated to ensure a robust control environment. In addition, an in-depth analysis of core security topics such as information and data protection and Business Continuity Management (BCM) including their functionalities, is carried out. Currently the RCSA process is being optimized in order to allow for a more instinctive and efficient process and risk and control evaluation.

— 3.6.2.1 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 and introduced.

— 3.6.2.2 Quantitative assessment

In addition to qualitative assessments, quantitative methods are used to measure and monitor operational risks. Amongst other things they include monitoring of the so-called Key Risk Indicators (KRIs), their applicable adjustments or relevant development for all Client Units (CUs) and Centres of Excellence (CoE). The measured risks are then compared against the pre-defined risk tolerances and in case of breach further risk-mitigating measures will be defined and introduced where applicable. In addition, reports on the KRIs are regularly submitted to the Heads of Finance, Risk, Legal & Compliance and Internal Audit.

— 3.6.2.3 Internal Control System

Processes, tools, and methodologies which seek to control operational risks form part of the Internal Control System (ICS). The ICS provides the framework required to ensure that strategic objectives are achieved in an orderly and controlled fashion in all areas of the organization. The ICS is reviewed at least once per year and is adapted or strengthened if necessary.

3.6.3 Legal, regulatory and compliance-related risks

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.

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. Such issues may not only lead to financial losses but can 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 adversely impact Vontobel's activities.

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.

3.6.4 Technology and 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.

Technology risks form part of operational risks and consist of risks resulting from technical failures that could affect business activities. These risks are not only inherent in the existing IT infrastructure but may also affect the employees and processes that interact with it. It is essential that the data used to support centralized business processes and the associated 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 technology 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 technology and cyber risks, various tools are used as part of our comprehensive technology risk management approach, both at operational level and in terms of business continuity and other crisis and emergency plans. The Technology Risk Management function is integrated within Group-wide Risk Management.

3.6.5 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, the Group 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.

3.7 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.

4. Use of derivative Instruments

4.1 Business policy when using derivative financial instruments

Derivative financial instruments are used for trading and hedging purposes. Trading in derivative financial instruments is carried out exclusively by specially trained traders. Both standardized and OTC instruments are traded on own account and on client account; this mainly involves instruments for interest rates, currencies, equity securities / indices and, to a small extent, commodities and credit derivatives.

As part of its risk management activities, the bank uses derivative financial instruments primarily to hedge interest rate, currency and equity risks.

4.2 Use of hedge accounting

4.2.1 Hedged items and hedging transactions

The bank uses hedge accounting for long-term mortgage loans in the banking book and for two long-term private placements of Vontobel Holding AG. The mortgages are hedged using multi-year payer interest rate swaps. The private placements are hedged using receiver interest rate swaps with currencies and maturities that match the terms of the hedged private placements.

4.2.2 Objective

Bank Vontobel AG is exposed to fluctuations in the net present value of mortgages. The hedge with multi-year payer interest rate swaps is aimed at hedging against changes in net present value, taking account of the amount and timing of future cash flows, as well as the contractual terms and other market factors.

Bank Vontobel AG is exposed to fluctuations in the net present value of two fixed-rate private placements of Vontobel Holding AG. The hedge with receiver interest rate swaps with maturities that match the terms of the hedged private placements is aimed at hedging against changes in net present value.

4.2.3 Economic link between the hedged item and the hedging transaction

From the point in time when a financial instrument is classed as a hedging instrument, the bank documents the link between the hedging instrument and the hedged item. Among other things, it documents the risk management objectives and risk management strategy of the hedging transaction and the methods used to measure the effectiveness of the hedging relationship. The economic link between the hedged item and the hedging transaction is continuously measured on a retrospective and a prospective basis as part of the test of its effectiveness by monitoring factors such as an inverse change in value and its correlation.

4.2.4 Measurement of effectiveness

A hedge is considered to be highly effective if the following criteria are essentially met:

- The hedge is determined to be highly effective both upon initial recognition and during the hedging period.
- There is a close economic link between the hedged item and the hedging transaction.
- There is an inverse relationship between changes in the value of the hedged item and of the hedging transaction with regard to the hedged risk.
- The relationship between the change in value of the underlying item and the hedging transaction should be within the 80–125 percent range.

Hedge accounting was effective in the year under review.

Notes to the balance sheet

1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	CHANGE TO 31.12.2022 IN %
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse-repurchase transactions[1]	0.0	894.0	–894.0	–100.0
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions[1]		92.5	–92.5	–100.0
Book value of the securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	786.5	1,028.7	–242.2	–23.5
with unrestricted right to resell or pledge	*755.7*	*1,011.3*	*–255.7*	*–25.3*
Fair value of the securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse-repurchase agreements with an unrestricted right to resell or repledge	841.6	1,931.8	–1,090.3	–56.4
of which, repledged securities	*179.7*	*165.4*	*14.2*	*8.6*
of which, resold securities	*189.8*	*170.4*	*19.3*	*11.3*

1 Before netting agreements

2 Presentation of collateral for loans / receivables and off-balance-sheet transactions

CHF M	SECURED BY MORTGAGE	OTHER COLLATERAL	UNSECURED	TOTAL
Loans (before netting with value adjustments)				
Amounts due from customers		5,431.2	78.6	5,509.8
Mortgage loans	1,802.2		0.3	1,802.5
Residential property	*1,722.2*		*0.3*	*1,722.5*
Office and business premises	*52.7*			*52.7*
Commercial and industrial premises	*27.3*			*27.3*
Total loans in current year (before netting with value adjustments)	**1,802.2**	**5,431.2**	**78.9**	**7,312.3**
Total loans in previous year (before netting with value adjustments)	1,782.6	6,569.6	92.7	8,444.9
Total loans in current year (after netting with value adjustments)	**1,799.9**	**5,411.2**	**67.1**	**7,278.1**
Total loans in previous year (after netting with value adjustments)	1,780.7	6,547.8	81.1	8,409.6
Off-balance sheet				
Contingent liabilities		290.5	36.7	327.2
Irrevocable commitments	26.0		27.8	53.8
Total off-balance-sheet in current year	**26.0**	**290.5**	**64.5**	**381.0**
Total off-balance-sheet in previous year	33.7	264.0	60.8	358.5

Impaired loans / receivables

CHF M	GROSS DEBT AMOUNT	ESTIMATED LIQUIDATION VALUE OF COLLATERAL	NET DEBT AMOUNT	INDIVIDUAL VALUE ADJUSTMENTS
Current year	**45.2**	**30.4**	**14.8**	**14.8**
Previous year	58.3	25.8	32.4	28.2

3 Breakdown of trading portfolios and other financial instruments at fair value (assets)

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	IN %
Trading portfolio assets				
Debt securities, money market securities/transactions	836.8	1,749.5	–912.7	–52.2
of which, listed	*810.8*	*1,359.5*	*–548.6*	*–40.4*
Equity securities incl. investment funds	1,949.2	1,551.1	398.1	25.7
Precious metals	870.6	794.7	75.9	9.6
Cryptocurrencies	368.5	179.0	189.5	105.8
Other trading portfolio assets	1.7	1.3	0.4	28.4
Total assets	**4,026.9**	**4,275.7**	**–248.8**	**–5.8**
of which, determined using a valuation model	*1,240.9*	*975.1*	*265.8*	*27.3*
of which, securities eligible for repo transactions in accordance with liquidity requirements	*247.3*	*651.1*	*–403.8*	*–62.0*

4 Breakdown of trading portfolios and other financial instruments at fair value (liabilities)

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	IN %
Trading portfolio liabilities				
Debt securities, money market securities/transactions	107.6	85.8	21.8	25.4
of which, listed	*107.6*	*85.8*	*21.8*	*25.4*
Equity securities incl. investment funds	82.2	84.6	–2.4	–2.9
Other trading portfolio liabilities	0.1	3.9	–3.8	–98.1
Other financial instruments at fair value				
Structured products	2,331.1	2,105.1	226.0	10.7
Total liabilities	**2,520.9**	**2,279.3**	**241.6**	**10.6**
of which, determined using a valuation model	*2,331.1*	*2,108.9*	*222.2*	*10.5*

5 Presentation of derivative financial instruments (assets and liabilities)

	TRADING INSTRUMENTS			HEDGING INSTRUMENTS		
CHF M	POSITIVE RV[1]	NEGATIVE RV[1]	CONTRACT VOLUME	POSITIVE RV[1]	NEGATIVE RV[1]	CONTRACT VOLUME
Debt instruments						
Swaps	*35.9*	*46.7*	*22,065.1*	*38.8*	*5.0*	*795.6*
Futures			*0.1*			
Options (OTC)	*0.0*	*1.9*	*1.0*			
Options (exchange traded)						
Foreign currency / precious metals						
Forward contracts	*28.1*	*29.8*	*1,453.7*			
Swaps	*196.5*	*231.4*	*14,259.7*			
Futures			*19.0*			
Options (OTC)	*15.9*	*43.4*	*2,535.4*			
Options (exchange traded)						
Equities / indices						
Swaps	*134.2*	*43.6*	*2,932.2*			
Futures			*405.9*			
Options (OTC)	*94.5*	*250.5*	*4,899.1*			
Options (exchange traded)	*75.4*	*373.3*	*11,693.4*			
Credit derivatives						
Credit Default Swaps	*4.8*	*4.7*	*436.8*			
Other / Cryptocurrencies						
Futures			*202.8*			
Options (OTC)	*0.1*	*52.9*	*155.7*			
Options (exchange traded)	*0.0*		*0.9*			
Total before netting agreements in the current year	**585.3**	**1,078.2**	**61,060.8**	**38.8**	**5.0**	**795.6**
of which, determined using a valuation model	*585.3*	*1,078.2*	*61,060.8*	*38.8*	*5.0*	*795.6*
Total before netting agreements in the previous year	831.8	1,300.9	53,358.4	36.1		238.3
of which, determined using a valuation model	*831.8*	*1,300.9*	*53,358.4*	*36.1*		*238.3*
Total after netting agreements in the current year	**382.7**	**753.7**				
Total after netting agreements in the previous year	516.5	922.3				

1 Replacement values

Breakdown by counterparty

CHF M	CENTRAL CLEARING HOUSES	BANKS AND SECURITIES DEALERS	OTHER CUSTOMERS
Positive replacement values (after netting agreements)	44.4	76.0	262.4

6 Breakdown of financial investments

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	CHANGE TO 31.12.2022 IN %
Debt securities incl. investment funds held for sale	936.2	1,457.2	–521.0	–35.8
Market value	*936.5*	*1,457.2*	*–520.7*	*–35.7*
Equity securities incl. investment funds	59.1	59.1	0.1	0.1
Market value	*66.0*	*62.0*	*4.0*	*6.5*
Total financial investments	**995.3**	**1,516.2**	**–520.9**	**–34.4**
of which, securities eligible for repo transactions in accordance with liquidity requirements	*320.3*	*438.4*	*–118.1*	*–26.9*
Market value	**1,002.5**	**1,519.1**	**–516.7**	**–34.0**
of which, securities eligible for repo transactions in accordance with liquidity requirements	*320.5*	*438.4*	*–117.9*	*–26.9*

Breakdown of counterparties by rating[1]

CHF M	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	UNRATED
Book values of the debt securities	**826.9**	**104.5**	**4.4**	**0.4**

1 The bank 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, Standard & Poor's 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.

7 Breakdown of other assets

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	CHANGE TO 31.12.2022 IN %
Open settlements	412.2	219.1	193.0	88.1
Indirect taxes	14.7	12.5	2.2	17.8
Remaining other assets	35.6	68.9	–33.3	–48.4
Total other assets	**462.5**	**300.5**	**161.9**	**53.9**

8 Breakdown of other liabilities

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	CHANGE TO 31.12.2022 IN %
Compensation account	32.6	35.4	–2.8	–7.9
Open settlements	1,086.4	759.3	327.0	43.1
Indirect taxes	34.3	21.1	13.3	63.0
Remaining other liabilities	9.6	41.0	–31.5	–76.7
Total other liabilities	**1,162.8**	**856.9**	**306.0**	**35.7**

9 Pledged or assigned assets to secure own commitments and assets under reservation of ownership, excluding securities financing transactions

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	CHANGE TO 31.12.2022 IN %
Book value of pledged and assigned assets	1,082.0	1,305.7	–223.7	–17.1
Effective commitment	1,621.3	1,654.5	–33.2	–2.0

10 Liabilities to own pension schemes[1]

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.22 CHF M	CHANGE TO 31.12.22 IN %
Amounts due in respect of customer deposits	60.5	86.4	–25.9	–30.0
Negative replacement values of derivative financial instruments	3.1	1.0	2.2	227.2
Total liabilities to own pension schemes	**63.6**	**87.3**	**–23.7**	**–27.1**

1 The bank's employee pension funds did not hold any of the bank's equity instruments in the year under review or in the prior year.

11 Information on pension funds

Employer contribution reserves (ECR)[1]

CHF M	NOMINAL VALUE 31.12.2023	WAIVER OF USE 31.12.2023	NET AMOUNT 31.12.2023	NET AMOUNT 31.12.2022	INFLUENCE OF ECR ON PERSONNEL EXPENSES 2023	INFLUENCE OF ECR ON PERSONNEL EXPENSES 2022
Patronage funds and pension plans						
Pension plans	6.3					
Total	**6.3**					

1 The bank does not recognize the future economic benefit (including employer contribution reserves) as an asset as defined in FINMA Circular 2020/1.

Economic benefit or economic liability

CHF M	SURPLUS/ SHORTFALL 31.12.2023	ECONOMIC BENEFIT OR (ECONOMIC LIABILITY) OF THE BANK 31.12.2023	ECONOMIC BENEFIT OR (ECONOMIC LIABILITY) OF THE BANK 31.12.2022	CHANGE VERSUS PREVIOUS YEAR	CONTRIBUTIONS PAID CURRENT PERIOD	PENSION COST 2023	PENSION COST 2022
Patronage funds and pension plans	30.8						
Pension plans without a surplus/ shortfall					–30.9	–30.9	–30.8
Total	**30.8**				**–30.9**	**–30.9**	**–30.8**

Bank Vontobel AG has three pension funds that insure the bank's employees and employees of associated companies against the financial consequences of a loss of income as a result of old age, disability or death.

The pension funds provide the mandatory benefits prescribed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) as well as supplementary benefits. The pension funds' assets are managed by Vontobel companies.

12 Presentation of issued structured products[1] related to the underlying risk of the embedded derivative

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	CHANGE TO 31.12.2022 IN %
Interest rate instruments	33.5		33.5	
Equity securities incl. investment funds	1,893.2	1,914.0	–20.9	–1.1
Foreign currencies	8.7		8.7	
Precious metals	24.5	7.9	16.6	210.2
Cryptocurrencies	361.5	177.1	184.4	104.1
Other	9.6	6.0	3.6	60.2
Total issued structured products	**2,331.1**	**2,105.1**	**226.0**	**10.7**

1 All issued structured products are recognized in liabilities from other financial instruments at fair value and they have their own debenture component.

13 Value adjustments and provisions and reserves for general banking risks

CHF M	BOOK VALUE 01.01.2023	USING IN CONFORMITY WITH DESIGNATED PURPOSE	PAST DUE INTEREST, RECOVERIES	NEW CREATION CHARGED TO INCOME	RELEASES TO INCOME	BOOK VALUE 31.12.2023
Provision for other business risks	11.1	2.4		2.7	0.2	11.3
Other provisions	101.4					101.4
Total provisions	**112.5**	**2.4**		**2.7**	**0.2**	**112.7**
Value adjustments for default and country risks	**40.4**	**14.9**	**8.9**	**0.7**	**0.9**	**34.1**
of which, value adjustments for default risks in respect of impaired loans/receivables	*28.2*	*14.9*	*1.6*	*0.7*	*0.8*	*14.8*
of which, value adjustments for latent risks	*0.2*				*0.1*	*0.0*

“Provisions for other business risks” mainly comprise litigation provisions. Litigation risks are assessed on an ongoing basis and the relevant provision is adjusted in the course of court proceedings if necessary. The occurrence of a loss depends on the decision of the competent courts.

“Other provisions” consist of collective value adjustments of “Amounts due from customers” and “Mortgage loans” as well as “Contingent liabilities” that are permissible from a tax perspective according to the fact sheet on the taxation of the banks and securities firms issued by the Cantonal Tax Office of Zurich on 23 September 2021.

14 Presentation of the bank's capital

	31.12.2023			31.12.2022		
	TOTAL PAR VALUE CHF M	NUMBER OF SHARES	CAPITAL RANKING FOR DIVIDEND CHF M	TOTAL PAR VALUE CHF M	NUMBER OF SHARES	CAPITAL RANKING FOR DIVIDEND CHF M
Share capital – registered shares	149.0	149,000	149.0	149.0	149,000	149.0
Total share capital	**149.0**	**149,000**	**149.0**	**149.0**	**149,000**	**149.0**

There was no capital band or conditional share capital in the current and prior period.

Capital increases or reductions have not occurred.

15 Disclosure of holders of significant participations

Disclosure of holders of significant participations in the Bank Vontobel AG, Zurich

	31.12.2023		31.12.2022	
	NOMINAL CHF M	SHARE IN %	NOMINAL CHF M	SHARE IN %
With voting rights on share capital of Bank Vontobel AG				
Vontobel Holding AG, Zurich	149.0	100.0	149.0	100.0
Total voting rights in share capital ranking for dividends	**149.0**	**100.0**	**149.0**	**100.0**

Disclosure of holders of significant participations in the Vontobel Holding AG, Zurich

	31.12.2023		31.12.2022	
	NOMINAL CHF M	SHARE IN %	NOMINAL CHF M	SHARE IN %
With voting rights on share capital of CHF 56.875 M of Vontobel Holding AG				
Advontes AG	6.1	10.6	6.1	10.6
Vontrust AG (holding company 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 (charitable foundation Corvus)[1]	2.7	4.7	2.7	4.7
Further shares of a family member	3.6	6.3	3.6	6.3
Total voting rights on share capital	**28.9**	**50.9**	**28.9**	**50.9**

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

16 Number and value of equity securities held by all executives and directors and by employees

	31.12.2023 CHF M	31.12.2023 NUMBER[1]	31.12.2022 CHF M	31.12.2022 NUMBER[1]
Members of the board of directors				
Members of executive bodies	8.5	265,214	11.4	351,027
Employees	22.6	728,894	26.1	828,586
Total	**31.1**	**994,108**	**37.4**	**1,179,613**

Employees of Bank Vontobel AG participate in Vontobel's share participation plan. Contractual terms and conditions and the basis of calculation are described in the consolidated Annual Report of Vontobel (pages 72 to 80). The values accrued for performance shares on a pro rata temporis basis are shown in the above table.

17 Disclosure of amounts due from / to related parties

	31.12.2023	31.12.2022	CHANGE TO 31.12.2022	
	CHF M	CHF M	CHF M	IN %
Amounts due from				
Holders of qualified participations	*499.5*	*314.8*	*184.7*	*58.7*
Affiliated companies	*887.7*	*1,183.3*	*–295.6*	*–25.0*
Members of governing bodies	*5.0*	*3.3*	*1.7*	*51.1*
Amounts due to				
Holders of qualified participations	*367.9*	*39.1*	*328.7*	*840.0*
Affiliated companies	*1,220.4*	*1,412.7*	*–192.3*	*–13.6*
Members of governing bodies	*4.4*	*5.6*	*–1.2*	*–22.2*
Other related parties	*4.9*	*8.5*	*–3.6*	*–41.8*

Due from holders of qualified participations mainly comprises fixed advances to Vontobel Holding AG in the amount of CHF 499.2 million, which were granted in accordance with market conditions. Due to qualified participants include two private placements worth USD 200 million each, which were placed with Vontobel Holding AG at market conditions. A large proportion of the due from and to affiliated companies results from the issuing of structured products of the affiliates in Dubai and Frankfurt as well as from intra-Group financing activities. The transactions are conducted in accordance with market conditions. In the case of members of governing bodies and other related parties, the transactions (e.g. securities transactions, lending and income paid on deposits) are conducted according to the conditions that apply to third parties.

18 Own shares and composition of equity capital

Bank Vontobel AG did not hold, sell or purchase its own equity securities during the year under review. Information on the composition of the equity capital and the rights and restrictions associated with shares of capital is provided in note 14 “Presentation of the bank’s capital”.

Not distributable reserves

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	IN %
Not distributable statutory retained earnings reserves	74.5	74.5		
Total non distributable reserves	**74.5**	**74.5**		

19 Breakdown of total of the net foreign exposure by credit rating of country groups (risk domicile view)

Bank’s own country rating[1]

	31.12.2023		31.12.2022	
	ABSOLUTE CHF M	SHARE IN %	ABSOLUTE CHF M	SHARE IN %
AAA to AA-	5,754.4	89.9	6,311.3	79.1
A+ to BBB-	489.7	7.7	830.3	10.4
BB+ to D	70.0	1.1	101.9	1.3
Without rating	85.4	1.3	739.2	9.3
Total net foreign exposure	**6,399.6**	**100.0**	**7,982.7**	**100.0**

1 When determining its own country rating, Bank Vontobel AG uses a calculation that is based on the recognized rating agencies Fitch, Moody’s and Standard & Poor’s.

Notes to the off-balance sheet business

20 Breakdown of fiduciary transactions

	31.12.2023 CHF M	31.12.2022 CHF M	CHANGE TO 31.12.2022 CHF M	IN %
Fiduciary investments with third-party companies	5,002.3	3,327.3	1,675.0	50.3
Total fiduciary transactions	**5,002.3**	**3,327.3**	**1,675.0**	**50.3**

21 Breakdown and development of the assets under management

Breakdown of the assets under management[1]

	31.12.2023 CHF B	31.12.2022 CHF B	CHANGE TO 31.12.2022 CHF B	IN %
Assets under discretionary asset management agreements	19.0	17.5	1.5	8.8
Other managed assets	81.3	76.7	4.6	6.0
Total assets under management (including double counting)	**100.3**	**94.2**	**6.2**	**6.6**
of which, double counting				

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

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 the Bank. Assets under management only include those assets on which the Bank generates considerably higher income than on assets that are held solely for custody purposes or the execution of transactions. These types of custody assets are reported separately. Assets that are counted more than once, i. e. in several categories of assets under management to be disclosed, are shown under double counts. They primarily include shares in self-managed collective investment instruments in client portfolios.

Presentation of the development of the assets under management

	2023 CHF B	2022 CHF B	CHANGE TO 2022 CHF B	CHANGE TO 2022 IN %
Total assets under management (including double counting) as of 01.01.	**94.2**	**103.9**	**–9.7**	**–9.4**
Net new money inflow or net money outflow	4.3	5.4	–1.1	–20.5
Price gains / losses, interests, dividends and currency gains / losses	3.0	–15.1	18.2	–120.1
Other effects [1]	–1.2		–1.2	
Total assets under management (including double counting) as of 31.12.	**100.3**	**94.2**	**6.2**	**6.6**

1 2023: Negative effect of CHF 1.2 billion due to the decision to exit the market in connection with the strategic focus on a strictly limited selection of developed markets.

Net inflows or outflows of assets under management during the reporting period consist of the acquisition of new clients, the departure of clients as well as inflows and outflows of assets from existing clients. This also includes borrowing and the repayment of loans. The calculation of the net inflow or outflow of new money is performed at the level "total assets under management" (including double counting). 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. However, starting from the 2023 financial year, an outflow is treated as NNM-neutral if it is due to a strategic decision to exit a specific market or service offering. In this case, the outflow is reported as "other effects". 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 of business divisions of the Bank do not constitute inflows or outflows of assets.

Notes to the income statement

22 Result from trading activities and the fair value option

Result from trading activities and the fair value option by business area

	2023 CHF M	2022 CHF M	CHANGE TO 2022 CHF M	CHANGE TO 2022 IN %
Securities	85.7	88.2	–2.5	–2.8
Forex, banknotes and precious metals	127.0	106.9	20.1	18.8
Total result from trading activities and the fair value option	**212.7**	**195.1**	**17.6**	**9.0**
of which, from fair value option on liabilities	*–320.8*	*1,055.3*	*–1,376.1*	*–130.4*

Result from trading activities and the fair value option by underlying risk

	2023 CHF M	2022 CHF M	CHANGE TO 2022 CHF M	CHANGE TO 2022 IN %
Result from trading activities from:				
Interest rate instruments (including investment funds)	*5.6*	*–36.9*	*42.5*	*–115.2*
Equity securities (including investment funds)	*64.6*	*87.5*	*–22.9*	*–26.2*
Foreign currencies	*106.3*	*79.9*	*26.4*	*33.0*
Precious metals	*2.6*	*21.4*	*–18.8*	*–88.0*
Others / Cryptocurrencies	*33.7*	*43.3*	*–9.6*	*–22.1*
Total result from trading activities and the fair value option	**212.7**	**195.1**	**17.6**	**9.0**
of which, from fair value option on liabilities	*–320.8*	*1,055.3*	*–1,376.1*	*–130.4*

23 Breakdown of interest and discount income[1] and interest expense

	2023 CHF M	2022 CHF M	CHANGE TO 2022 CHF M	CHANGE TO 2022 IN %
Interest income on loans / receivables	252.2	117.5	134.7	114.7
Negative interest on assets	–0.2	–5.8	5.6	–96.3
Total interest and discount income	**252.0**	**111.7**	**140.3**	**125.6**
Interest expense on liabilities	–68.5	–8.4	–60.2	720.0
Negative interest on liabilities	0.0	7.1	–7.1	–100.0
Total interest expense	**–68.5**	**–1.3**	**–67.2**	

1 For the trading business no refinancing income will be credited in the interest income.

24 Breakdown of personnel expenses

	2023 CHF M	2022 CHF M	CHANGE TO 2022 CHF M	CHANGE TO 2022 IN %
Salaries and bonuses	–330.7	–311.4	–19.3	6.2
of which, expenses relating to share-based compensation	*–16.2*	*–17.8*	*1.6*	*–9.1*
Employee benefits	–26.0	–25.5	–0.5	1.8
Contribution to pension funds	–30.9	–30.8	–0.1	0.4
Other personnel expense	–23.4	–20.5	–2.9	13.9
Total personnel expense	**–411.1**	**–388.3**	**–22.7**	**5.9**

25 Breakdown of general and administrative expenses

	2023 CHF M	2022 CHF M	CHANGE TO 2022 CHF M	CHANGE TO 2022 IN %
Office space expenses	–34.2	–31.7	–2.5	7.9
Expenses for information and communications technology	–89.6	–87.6	–2.0	2.3
Expenses for vehicles, equipment, furniture and other fixtures	–0.2	–0.3	0.1	–25.9
Fees of audit firm	–1.6	–1.5	–0.1	7.2
of which, for financial and regulatory audit	*–1.2*	*–1.1*	*–0.2*	*14.2*
of which, for other services	*–0.3*	*–0.4*	*0.0*	*–11.8*
Expenses for travel and representation, public relations, marketing and consulting	–100.1	–93.8	–6.3	6.7
Other operating expenses	–39.9	–52.5	12.5	–23.9
Total general and administrative expenses	**–265.6**	**–267.3**	**1.7**	**–0.6**

26 Significant losses, extraordinary income and expense, significant release of hidden reserves, reserves for general banking risks, and value adjustments and provisions that are no longer required

In the year under review, there were no other material transactions in the positions in question. In particular, no tangible fixed assets or investments were revalued and no significant amount of hidden reserves, value adjustments or provisions was released. In the previous year, CHF 44 million from the reserves for general banking risks acquired as a result of the 2018 merger with Notenstein La Roche Privatbank AG was released through profit or loss.

27 Presentation of taxes

Income and capital taxes

	2023 CHF M	2022 CHF M	CHANGE TO 2022 CHF M	CHANGE TO 2022 IN %
Current income tax	–37.5	–4.8	–32.7	687.7
Current capital tax	–1.5	–1.9	0.4	–19.5
Total taxes	**–39.0**	**–6.6**	**–32.4**	**486.9**

Average tax rate

IN %	2023	2022
Average tax rate weighted on the basis of the operating result	16.0	12.7

Information on capital and liquidity

28 Capital ratios and Leverage ratio

Capital ratios in accordance with FINMA Circular 16/1

	31.12.2023	31.12.2022
Minimum capital requirement based on risk-weighted positions in CHF M	364.8	367.0
Eligible regulatory capital in CHF M	1,141.5	1,262.7
whereof common equity tier 1 (CET1) in CHF M	*1,040.1*	*1,161.4*
whereof tier 1 capital (T1) in CHF M	*1,040.1*	*1,161.4*
Risk-weighted positions (RWA) in CHF M	4,560.0	4,586.9
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%)[1] in %	22.8	25.3
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%)[2] in %	22.8	25.3
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%)[3] in %	25.0	27.5
Countercyclical buffer requirement (in % of RWA)	0.2	0.3

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%

Leverage ratio in accordance with FINMA Circular 15/3

	31.12.2023	31.12.2022
Net eligible BIS tier 1 capital in CHF M	1,040.1	1,161.4
Total leverage ratio exposure in CHF M	18,979.0	21,631.4
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	5.5	5.4

29 Liquidity Coverage Ratio and Net Stable Funding Ratio

Liquidity Coverage Ratio in accordance with FINMA Circular 15/2

	Q4 2023 AVERAGE	Q3 2023 AVERAGE	Q2 2023 AVERAGE	Q1 2023 AVERAGE
Total stock of high quality liquid assets (HQLA) in CHF M	4,831.7	5,518.9	6,292.4	6,620.4
Total net cash outflows in CHF M	2,253.9	3,055.3	3,704.1	4,045.2
Liquidity Coverage Ratio LCR in %	214.4	180.6	169.9	163.7

The liquidity coverage ratio is disclosed in accordance with the requirements set out in FINMA Circular 16/1. The values used to calculate the liquidity coverage ratio are simple monthly averages for the relevant quarter or half-year. The average is calculated based on the values shown in the monthly liquidity status reports submitted to FINMA and the SNB. This results in three data points per quarter. The main factors influencing Bank Vontobel AG'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.

Net Stable Funding Ratio in accordance with FINMA Circular 15/2

	31.12.2023	31.12.2022
Available stable funding (ASF) in CHF M	9,208.2	10,791.0
Required stable funding (RSF) in CHF M	8,129.2	8,768.8
Net Stable Funding Ratio NSFR in %	113.3	123.1

The corporate bodies of Bank Vontobel AG, Zurich

The Board of Directors

The Board of Directors consists of the following members as of December 31, 2023:

NAME	FUNCTION
Andreas E.F. Utermann	Chairman
Bruno Basler	Vice-Chairman
Dr. Maja Baumann	Member
Dr. Elisabeth Bourqui	Member
David Cole	Member
Dr. Michael Halbherr	Member
Stefan Loacker	Member
Clara C. Streit	Member
Björn Wettergren	Member

As of December 31, 2023 the majority of the members of the Board of Directors of Bank Vontobel AG meet the independence criteria prescribed in the FINMA Circular 17/1 “Corporate governance, risk management and internal control at banks”, mn 18–22. They are: Andreas Utermann, Bruno Basler, Dr. Elisabeth Bourqui, David Cole, Dr. Michael Halbherr, Stefan Loacker and Clara C. Streit. Dr. Maja Baumann and Björn Wettergren are members of the Vontobel and de la Cour families. They serve on some governing bodies of entities representing the interests of majority shareholders.

The Executive Committee

The Executive Committee comprises the following members as of December 31, 2023:

NAME	FUNCTION
Dr. Zeno Staub	CEO
Dr. Thomas Heinzl	CFO / CRO
Dr. Maria-Antonella Bino	GC
Felix Lenhard	COO
Christel Rendu de Lint	Member
Markus Pfister	Member
Georg Schubiger	Member

Dr. Zeno Staub and Felix Lenhard left the Executive Committee as of 31 December 2023. As of 1 January 2024, Christel Rendu de Lint and Georg Schubiger took over the CEO role from Dr. Zeno Staub as Co-CEOs. Markus Pfister was appointed Chief Operating Officer (COO) as of January 1, 2024.

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To the General Meeting of
Bank Vontobel AG, Zurich

Berne, 7 February 2024

Report of the statutory auditor

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bank Vontobel AG (the Company), which comprise the balance sheet as at 31 December 2023 the income statement and the statement of equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 4 to 29) comply with Swiss law and the Company’s articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework for banks, the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we 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

Andreas Blumer
(Qualified Signature)

Licensed audit expert
(Auditor in charge)

Philipp Müller
(Qualified Signature)

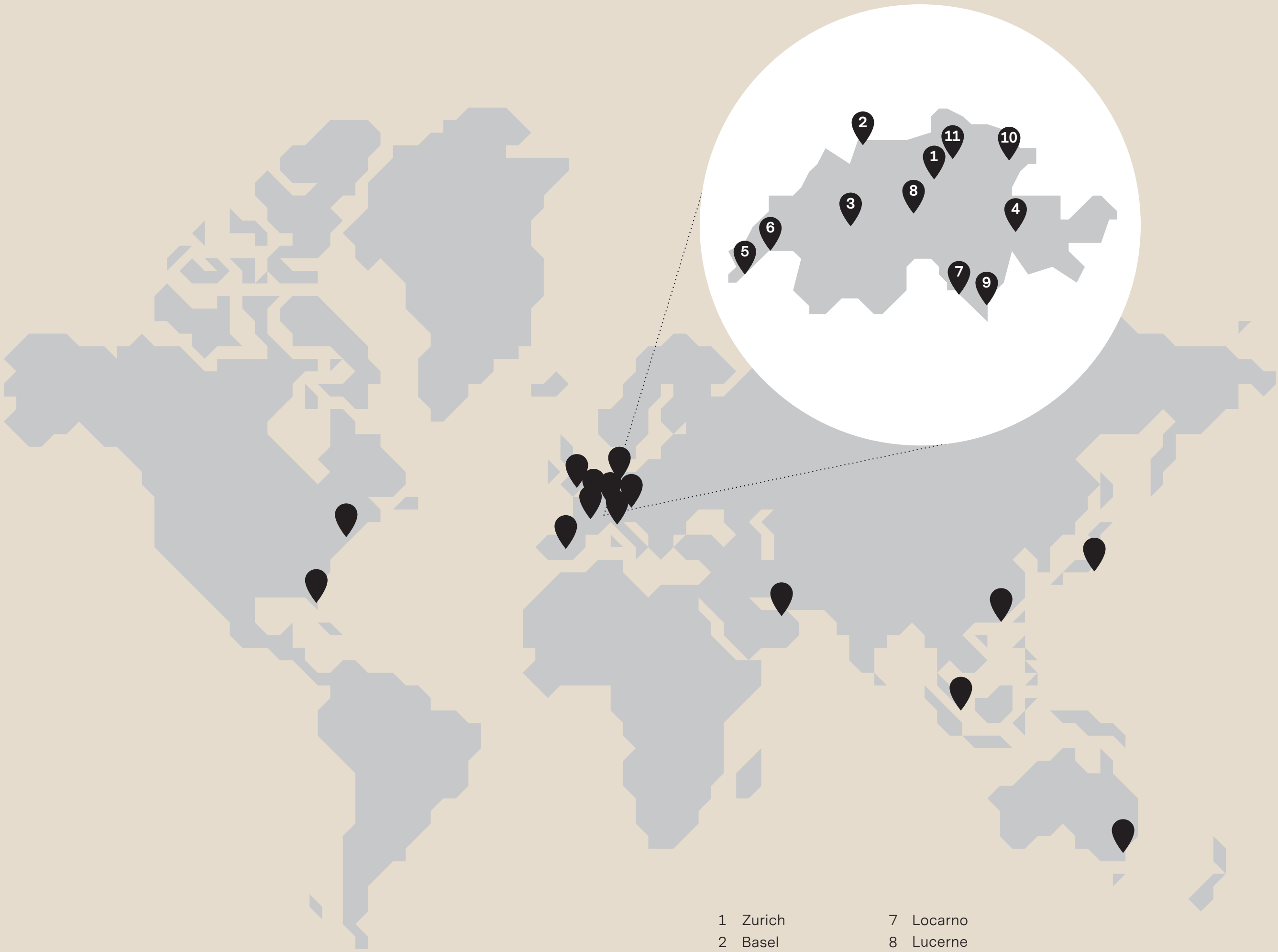
Licensed audit expert

Our locations

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

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

Find an overview of all our offices on vontobel.com



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