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CREDIT OPINION
15 May 2023

Update

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RATINGS

Bank Vontobel AG

Domicile	Zurich, Switzerland
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Bank Vontobel AG

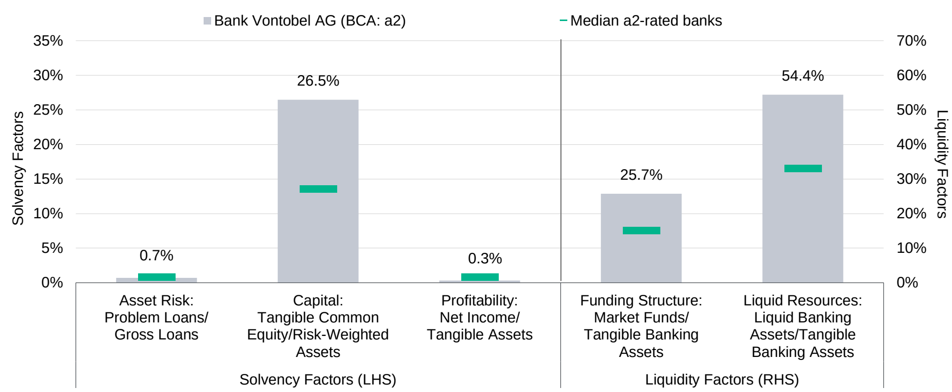
Update to credit analysis

Summary

Bank Vontobel AG's (Bank Vontobel) Aa3 (stable)/P-1 deposit ratings, as well as Vontobel Holding AG's (Vontobel Holding) A2 (stable) issuer ratings, reflect the bank's a2 Baseline Credit Assessment (BCA) and Adjusted BCA, and two notches of uplift from our Advanced Loss Given Failure (LGF) analysis for deposits, as well as no uplift for Vontobel Holding's issuer ratings. Our LGF analysis incorporates the relative loss severity of a liability class. Bank Vontobel's and Vontobel Holding's ratings do not benefit from a government support uplift because of their small size in the context of the Swiss banking sector. Bank Vontobel is the main operating entity of Vontobel Holding.

Bank Vontobel's a2 BCA reflects the bank's very high capitalisation, as well as its sound funding and liquidity profile, displaying a high proportion of customer deposits and liquid resources. The BCA also incorporates Bank Vontobel's limited credit risk, which is somewhat offset by its high exposure to market operational risks. Our assessment further considers the high dependence of Bank Vontobel's and Vontobel Holding's revenue and earnings on capital market developments, adding to the risk management challenges of running a relatively large structured products franchise.

Exhibit 1
Rating Scorecard - Bank Vontobel AG - Key financial ratios



Source: Moody's Investors Service

Credit strengths

» Diversified wealth management franchise, including private banking and asset management, complemented by retail-focused investment offerings — mainly structured products in Switzerland and other European markets — through proprietary electronic trading platforms

» Very low credit risks from highly collateralised Lombard and mortgage lending

» Strong risk-weighted capitalisation for both Bank Vontobel and Vontobel Holding, providing substantial loss-absorption capacity

Credit challenges

» Managing and hedging of position and fair value risks arising from the issuance of structured products

» Exposure to typical risks applicable to private banks, such as reputational, legal and operational risks, and market-driven fluctuations in assets under management (AUM)

» Restoring good profitability, which is highly dependent on client trading activity and the level of managed client assets

» Sustaining a highly liquid balance sheet and containing sizeable asset encumbrance associated with the issuance of structured products

Outlook

» The stable outlook reflects our expectation of a stable financial profile both at bank and group levels, with broadly unchanged key financial ratios and an unchanged liability structure.

Factors that could lead to an upgrade

» The ratings of Bank Vontobel and Vontobel Holding could be upgraded following an upgrade of the bank's BCA or Adjusted BCA, or following an increase in rating uplift resulting from our Advanced LGF analysis.

» Bank Vontobel's BCA could be upgraded if it achieves a material and simultaneous improvement in its solvency and liquidity profiles, foremost through a reduced reliance on market funding and substantially stronger profitability.

» Bank Vontobel's Adjusted BCA could be upgraded if Vontobel Holding materially reduces its market funding dependence resulting from the issuance of structured products.

» Our Advanced LGF analysis could result in higher notches of rating uplift for the bank's ratings if the volume of senior unsecured debt or subordinated instruments that could be bailed in before or at the bank's or the group's failure increases. This could also result in an upgrade of the issuer ratings of Vontobel Holding.

Factors that could lead to a downgrade

» A downgrade of Bank Vontobel's deposit ratings is likely to follow a downgrade of the bank's BCA or Adjusted BCA, or a reduction in rating uplift resulting from our Advanced LGF analysis.

» A downgrade of Bank Vontobel's BCA or Adjusted BCA could follow unexpectedly high and meaningful charges as a result of undue operational risks, specifically if caused by litigation charges in connection with typical private banking lawsuits (for example, tax cases or reputational cases) or IT security issues that are severe enough to threaten the bank's or the group's reputation; any substantial and persistent outflow of client funds or deposits, causing a sustained and significant strain on profitability and liquidity metrics; and substantial capital reductions or unprecedented capital outflows, for example, because of unduly aggressive acquisitions from a financial or operational risk viewpoint.

» A downgrade of Vontobel Holding's issuer ratings is likely to follow a downgrade of Bank Vontobel's BCA or Adjusted BCA.

Key indicators

Exhibit 2
Bank Vontobel AG (Consolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (CHF Billion)	21.7	22.8	21.9	15.5	19.2	3.1[4]
Total Assets (USD Billion)	23.4	24.9	24.8	16.0	19.5	4.8[4]
Tangible Common Equity (CHF Billion)	1.2	1.3	1.2	1.1	1.1	3.2[4]
Tangible Common Equity (USD Billion)	1.3	1.4	1.3	1.2	1.1	4.8[4]
Problem Loans / Gross Loans (%)	0.7	0.5	0.5	0.5	0.7	0.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	26.5	25.6	20.3	24.2	23.6	24.0[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	4.7	2.8	2.7	2.3	3.4	3.2[5]
Net Interest Margin (%)	0.8	0.6	0.7	0.8	0.8	0.7[5]
PPI / Average RWA (%)	1.2	3.8	2.5	2.0	1.0	2.1[6]
Net Income / Tangible Assets (%)	0.3	0.7	0.5	0.5	0.2	0.4[5]
Cost / Income Ratio (%)	93.5	78.9	83.2	87.9	94.1	87.5[5]
Market Funds / Tangible Banking Assets (%)	25.7	21.6	20.9	17.1	22.3	21.5[5]
Liquid Banking Assets / Tangible Banking Assets (%)	54.4	58.4	60.9	56.0	63.7	58.7[5]
Gross Loans / Due to Customers (%)	61.7	50.2	46.6	51.4	40.4	50.0[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Exhibit 3
Vontobel Holding AG (Consolidated Financials) [1]

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (CHF Billion)	29.3	31.1	30.5	25.8	24.9	4.2[4]
Total Assets (USD Billion)	31.6	34.1	34.5	26.6	25.2	5.8[4]
Tangible Common Equity (CHF Billion)	1.4	1.5	1.3	1.6	1.5	(1.9)[4]
Tangible Common Equity (USD Billion)	1.5	1.7	1.5	1.7	1.5	(0.4)[4]
Problem Loans / Gross Loans (%)	0.8	0.5	0.5	0.5	0.8	0.6[5]
Tangible Common Equity / Risk Weighted Assets (%)	22.3	23.2	17.8	23.3	22.4	21.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	4.0	2.3	2.4	1.6	2.4	2.6[5]
Net Interest Margin (%)	0.3	0.2	0.3	0.3	0.3	0.3[5]
PPI / Average RWA (%)	4.4	6.7	4.8	4.7	4.5	5.0[6]
Net Income / Tangible Assets (%)	0.2	1.6	0.9	1.5	0.9	1.0[5]
Cost / Income Ratio (%)	77.8	69.0	73.1	73.9	75.5	73.9[5]
Market Funds / Tangible Banking Assets (%)	43.3	42.7	41.7	47.1	37.0	42.4[5]
Liquid Banking Assets / Tangible Banking Assets (%)	44.4	61.5	60.2	56.1	63.4	57.1[5]
Gross Loans / Due to Customers (%)	56.6	48.2	43.7	48.3	39.0	47.2[5]

[-] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Bank Vontobel AG, a Switzerland-based provider of wealth and asset management services, is Vontobel Holding's main operating entity and accounted for around 71% of the group's consolidated assets in 2022.

Vontobel Holding, which holds 100% of Bank Vontobel AG, is listed on the Swiss stock market, with the Vontobel family and associated parties holding 50.9% of all shares as of year-end 2022. Vontobel Holding operates out of 27 locations globally and consolidates asset management entities and its Dubai-based subsidiary Vontobel Financial Products Ltd., which issues structured products.

With the acquisition of Notenstein La Roche Privatbank AG in 2018, Vontobel Holding significantly enhanced its private banking franchise, in particular in Switzerland. Following Vontobel Holding's exit from sell-side activities and capital markets businesses in 2020, the group integrated its Platform and Services segment (for external asset managers and other intermediaries) into the Wealth Management division during the second half of 2021, which is now one of the three remaining segments beside Asset Management and Digital Investing, where Vontobel Holding bundles all its digital approaches to address clients directly.

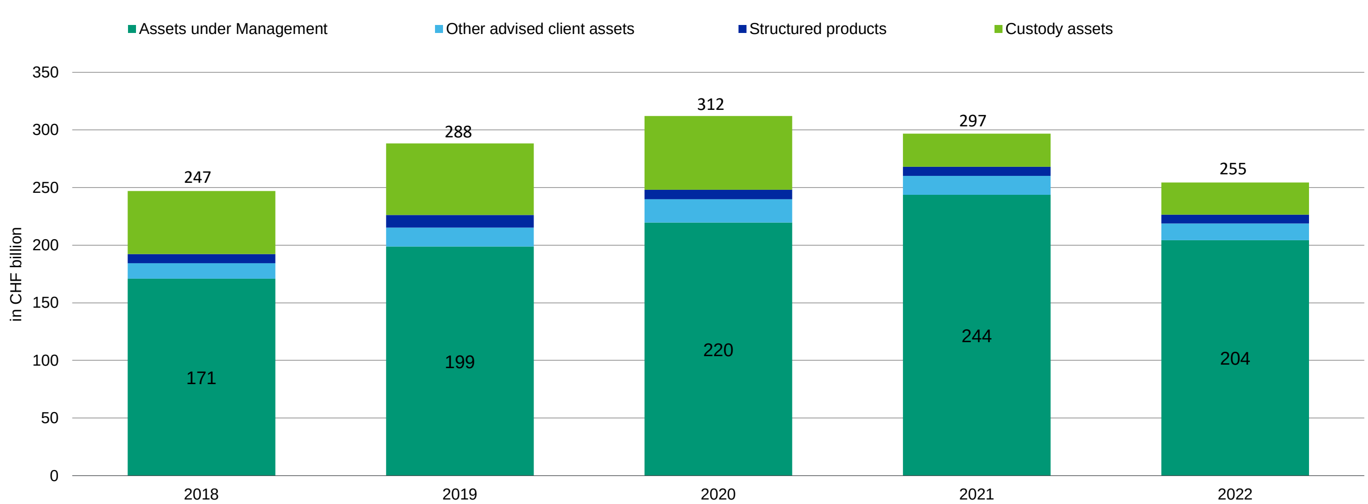
Vontobel Holding's diversified business model is reflected in its balanced revenue mix by segments. In 2022, Vontobel Holding's Asset Management segment contributed around 36% of the group's total revenue (2021: 39%), and Wealth Management, which caters to private clients and business owners, accounted for 50% of the total (2021: 41%). Vontobel's Digital Investing unit, which also comprises its structured products activities, added 14% (2021: 21%) to group-wide revenue.

Including CHF28 billion of assets under custody, CHF8 billion of structured products issued and CHF15 billion of other advised client assets, Vontobel Holding's total client assets were CHF255 billion as of year-end 2022 (which also recovered to CHF268 billion as of 31 March 2023), compared with CHF297 billion as of year-end 2021.

As of year-end 2022, Bank Vontobel reported balance-sheet assets of CHF21.7 billion (2021: CHF22.8 billion), as well as CHF94 billion of AUM (2021: CHF104 billion), benefiting from NNM inflows of CHF5.4 billion (compared with CHF6.1 billion the previous year).

Exhibit 4

Weak markets as well as net new money outflows in its Asset Management unit reduced Vontobel Holding's total client assets in 2022



Source: Company reports

Detailed credit considerations

Low credit risks balanced by risk management challenges from hedging structured products, as well as typical market and operational risks applicable to all wealth managers

The a3 Asset Risk score for Bank Vontobel has been assigned four notches below its aa2 initial score, reflecting the considerable degree of reputational and operational risks inherent in wealth managers' business models.

Asset risks for wealth managers typically do not arise from their lending activities but from the entity's overall reputation and franchise. The management of third-party wealth focuses on the trustful relationship between clients and advisers, as well as the integrity and reliability of the domestic legal system and the wealth managers' technological infrastructure. Therefore, problem loans are not a significant driver of a private bank's credit strength, and we apply a multi-notch negative adjustment to the bank's Asset Risk score, similar to other wealth managers.

This negative adjustment captures the bank's and the group's significant exposure to market risks as well as reputational, legal and operational risks inherent in its business model. Our assessment also takes into account the risk management challenges of running a large structured product franchise, which requires a consistent hedging and constant rebalancing of financial assets, including derivatives, to help closely match — and ideally mirror — the payout profiles of issued structured products. This includes the booking and risk management of pledged financial securities by the Zurich-based bank that are to a large extent related to structured products legally issued out of Vontobel Financial Products Ltd., Dubai. As of year-end 2022, issued structured products accounted for 9.7% of the bank's total assets (2021: 9.0%) and were much higher at the group level (2022: 25.2% of consolidated assets; 2021: 25.0%).

As stated above, Bank Vontobel and Vontobel Holding operate with very limited on-balance-sheet lending risks, marked by the near absence of problem loans. In 2022, Bank Vontobel's CHF8.4 billion gross loans (2021: CHF8.0 billion) accounted for close to 40% of assets, and included CHF1.8 billion of Swiss-domiciled fixed-rate mortgage loans (2021: CHF1.6 billion), with the remainder of the loan book comprised of highly collateralised Lombard loans. We expect the volume of impaired loans to continue to fluctuate around historically very low levels, while the cost of credit risk for the bank and the group will remain negligible.

Limited on-balance-sheet lending risks also prevail at Vontobel Holding, as reflected in its small share of gross loans accounting for only 25% of total assets as of year-end 2022 (2021: 22%) and, again, mainly reflecting Lombard loans.

Strong risk-weighted capitalisation mitigates asset risks

Bank Vontobel and Vontobel Holding display solid capitalisation metrics, which compare favourably with their peers, and strongly underpin our assessment for both entities' credit strength.

Bank Vontobel's aa2 Capital score is assigned one notch below its aa1 initial score, reflecting moderate earnings retention at the bank level and our expectation of rising loan growth, mainly as a result of increased Lombard lending balances because of Vontobel Holding's efforts in deepening its relationships with its private banking clientele. Our capital assessment also takes into consideration Vontobel Holding's targets of maintaining its consolidated total capital ratio above 16.0% and a minimum consolidated Common Equity Tier 1 (CET1) capital ratio of 12.0%, even including the effects from potential acquisitions.

We believe that wealth managers' solvency is rather challenged by their high balance-sheet leverage, which is largely driven by clients' risk appetite. To illustrate, rising financial investments trigger a decline in total assets or leverage exposure because of clients investing cash and deposits held with their wealth manager into off-balance-sheet AUM, thereby yielding a higher, that is, improving, leverage ratio and vice versa.

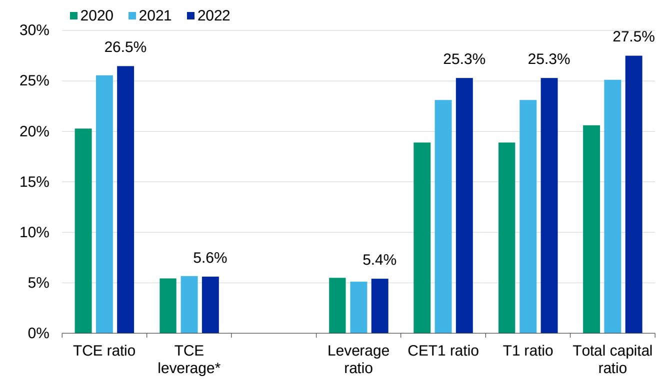
As of December 2022, Bank Vontobel's tangible common equity (TCE)/risk-weighted assets (RWA) ratio increased to 26.5% from 25.6% as of year-end 2021, accompanied by an improvement in the bank's regulatory CET1 capital ratio to 25.3% from 23.1%. These improvements mainly reflect the RWA reduction benefits of the groupwide capital-light programme launched in 2020, which aims at optimising the RWA structure, for example, by consistently obtaining high-quality collateral for Lombard loans, which allows for the assignment of low credit risk-weights to these. Accordingly, Bank Vontobel achieved a reduction in its RWA to only 21% of year-end 2022 total assets from 27% in 2020. Similar to other wealth managers, this low RWA density reflects low on-balance-sheet lending risk.

As of year-end 2022, Bank Vontobel's TCE leverage ratio slightly decreased to 5.6% from 5.7% in December 2021, whereas its regulatory leverage ratio[1] increased to 5.4% from 5.1% in 2021.

Exhibit 5

Bank Vontobel's capital ratios, grouped by us versus regulatory view

Data in percentage of RWA, except for leverage ratios

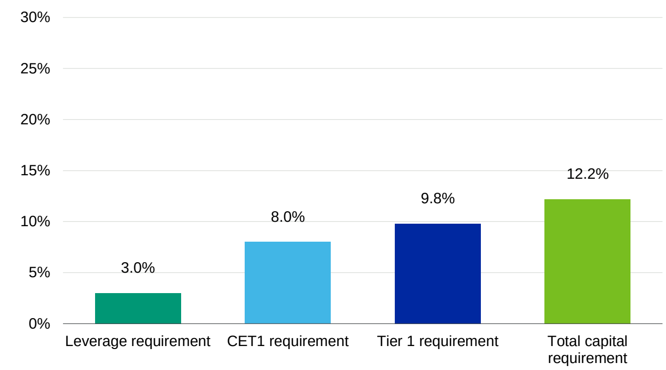


TCE = Tangible Common Equity (our calculation); CET1 = Common Equity Tier 1 capital.
*The TCE leverage ratio compares TCE to tangible banking assets.
Sources: Moody's Investors Service and company reports

Exhibit 6

Bank Vontobel comfortably exceeds its regulatory minimum requirements*

Data in percentage of RWA



*Capital requirements for a Category 3 financial institution in Switzerland according to FINMA classification.
Sources: Moody's Investors Service and company reports

Bank Vontobel and Vontobel Holding are designated as Category 3 financial institutions according to FINMA's definition. As of year-end 2022, both entities continued to comfortably exceed FINMA's minimum capital requirements (see Exhibit 5).

As of year-end 2022, Vontobel Holding's TCE capital ratio was 22.3% (2021: 23.2%). The lower CET1 capital ratio for Vontobel Holding of 16.7% as of year-end 2022 (2021: 16.6%) compared with our TCE capital ratio mainly reflects regulatory deductions, including the deduction of expected dividends while these are still included in our capital concept, which is based on shareholders' equity. As of year-end 2022, Vontobel Holding's regulatory leverage ratio, defined as Tier 1 capital to exposure at default (EaD), increased by 10 basis points (bps) to 5.0% from 4.9% in 2021.

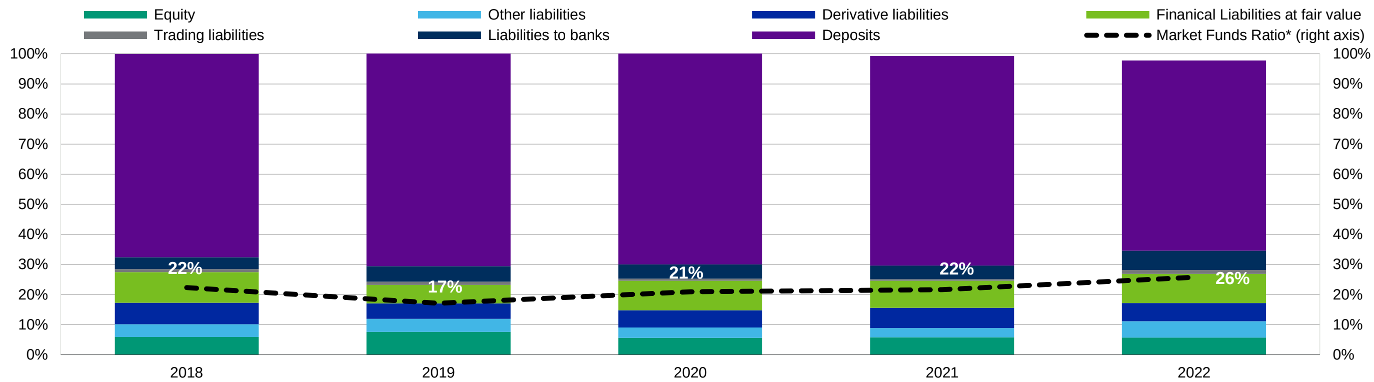
Rising rates lead Bank Vontobel to complement its still ample sight deposit base with term deposits and market funding

Our assigned a3 Funding Structure score for Bank Vontobel is two notches higher than the bank's baa2 initial score. The positive adjustment reflects our assessment that structured products, which are included in our market funding ratio, rather reflect clients' risk appetite and are, therefore, not directly comparable with more confidence-sensitive market funding. As of year-end 2022, issued structured products accounted for 9.7% of the bank's total assets (2021: 9.0%) and were much higher at the group level (2022: 25.2% of consolidated assets; 2021: 25.0%).

Bank Vontobel's and Vontobel Holding's wealth management activities generate sizeable deposits, predominantly denominated in Swiss franc, Euro and US dollar. Both entities' liability-driven balance sheets exhibit a low degree of market funding dependence and depositor concentration risks. Because these deposits have a short-term maturity, wealth managers must protect themselves against unexpected and potentially sizeable outflows, which drives the need for holding sizeable and unencumbered liquid asset buffers (see the liquidity section below).

In light of globally rising interest rates, customers reduced deposit balances at Bank Vontobel in 2022 to CHF13.7 billion (from CHF15.9 billion a year earlier), driving the bank's total assets lower, to CHF21.7 billion from CHF22.8 billion. As of year-end 2021, Bank Vontobel's deposits had almost entirely consisted of lowly remunerated overnight balances. The bank chose not to adjust its pricing strategy on these, but began to offer higher remunerated term deposits in 2022, reaching a balance of around CHF0.5 billion by December 2022. Another measure to retain customer funds were Bank Vontobel's CHF0.6 billion of short-term private placement issuances in Q4 2022. Accordingly, Bank Vontobel's unadjusted market funding ratio increased to 25.7% from 21.6% as of December 2021 and, while still at a low level, Bank Vontobel's loan-to-deposit ratio increased to 61.4% (2021: 50.0%) by December 2022.

Exhibit 7
Bank Vontobel's moderate market funding reliance is well balanced by ample client deposits
Data in percentage of tangible banking assets



*Market funding ratio = Market funds/tangible banking assets.
Sources: Moody's Investors Service and company reports

Compared with Bank Vontobel, the group displays a higher market funding dependence, reflecting additional structured products issued out of its Dubai-based entity. In an adverse scenario, these liabilities could leave the group exposed to sudden and pronounced outflows of short-term funding sources if not counterbalanced by high-quality liquid assets (HQLA).

Solid liquidity supports Bank Vontobel's credit strength

We assign an a2 Liquid Resources score to Bank Vontobel, which is three notches below the initial score. Our modest liquidity assessment compared with Swiss private banking peers reflects sizeable asset encumbrance associated with the bank's and the group's issuance of structured products. As mentioned above, the encumbrance largely relates to the booking and risk management of pledged financial securities at the Zurich-based bank, including those that are legally issued out of Dubai.

The sound liquidity management at Bank Vontobel and Vontobel Holding largely mitigates the risks from the short-term nature of deposits, their primary funding source, which clients can quickly withdraw or invest, depending on their risk appetite. The high risk of losing these more volatile and market-sensitive deposits require private banks to maintain high volumes of cash and high-quality financial securities, to accommodate unexpected withdrawals.

When modelling its exposure to interest rate risk in the banking book, Vontobel Holding assumes its sight deposits will on average remain available for about 1.1 years, which strikes a balance between the long-term loyalty of Vontobel's customer base and their ability to invest funds quickly into more attractively priced fixed income funds or investment products.

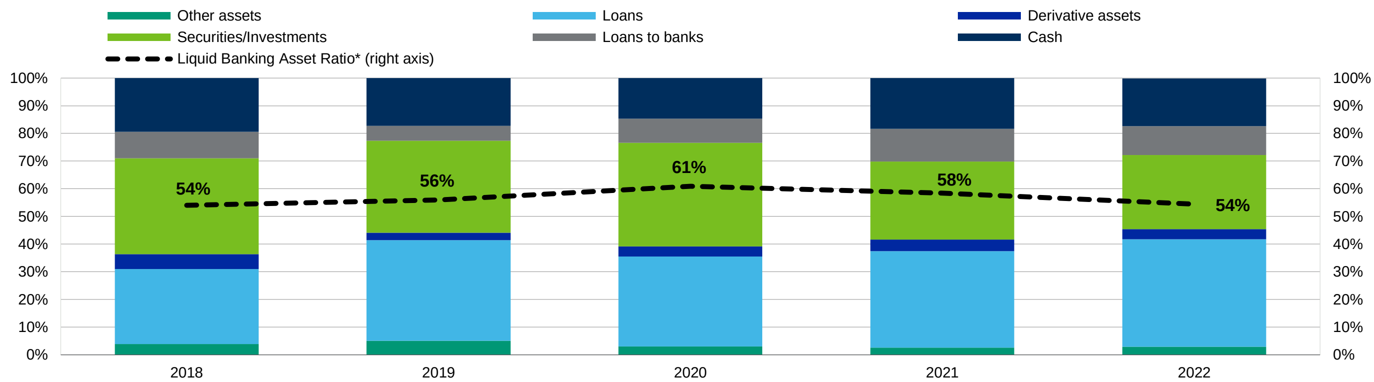
As of year-end 2022, Bank Vontobel reported liquid banking assets of CHF11.8 billion, equivalent to around 54% of unconsolidated assets. Cash and cash equivalent positions, predominantly held at central banks, accounted for CHF3.7 billion (17.2% of the total), claims on banks for CHF2.3 billion (10.5%) and trading assets (excluding derivatives) for CHF4.3 billion (19.7%). However, we believe that the vast majority of the latter relates to structured products, and is therefore not freely available.

During 2022, Bank Vontobel held higher average amounts of assets recognised as HQLA, which supported a stronger liquidity coverage ratio (LCR) of 156%[2] in Q4 2022 (up from 122.5% a year earlier). Similarly, Vontobel Holding reported a Q4 2022 LCR of 164.1%, up from 140.5% in Q4 2021. At group-level, Vontobel Holding significantly shifted the composition of its liquidity buffer in 2022, with a reduction in cash to CHF3.9 billion from CHF7.8 billion, whereas other financial assets held at fair value through profit and loss soared to CHF8.3 billion from CHF4.4 billion. These assets are accounted for at fair value and entirely consisted of short-term instruments as of year-end 2022.

Exhibit 8

Bank Vontobel's liquidity benefits from cash and high-quality financial instruments, but large parts are encumbered from the issuance of structured products

Data in percentage of tangible banking assets



*Liquid Banking Assets (LBA) as a percentage of Tangible Banking Assets (TBA).
Sources: Moody's Investors Service and company reports

Moderate profitability at the bank level to be restored when AUM growth returns; sound profitability at the group level reflects additional earnings from asset management

Bank Vontobel's assigned Profitability score is baa3, two notches above its initial score. The positioning of the score reflects our expectation that Bank Vontobel will generate annual net profit equivalent to around 50 bps of balance-sheet assets on average over the cycle, commensurate with the assigned score. Our assessment also captures the bank's and the group's generally high earnings dependence on developments of global capital markets.

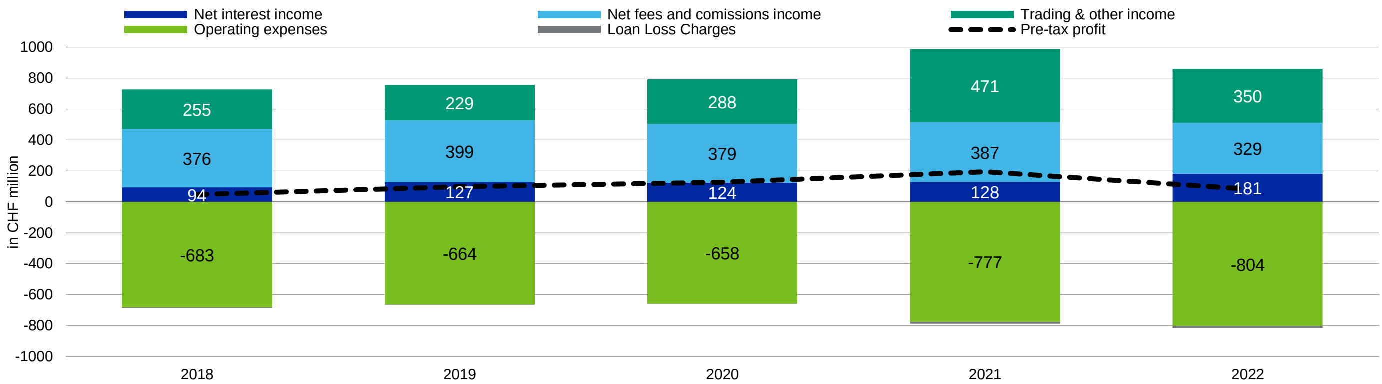
Bank Vontobel and Vontobel Holding generate revenue from the management and custody of their clients' wealth, as reflected by AUM. Unlike universal banks whose revenue is highly geared to net interest income, wealth managers mainly generate fee and commission income from providing investment advice or performing trading activities on behalf of their customers. While providing a predictable and generally stable source of recurring income, both entities' profitability may be weakened by volatility in capital markets affecting AUM and related fee income, as well as foreign currencies because AUM (and client trades) are to a large extent denominated in US dollar, while operating expenses are largely booked in Swiss franc. Revenue that is highly correlated with the development of capital markets usually carries a higher element of variable costs, allowing the bank and the group to adjust personnel costs, in particular bonuses or performance-driven payments.

The difficult market environment in 2022 and a normalisation of trading activity from the previous year's record levels resulted in a marked slowdown in Vontobel Bank's financial performance, which was only partly offset by stronger net interest income. In 2022, Bank Vontobel's net income decreased by 62% to CHF75 million, compared with CHF199 million in 2021. The bank's cost-to-income ratio deteriorated to 93.5% in 2022 from 78.9% in 2021. The 21.1% decline in operating revenue was only partly offset by 6.5% lower operating expenses during 2022. In particular, the trading and fair value option result shrunk to CHF195 million from CHF340 million in 2021, but the bank's net fee income also declined by 15% to CHF328.7 million in 2022.

Exhibit 9

Improving net interest income only partly offset weaker fee and trading income in 2022

Bank Vontobel revenue, expenses and pretax profit development, 2018-2022



Note: Operating expenses include personnel and administrative expenses, as well as depreciation and amortisation.
Sources: Moody's Investors Service and company reports

With 0.2% net income/tangible assets (our measure of return on assets or ROA) in 2022, Vontobel Holding's consolidated profitability was lower than that of the bank. Customarily, the main driver for a higher profitability at holding level are Vontobel Holding's asset management activities, which generate additional fees and were included in the group's CHF834 million net fee and commission income in 2022, compared with CHF329 million for Bank Vontobel. As an adjustment to the holding's reported net income (which was close to 0.8% of tangible assets in 2022), we deduct a post-tax amount of CHF167 million reflecting the negative performance of Vontobel Holding's defined benefit pension plan assets in 2022. Accounting-wise, Vontobel Holding includes this effect from last year's weak performance of investments held as plan assets, together with the actuarial gains from applying a higher discount rate to the future pension liabilities, in its other comprehensive income section of balance-sheet equity.

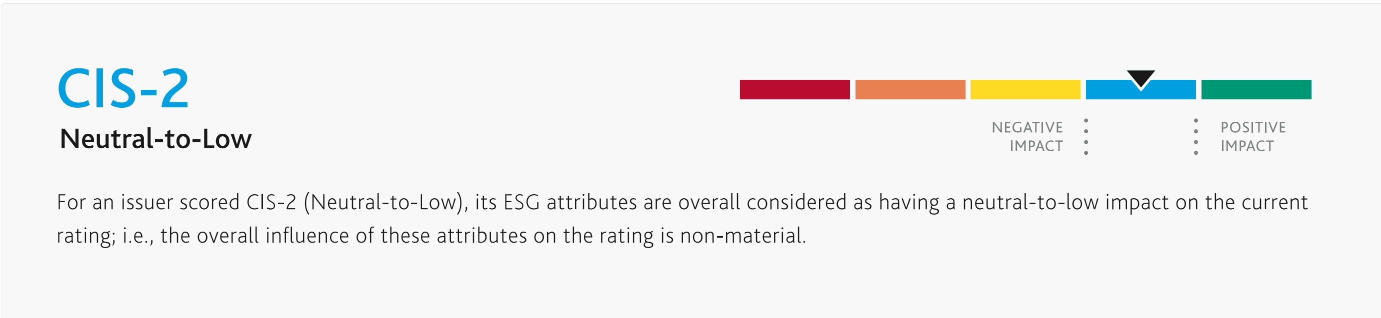
For 2022, Vontobel Holding reported revenue of CHF1,289 million, a decrease of 16% from a year earlier (2021: CHF1,541 million) and largely resulting from lower client-driven trading income of CHF338 million (2021: CHF493 million). Operating expenses, including depreciation, decreased only by around 5% to CHF1,007 million in 2022 (2021: CHF1,058 million).

As of year-end 2022, Vontobel Holding reported AUM of CHF204 billion, compared with CHF244 billion as of year-end 2021. While the decline was mainly a result of weak market performance, Vontobel Holding also experienced net new money outflows in its Asset Management segment of CHF10.6 billion, which were only partly offset by predominantly strong-quality (that is, under mandates from developed country customers) net new money inflows within the Wealth Management segment of CHF5.4 billion. Equity boutique strategies in particular registered net outflows, and in addition, Vontobel Holding's UK subsidiary Twenty-Four Asset Management lost around CHF2.5 billion in AUM when institutional investors reduced their holdings in reaction to the liability-driven investment crisis in the UK, a phenomenon that Vontobel expects to partly revert in 2023. As in 2021, Vontobel Holding remained below its 4%-6% through-the-cycle net-new-money related AUM growth target range, which the group reaffirmed at its 2022 Investor Day. During Q1 2023, Vontobel Holding's NNM recovered to CHF211.7 billion, yet net new money flows were again moderately negative (net outflow of CHF0.4 billion from year-end 2022), reflecting continued outflows in equity and also multi-asset strategy funds within Vontobel Holding's Asset Management segment. According to Vontobel Holding, its sharpened market focus resulted in CHF0.8 billion of money outflows in its Wealth Management segment, that otherwise would have grown even stronger than the CHF1.4 billion it added in net new money during Q1 2023.

ESG considerations

Bank Vontobel AG's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 10
ESG Credit Impact Score



Source: Moody's Investors Service

Bank Vontobel's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited credit impact of environmental and social factors on the ratings to date and low governance risks. The majority ownership of Vontobel Holding by the Vontobel families supports corporate governance practices and focuses on long-term financial strategies, supporting the bank's credit profile.

Exhibit 11
ESG Issuer Profile Scores

Source: Moody's Investors Service

Bank Vontobel faces low environmental risks. In line with most private wealth and asset managers, Bank Vontobel has low exposure to carbon transition risk from its mortgage and Lombard lending book and its investment fund exposures are well diversified. In response to developing customer focus on environmental stewardship and wider ESG considerations, the bank increasingly takes steps to align its asset and wealth management offers with the transition to a low-carbon economy.

Bank Vontobel faces moderate social risks related to regulatory and litigation risks, requiring the bank to meet high compliance standards. In line with most private wealth managers, Bank Vontobel's exposure to customer relations risks is mitigated by the bank's developed policies and procedures, supported by its client mix being geared towards more professional clients. High data security and customer privacy risks are also mitigated by technology solutions and organizational measures to prevent data breaches. Social risks related to demographic trends are partly mitigated by the bank's focus on wealth management services, including services for the transfer of wealth to the next generation.

Bank Vontobel faces low governance risks. Bank Vontobel demonstrates sound governance through a strong board along with prudent financial policies, risk management and compliance functions, additionally proven by management's strong track record. Bank Vontobel is owned by Vontobel Holding, a listed company in which the Vontobel families hold a controlling stake. This results in governance risk related to concentrated ownership and potential outsized influence of the family on executive board members which is mitigated by the presence of independent directors and Switzerland's developed institutional framework.

Support and structural considerations

Affiliate support

Based on our assessment of the intrinsic financial strength of Vontobel Holding, Bank Vontobel's 100% owner, we believe there is only limited additional support available for the Zurich-based bank from groupwide activities.

As a result, Bank Vontobel does not receive any affiliate support uplift.

Loss Given Failure (LGF) analysis

Bank Vontobel and the group are subject to Swiss banking regulations, which we consider an operational resolution regime. We, therefore, apply our Advanced LGF analysis, considering the risks faced by the different debt and deposit classes across the liability structure at failure. We assume residual TCE of 3% and losses post-failure of 8% of tangible banking assets, a 25% runoff in junior wholesale deposits and a 5% runoff in preferred deposits, and assign a 100% probability to deposits being preferred to senior unsecured debt, thereby reflecting depositor preference by law in Switzerland.

For Bank Vontobel's Aa3 deposits, our Advanced LGF analysis indicates a very low loss given failure, resulting in two notches of rating uplift from the bank's a2 Adjusted BCA. This is because of the substantial volume of deposits protecting deposit holders and the moderate volume of subordinated debt protecting depositors in the unlikely event of failure or resolution.

For Vontobel Holding's A2 issuer ratings, our Advanced LGF analysis indicates a moderate loss given failure, leading to a positioning in line with the bank's a2 Adjusted BCA, considering the preference of deposits in resolution, the low volume of bail-in-able debt outstanding and our assumption that holding company debt ranks junior to bank debtholders in resolution.

We further consider structured products issued by Bank Vontobel in scope for our Advanced LGF analysis as we believe that the Swiss regulator FINMA would have bail-in powers over these liabilities. The amount incorporated is the lower of the last reported or three-year average structured product volume, and we assume a 50% run-off prior to failure.

High-trigger Additional Tier 1 (AT1) securities

We apply our Advanced LGF analysis to high-trigger and low-trigger AT1s. For more details, please refer to our updated Banks Methodology.

The Baa2(hyb) ratings assigned to Vontobel Holding's high-trigger, undated and deeply subordinated AT1 securities are three notches below the bank's a2 Adjusted BCA. One notch reflects the high loss given failure that these securities are likely to face in a resolution scenario because of their deep subordination, small volume and limited protection from residual equity. Our rating for non-viability securities incorporates two additional notches to reflect the higher risk associated with the non-cumulative coupon skip mechanism, which could take effect before the issuer reaches the point of non-viability.

In October 2023, Vontobel Holding has the first opportunity to call its CHF450 million Additional Tier 1 (AT1) instrument. Whereas banks have customarily exercised such calls in calm markets, non-calls have become more frequent during an environment of rising interest rates and credit spreads. Furthermore, the full writedown of Credit Suisse Group AG's (Baa2 review for upgrade[3]) AT1s as part of the bank's rescue has at least temporarily constrained the capacity of Swiss banks to replace such instruments with new issuances well ahead of the first call date.

Government support considerations

We do not incorporate any rating uplift for Bank Vontobel or Vontobel Holding from support by the Government of Switzerland (Aaa stable), reflecting our assumption of a low probability of systemic support in the event of a stress scenario, given the bank's and the holding company's marginal importance to the domestic deposit-taking market and the Swiss payment system.

A2/P-1 Counterparty Risk Ratings (CRRs)

The bank's CRRs are in line with its a2 Adjusted BCA, reflecting the moderate loss given failure from the low volume of instruments that are subordinated to CRR liabilities in our Advanced LGF analysis. Because of depositor preference in Switzerland, CRRs are distinct from deposit ratings and reflect that, in a resolution, counterparty risk liabilities imply a higher risk compared with deposits that benefit from preferential treatment. The higher expected loss for counterparty risk liabilities is reflected in the A2 CRRs, which we assign to Bank Vontobel.

A1(cr)/P-1(cr) Counterparty Risk (CR) Assessment

The CR Assessment is one notch above the bank's a2 Adjusted BCA, based on the buffer against default provided by more subordinated instruments, primarily senior unsecured debt, to the senior obligations represented by the CR Assessment. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Methodology and scorecard

Methodology

The principal methodology we used in rating Bank Vontobel was Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by the raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 12

Bank Vontobel AG

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					
Factor		**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency							
Asset Risk							
Problem Loans / Gross Loans		0.7%	aa2	↔	a3	Litigation risk	Market risk
Capital							
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)		26.5%	aa1	↔	aa2	Expected trend	Nominal leverage
Profitability							
Net Income / Tangible Assets		0.3%	ba2	↑	baa3	Expected trend	Earnings quality
Combined Solvency Score			a1		a2		
Liquidity							
Funding Structure							
Market Funds / Tangible Banking Assets		25.7%	baa2	↔	a3	Extent of market funding reliance	Expected trend
Liquid Resources							
Liquid Banking Assets / Tangible Banking Assets		54.4%	aa2	↔	a2	Stock of liquid assets	Asset encumbrance
Combined Liquidity Score			a2		a3		
Financial Profile					a2		
Qualitative Adjustments					Adjustment		
Business Diversification					0		
Opacity and Complexity					0		
Corporate Behavior					0		
Total Qualitative Adjustments					0		
Sovereign or Affiliate constraint					Aaa		
BCA Scorecard-indicated Outcome - Range					a1 - a3		
Assigned BCA					a2		
Affiliate Support notching					0		
Adjusted BCA					a2		

Balance Sheet	**in-scope (CHF Million)**	**% in-scope**	**at-failure (CHF Million)**	**% at-failure**
Other liabilities	5,210	24.1%	8,239	38.0%
Deposits	13,241	61.1%	11,890	54.9%
Preferred deposits	9,798	45.2%	9,308	43.0%
Junior deposits	3,443	15.9%	2,582	11.9%
Senior unsecured bank debt	2,105	9.7%	426	2.0%
Preference shares(holding company)	450	2.1%	450	2.1%
Equity	650	3.0%	650	3.0%
Total Tangible Banking Assets	21,655	100.0%	21,655	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	7.0%	7.0%	7.0%	7.0%	0	0	0	0	0	a2
Counterparty Risk Assessment	7.0%	7.0%	7.0%	7.0%	1	1	1	1	0	a1 (cr)
Deposits	19.0%	7.0%	19.0%	7.0%	2	2	2	2	0	aa3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	0	0	a2	0	A2	A2
Counterparty Risk Assessment	1	0	a1 (cr)	0	A1(cr)	
Deposits	2	0	aa3	0	Aa3	Aa3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 13

Category	Moody's Rating
BANK VONTOBEL AG	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	A1(cr)/P-1(cr)
PARENT: VONTOBEL HOLDING AG	
Outlook	Stable
Issuer Rating	A2
Pref. Stock Non-cumulative -Dom Curr	Baa2 (hyb)

Source: Moody's Investors Service

Endnotes

1 The regulatory leverage ratio compares Tier 1 capital to exposure at default (EaD).

2 This figure reflects a quarterly average.

3 The rating displayed is Credit Suisse Group AG's senior unsecured holding company rating.

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