MOODY'S
INVESTORS SERVICE

CREDIT OPINION
12 December 2023

Update

Send Your Feedback

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	Negative

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.

Contacts

Bernhard Held, CFA +49.69.70730.973
VP-Sr Credit Officer
bernhard.held@moodys.com

Michael Rohr +49.69.70730.901
Senior Vice President
michael.rohr@moodys.com

Carola Schuler +49.69.70730.766
MD-Banking
carola.schuler@moodys.com

» Contacts continued on last page

Bank Vontobel AG

Update following rating affirmation and outlook change to negative

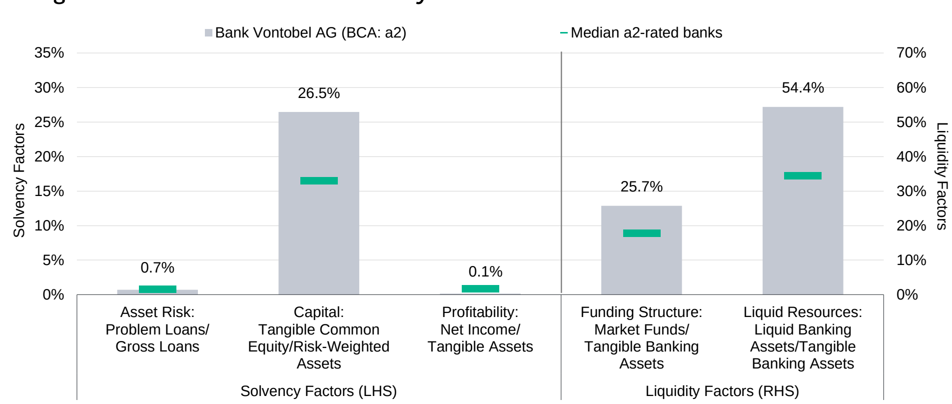
Summary

On 1 December, we affirmed the Aa3/P-1 deposit ratings of Bank Vontobel AG (Bank Vontobel) and the A2 issuer ratings of Vontobel Holding AG (Vontobel Holding) and changed the outlook on the long-term deposit and issuer ratings to negative from stable.

Bank Vontobel's Aa3 deposit ratings, and Vontobel Holding's A2 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. 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 and 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 and asset management franchise, complemented by retail-focused investment offerings

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

» 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 negative outlook on the long-term bank deposit of Bank Vontobel and long-term issuer ratings of Vontobel Holding reflects our assessment that Vontobel Holding's recent lack of traction and performance in its asset management operations, which its new management team confronts, could weigh on the group's profitability and franchise strength over our 12 to 18 months outlook horizon.

Factors that could lead to an upgrade

» An upgrade of Bank Vontobel's long-term deposit ratings and Vontobel Holding's long-term issuer ratings is currently unlikely, owing to the negative outlook.

Factors that could lead to a downgrade

» Bank Vontobel's long-term deposit ratings and Vontobel Holding's long-term issuer ratings could be downgraded in case of a downgrade of the bank's a2 BCA and Adjusted BCA or following a strong decline in the stock of loss-absorbing liabilities beyond our current expectations.

» A BCA downgrade could result in case of a weakening of Bank Vontobel's financial profile or if the bank's BCA became capped at a lower level, owing to a weakening financial profile of Vontobel Holding.

» Bank Vontobel's financial profile could weaken if the bank's solvency profile came under pressure, for instance if sector-specific private banking risks materialized, if the bank's profitability failed to recover sustainably, or if the bank's capitalization experienced a sustained and meaningful drop from current levels.

» Moreover, failure to stabilize and re-attract net new money flows in the group's asset management operations or more meaningful adjustments to the group's medium-term strategy following recently announced management changes could lead to a weaker financial profile of the group, constraining the bank's 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 (%)	0.1	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 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.

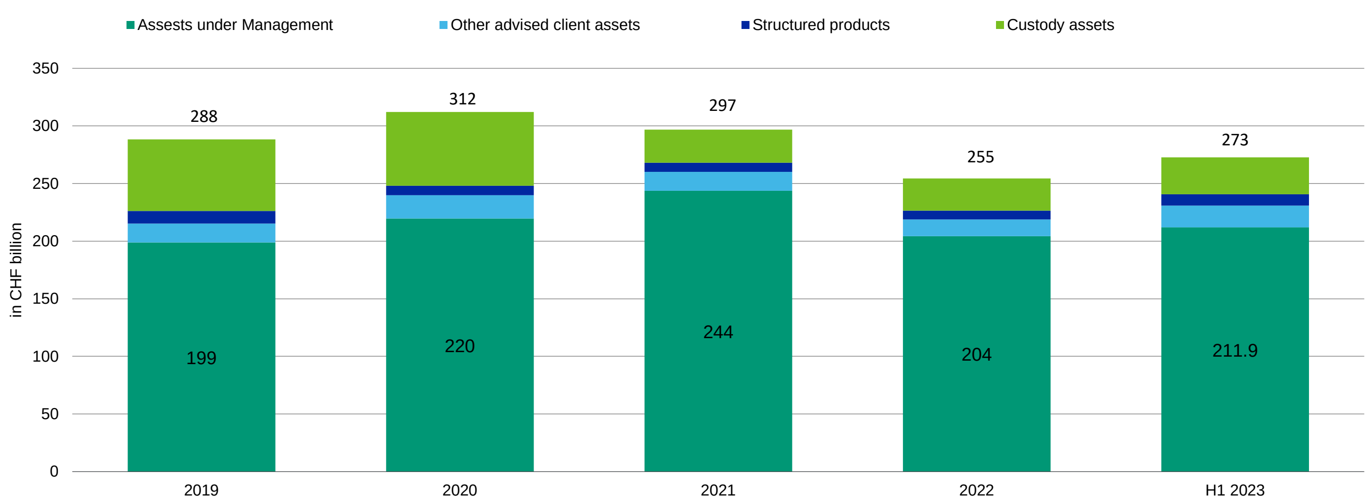
Vontobel Holding's diversified business model is reflected in its balanced revenue mix by segments. In H1 2023, Vontobel Holding's Asset Management segment contributed around 29% of the group's total revenue (2022: 36%), and Wealth Management, which caters to private clients and business owners, accounted for 57% of the total (2022: 50%). Vontobel's Digital Investing unit, which also comprises its structured products activities, added 12% (2022: 14%) to group-wide revenue.

Including CHF32 billion of assets under custody, CHF10 billion of structured products issued and CHF19 billion of other advised client assets, Vontobel Holding's total client assets were CHF273 billion as of half-year 2023 (which declined to CHF268 billion as of 30 September 2023), compared with CHF255 billion as of year-end 2022.

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 net new money 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 have kept Vontobel Holding's H1 2023 total client assets below the year-end 2019 levels



Source: Company reports

Weighted Macro Profile of Strong (+)

Like for other Swiss private banks, Bank Vontobel's operating environment largely depends on the performance of the Swiss economy and its reputation as a trusted global private banking center, despite the group being exposed to various other global jurisdictions. Hence, the Weighted Macro Profile is aligned with the Strong (+) Macro Profile of Switzerland.

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 (H1 2023: 31.2% of consolidated assets; December 2022: 25.2%).

Strong risk-weighted capitalisation mitigates asset risks

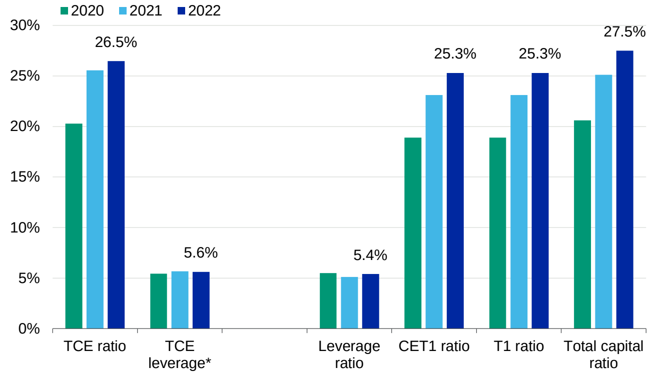
Bank Vontobel and Vontobel Holding display solid capitalisation metrics, which compare favourably with their peers, and strongly underpin our assessment for both entities' credit strength.

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.

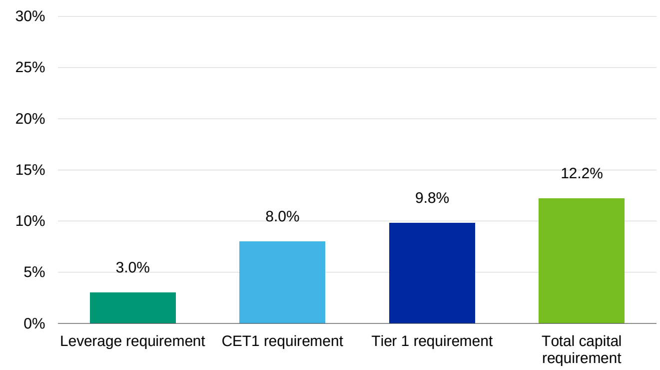
As of December 2022, Bank Vontobel's tangible common equity (TCE)/risk-weighted assets (RWA) ratio increased to 26.5% from 25.6% as of year-end 2021, accompanied by an improvement in the bank's regulatory CET1 capital ratio to 25.3% from 23.1%. These improvements mainly reflect the RWA reduction benefits 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.

Exhibit 5
Bank Vontobel's capital ratios, grouped, Moody's view (left hand bar charts) 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 half-year 2023, Vontobel Holding's TCE capital ratio was 21.6% (2022: 22.3%). The lower CET1 capital ratio for Vontobel Holding of 17.3% as of half-year 2023 (2022: 16.7%) 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 half-year 2023, Vontobel Holding's regulatory leverage ratio, defined as Tier 1 capital to exposure at default (EaD), remained unchanged at 5.0% from year-end 2022.

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, four 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.

Vontobel Holding's asset management activities add to the group's net income generation capacity while adding only a small amount of on-balance-sheet assets to the group's tangible assets. Accordingly, the group's net income / tangible assets ratio generally exceeds the bank's profitability, and reached 0.8% during 1H23. In our forward-looking analysis of Vontobel Holding's asset management operations, we also consider additional factors such as its pre-tax income margin, the stability of revenue growth and net new money trends.

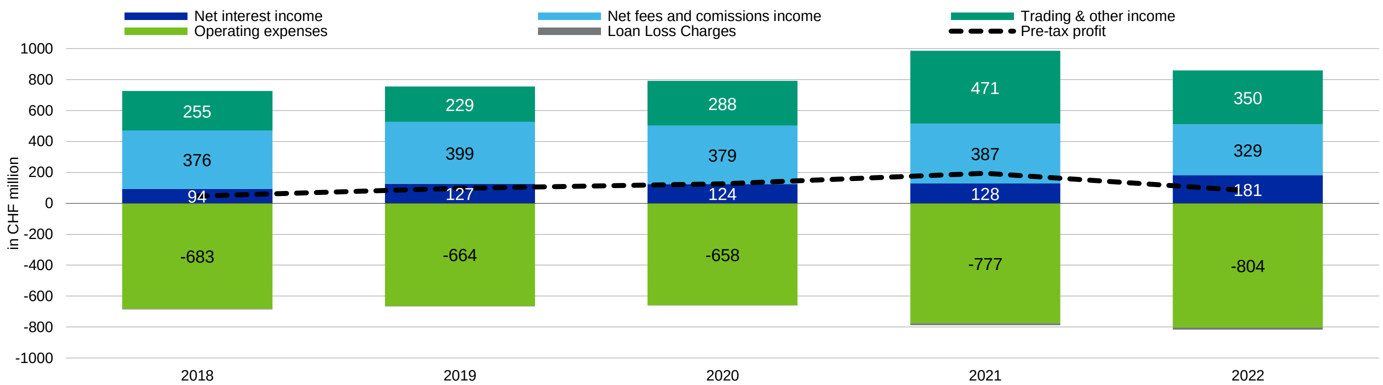
Continued net new money outflows have presented a challenge for active asset managers in recent years, and continue to do so for Vontobel Holding's asset management operations that have not managed to reverse a negative net new money generation trend that emerged during the second half of 2021. As an active asset manager, Vontobel Holding constantly needs to demonstrate to investors its ability to achieve a fee-adjusted return that at least keeps up with the performance of the benchmark. Following a decline in the share of its funds that achieved this in recent years, the performance of these will need to recover momentum over the coming quarters.

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. Management has initiated a cost savings programme to materialize during 2023 and potentially beyond that will help the bank and group stabilise profits.

Exhibit 7

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

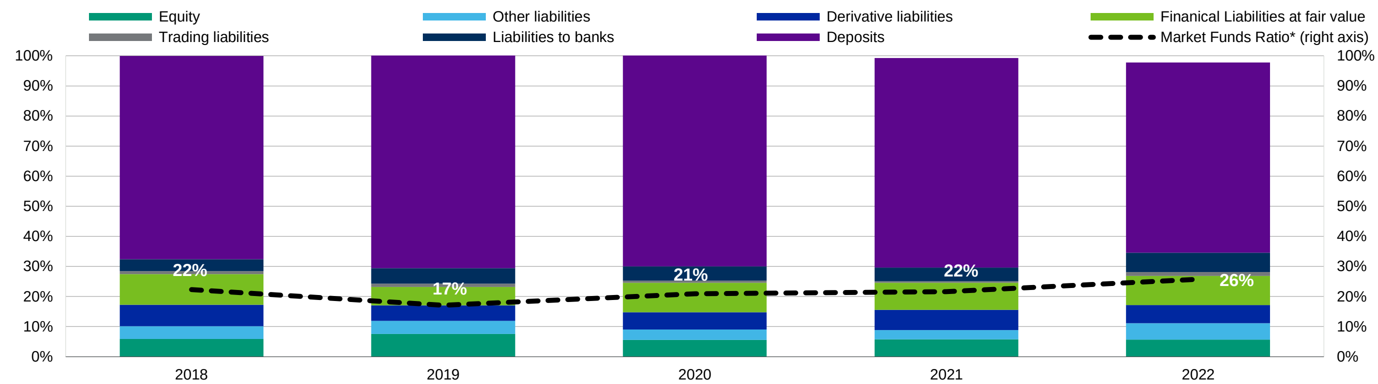
Rising rates lead Bank Vontobel to complement its still ample sight deposit base with term deposits and market funding

Our assigned baa1 Funding Structure score for Bank Vontobel is one notch 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.

Bank Vontobel's and Vontobel Holding's wealth management activities have generated sizeable deposit balances, predominantly denominated in Swiss franc, Euro and US dollar, which have started to be partly converted into higher-yielding products such as medium-term notes, term deposits as well as fiduciary deposits at third party banks. We expect this shift to be sustained in the current higher interest-rate environment. Because most deposits can in principle be called at very short notice, 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 and offsetting outflows on sight deposits. Another measure to retain customer funds was Bank Vontobel's issuance of CHF0.6 billion of short-term private placements 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 8
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

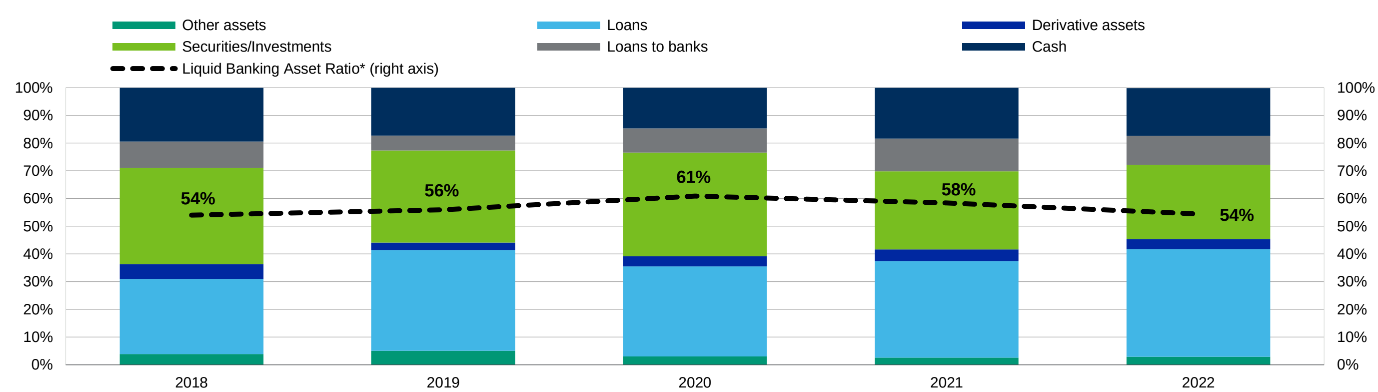
Solid liquidity supports Bank Vontobel's credit strength

We assign an a1 Liquid Resources score to Bank Vontobel, which is two notches below the initial score. The a1 score reflects the bank's maintenance of defensive liquidity buffers and sound compliance with regulatory liquidity requirements.

The sound liquidity management at Bank Vontobel and Vontobel Holding largely mitigates the risks from the short-term nature of its private banking and institutional client-oriented deposit base, their primary funding source, within which clients can quickly withdraw or invest funds, 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 in order to accommodate unexpected or larger-than-anticipated withdrawals.

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%[1] in Q4 2022 (up from 122.5% a year earlier). Similarly, Vontobel Holding reported a H1 2023 LCR of 178.3%, up from 164.1% in Q4 2022.

Exhibit 9
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

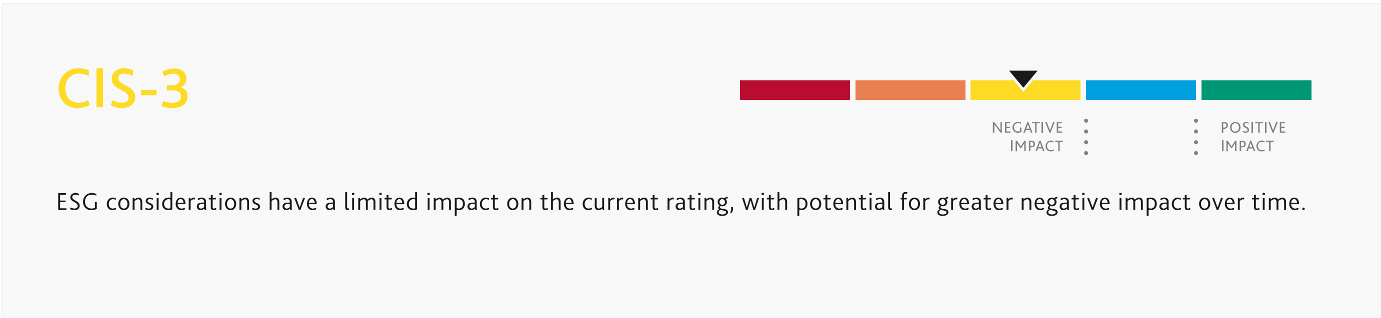


*Liquid Banking Assets (LBA) as a percentage of Tangible Banking Assets (TBA).
Sources: Moody's Investors Service and company reports

ESG considerations

Bank Vontobel AG's ESG credit impact score is CIS-3

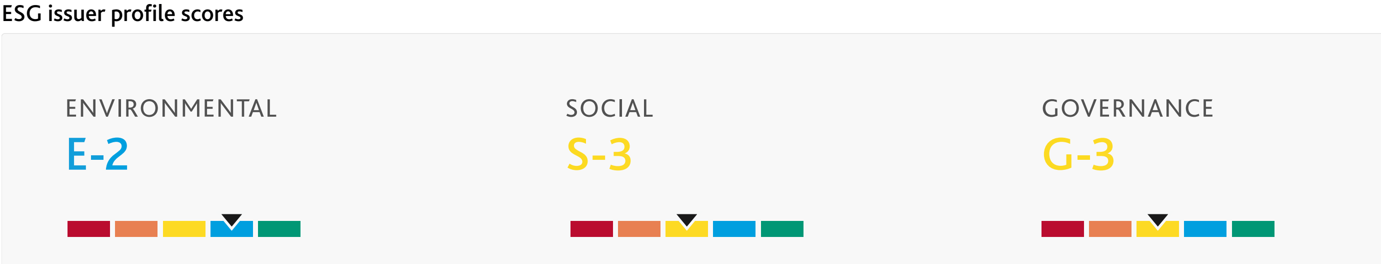
Exhibit 10
ESG credit impact score



Source: Moody's Investors Service

Bank Vontobel's **CIS-3** indicates limited impact of ESG considerations on the ratings to date, with potential for greater negative impact over time, mainly due to governance risks stemming from senior management turnover. Vontobel Holding's still ongoing management transition process sets limitations to management credibility and track record. Environmental and social factors have a limited impact on the bank's credit profile to date.

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 moderate governance risks. Vontobel Holding has experienced high turnover in top management ranks recently and will be executing leadership transitions over the course of the next year, backfilling the announced departures - including the group's CEO and COO - from the internal talent pool. The executive team which will be led by a Co-CEO team from 2024 on will have to rebuild a track record of successful net new money generation, thereby addressing current franchise challenges relative to peers that have the potential to subdue the group's profitability prospects. The group's governance is further characterized by the majority ownership of shares by the Vontobel and de la Cour families. Whereas concentrated ownership structures generally expose banking groups to governance risks related to board structure and policies, Moody's believes the families' long-term vision of financial goals and strategy can be a stabilizing factor during the phase of management transition.

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. 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.

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.

High-trigger Additional Tier 1 (AT1) securities

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.

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.

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 and Vontobel Holding 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	0.1%	b1	↑	baa3	Expected trend	Earnings quality
Combined Solvency Score		a1		a2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	25.7%	baa2	↔	baa1	Deposit quality	Expected trend
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	54.4%	aa2	↔	a1	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				-		
BCA Scorecard-indicated Outcome - Range				a1 - a3		
Assigned BCA				a2		
Affiliate Support notching				-		
Adjusted BCA				a2		

Balance Sheet	**in-scope (CHF Million)**	**% in-scope**	**at-failure (CHF Million)**	**% at-failure**
Other liabilities	5,560	25.3%	8,678	39.4%
Deposits	13,241	60.1%	11,890	54.0%
Preferred deposits	9,798	44.5%	9,308	42.3%
Junior deposits	3,443	15.6%	2,582	11.7%
Senior unsecured bank debt	2,105	9.6%	426	1.9%
Preference shares(holding company)	450	2.0%	361	1.6%
Equity	660	3.0%	660	3.0%
Total Tangible Banking Assets	22,016	100.0%	22,016	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	6.6%	6.6%	6.6%	6.6%	0	0	0	0	0	a2
Counterparty Risk Assessment	6.6%	6.6%	6.6%	6.6%	1	1	1	1	0	a1 (cr)
Deposits	18.3%	6.6%	18.3%	6.6%	2	2	2	2	0	aa3
Senior unsecured holding company debt	4.6%	4.6%	4.6%	4.6%	0	0	0	0	0	a2
Holding company non-cumulative preference shares	4.6%	3.0%	4.6%	3.0%	-1	-1	-1	-1	-2	baa2

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
Senior unsecured holding company debt	0	0	a2	0	A2	A2
Holding company non-cumulative preference shares	-1	-2	baa2	0		Baa2 (hyb)

[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	Negative
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	Negative
Issuer Rating	A2
Pref. Stock Non-cumulative	Baa2 (hyb)

Source: Moody's Investors Service

Endnotes

1 This figure reflects a quarterly average.

REPORT NUMBER 1387585

Contacts

Bernhard Held, CFA
VP-Sr Credit Officer

Gerson Morgenstern
Sr Ratings Associate