Vontobel

Annual Report

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Further information
vontobel.com/sustainability

Vontobel has been operating in the US for more than a quarter of a century. Today, Vontobel offers its expertise in the areas of asset and wealth management to its North American clients.

The Asset Management teams in New York and Fort Lauderdale are competence centers for Emerging Markets Equity, US and Global Equity strategies as well as solutions in the area of Fixed Income. In addition, Vontobel Asset Management provides its full range of investment expertise to its clients in North America.

North American wealth management clients are served by relationship managers at Vontobel Swiss Wealth Advisors AG, a 100 % subsidiary of Vontobel. They are not only based in Zurich and Geneva but also in Times Square in New York, alongside their Asset Management colleagues. Vontobel experts in New York also provide services for financial intermediaries.

LEGAL INFORMATION
This Annual Report is intended solely for information purposes and is expressly not addressed to any person who by domicile or nationality is prohibited to receive such information according to the applicable law. The information and views contained in it do not constitute a request, offer or recommendation to use a service, to buy or sell investment instruments or to conduct other transactions. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other outcomes described or implied in forward-looking statements will not be achieved.

COMMENTS ON THE FIGURES
The figures shown are rounded. Consequently, the total may differ from the figure calculated when the individual numbers are added together.

ALTERNATIVE PERFORMANCE MEASURES (APM)
We measure performance using alternative financial indicators that are not defined in the International Financial Reporting Standards (IFRS).
Details can be found in the glossary on pages 243 and 244.

This report also appears in German. The German version is prevailing.

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Herbert J. Scheidt
Chairman of the Board of Directors

Dr Zeno Staub
Chief Executive Officer

"We are evolving into an internationally active, focused investment manager that will adopt an even more client-centric approach and offer clients deep, global investment expertise."

Shareholders' letter

Dear shareholders and clients

Vontobel remained on course in 2019 and achieved a good result in a still challenging operating environment. The entire industry was affected by low interest rates, geopolitical uncertainty, markets with low transaction volumes, and strong competition. With the new organizational set-up that we communicated in December 2019 (see pages 23 to 25 for details), we have created the basis for additional growth potential in the future. We are evolving into an internationally active, focused investment manager that will adopt an even more client-centric approach and offer clients deep, global investment expertise. In doing so, Vontobel is making increased use of the power of technology to deliver a first-class, customized client experience and to deploy its investment expertise across multiple platforms and ecosystems to benefit new client groups.

Advised client assets significantly higher than in prior year

Vontobel is acting from a position of strength, as demonstrated by our financial result for 2019. With net profit of CHF 265.1 million, we exceeded the previous year's result by 14%. Adjusted for one-off exceptional items such as integration costs related to Notenstein La Roche, net profit was CHF 258.9 million, an increase of 4% compared to the adjusted result for 2018. Advised client assets totaled CHF 226.1 billion at the end of 2019 and were thus significantly higher than in the prior year (CHF 192.6 billion). The net inflow of new money at Group level was CHF 11.7 billion (CHF 5.0 billion) and was mainly driven by Asset Management. This corresponds to growth in net new money of CHF 6.9%, exceeding the 4–6% target range.

Our return on equity for 2019 was also above our mid-term target, increasing from 13.0% in 2018 to 14.2%. The cost / income ratio, adjusted for one-off items, was 75.1%. Vontobel has set itself a target of below 72% for the cost / income ratio for 2020. At the same time, we have always emphasized that we do not want to miss out on long-term growth opportunities in order to optimize costs in the short term.

Vontobel wants to increase its already attractive dividend by 7% to CHF 2.25

In view of the good performance of the business, the Board of Directors will propose a 7% increase in the dividend to CHF 2.25 per share compared to the previous year (CHF 2.10) to the General Meeting of Shareholders on March 30, 2020. Shareholders will thus participate directly in the positive performance of the company.

Overall, Vontobel has distributed CHF 1.2 billion to its shareholders in the form of dividends and through share buybacks over the last ten years. Furthermore, the dividend proposal underscores the Board of Directors' confidence in Vontobel's future.

Vontobel's financial solidity is also reflected by its robust equity position, which significantly exceeds regulatory minimum requirements. At the same time, this forms the basis for further growth. At the end of 2019, the BIS common equity tier 1 (CET1) ratio was 13.5% and the BIS Total Capital Ratio was 19.9%.

Asset Management as an engine of growth

In the second half of 2019, Asset Management once again delivered on its claim of being Vontobel's engine of growth. At 10.8%, its growth in net new money for 2019 far exceeded the ambitious 4–6% target range. In particular, the Fixed Income boutique, including TwentyFour Asset Management, the Multi Asset and Sustainable Equities boutiques, attracted strong inflows. Advised client assets rose by 17% to CHF 137.7 billion compared to the previous year. Vontobel thus grew at a faster rate than the market, driven by good performance as well as our proven product expertise, which is valued by our clients around the globe. Vontobel also benefited from the expansion of the international sales organization. The very positive performance achieved in recent years confirms the effectiveness of our boutique strategy and our clear positioning as a high-conviction asset manager. Due primarily to our clear focus and good performance – and despite the general pressure on margins within the industry – Vontobel improved its gross margin from 42 basis points in the previous year to 45 basis points. Pre-tax profit increased from CHF 180.3 million to CHF 198.3 million.

With its asset management solutions, Vontobel today ranks as one of the top 3 providers of actively managed mutual funds in Europe, measured in terms of net new money. In Switzerland, Vontobel is now one of the six largest asset managers and we are the no. 3 in the area of sustainable investment solutions. At an international level, Vontobel is also one of the leading experts in the area of emerging markets. The numerous awards that our Asset Management division has received over the years reflects our success in this field.

Good performance and increased profitability in Combined Wealth Management

Combined Wealth Management continued its positive earnings trend in the second half of the year, with pre-tax profit growing 21% from CHF 121.6 million to CHF 147.4 million. The cost/income ratio improved from 71.3% in the financial year 2018 to 69.5%. Despite the fiercely competitive environment, the gross margin in Combined Wealth Management remained stable at 68 basis points. The positive earnings trend reflects the systematic client focus, the competence-driven product offering and especially also the economies of scale of the broader business base following the acquisition of Notenstein La Roche Privatbank AG and the US-based private clients portfolio of Lombard Odier.

As a result of good performance and newly acquired client assets, which offset outflows related to the changes to the Vontobel team in Basel, advised client assets in Combined Wealth Management reached a new record level of CHF 76.5 billion in 2019, compared to CHF 67.2 billion at the end of 2018. In the year under review, the overall net inflow of new money was again influenced by the integration of Notenstein La Roche Privatbank AG, which was completed in 2019 as announced. Continued low transaction volumes in markets had an adverse impact. Even though we were not able to reach our own ambitious growth targets in all regions, we remain confident about the future. For example, we attracted new assets in all regions that were not affected by the integration. Overall, Combined Wealth Management recorded CHF 0.5 billion (CHF 2.2 billion) of net new money, corresponding to growth of 0.8%.

Vontobel once again placed a strong emphasis on the quality of earnings last year. At the same time, our growth ambitions are demonstrated by innovations such as "Volt" – the first digital active wealth management offering in Switzerland – and the Digital Investment Solution Platform, which Raiffeisen will use to provide its own digital wealth management offering.

Structured Products consolidates market position

Vontobel Financial Products defended its market share in 2019 despite increasingly fierce competition. With a market share of 12.5% in Europe and 32.0% in our Swiss home market, measured in terms of exchange-traded volumes in the target segment, Vontobel is one of the leading providers of investment and leverage products. This mainly reflects the quality of our products, good service and our innovative strength in the area of product development. The continued, targeted expansion and scaling-up of our own platforms, including our market debut in Denmark and the expansion of our product offering in Hong Kong, also had a positive impact. Deritrade, the successful multi issuer platform for asset managers and banks, grew its turnover at a time of declining stock market volumes. Cosmofunding, the digital platform for private placements and loans for Swiss companies and public-sector bodies, also performed well. Around CHF 2.1 billion of private placements and loans have been issued via this digital platform since its launch in October 2018.

Pre-tax profit declined to CHF 47.2 million – while the risk profile remained unchanged – reflecting a combination of subdued levels of demand, the general pressure on margins, and investments in the business.

Vontobel as a client-centric investment manager

With the realignment that was implemented at the start of the year, Vontobel is creating the necessary organizational basis to allow us to better anticipate changes in client expectations and client behavior and to respond to them more flexibly in the future. Advisory expertise will now be bundled within specialized Client Units that are focused on client needs. Investment and solution-based competencies will be combined within Centers of Excellence. More than ever before, Vontobel is thinking and acting exclusively from the client's perspective across all areas of the business. Clients engage with Vontobel directly according to their needs and we are positioned in a way that enables us to offer all clients the best solution for their specific needs. This is reflected by the way we will interact in the future and consequently also in Vontobel's new operating model.

Target growth in all client businesses

In Asset Management, we will further expand our international sales organization with investments in the US, Japan and France. We have a clear focus on generating organic growth combined with high-quality earnings. As a high-conviction asset manager, we want to continue investing in quality and in product expertise in the future for the benefit of our clients.

Following the successful integration of the businesses we acquired, we will harness the increased potential in Wealth Management and attract more client groups such as UHNWIs. The integration of the experts from the former Corporate Finance unit into the Wealth Management team will give additional impetus to our advisory offering for entrepreneurs and their families. Following the completion of the Notenstein La Roche integration, we will once again increase investments in the further expansion of our teams of relationship managers.

In doing so, we are underscoring Vontobel's pledge to achieve growth in those areas where we can leverage our expertise in the interests of our clients to continue creating long-term value for them in the future. In our Swiss home market, we will continue to seize the opportunities emerging from the "silent consolidation" that is underway. With our offerings, we will meet the increasing desire of our international clients to find opportunities for diversification, thus entering further growth regions around the globe.

In the context of our cooperation with intermediaries such as External Asset Managers and banks, we will offer these partners innovative digital platforms and services such as deritrade or EAMNet, which we will continue to enhance. These offerings also include MARS, the state-of-the-art investment platform that is tailored to the needs of Wealth Management. Vontobel aims to offer MARS to other banks and wealth managers in Switzerland that meet current regulatory requirements but don't want to build their own platform. In addition, Vontobel will expand its proprietary robo technology, such as the Digital Investment Solution Platform.

Vontobel has identified growth potential in the business with External Asset Managers (EAMs) in Asia. In 2019, Vontobel in Singapore was granted a license allowing us to expand our activities related to EAMs and Family Offices in this region. With the new Digital Investing team, Vontobel will take targeted steps to realize scalable opportunities for growth arising from evolving client expectations. To achieve this, we will leverage digital innovations such as "Volt" or build and participate in ecosystems. In 2020, we also plan to further expand our business with many direct clients who purchase structured products on the stock market or via platforms. Through product innovations and theme-based leadership, we want to consolidate our strong market share in our markets for structured products.

Our investment know-how and advisory expertise are two of the pillars of Vontobel's success. In 2020, we will further strengthen both areas. As a result, our clients will benefit even more from the international knowledge of our investment and product specialists in our individual boutiques around the globe. Their expertise will now be bundled within our new "Investments" Center of Excellence. Our clients can also profit from the expertise of our award-winning Swiss Equity Research team, which will focus exclusively on private and institutional buy-side investors in the future.

Current targets confirmed – new capital market targets in July 2020

We have confidence in the future, and we want to capture the opportunities it brings for our clients and therefore also for Vontobel and you, our shareholders. We are committed to our 2020 growth targets, which we raised again last year. We recognize that since defining our targets, the operating environment has not become any easier and we expect economic conditions and the geopolitical climate to remain difficult in 2020. Vontobel is committed to achieving profitable growth even in challenging markets and to offering the best possible client experience through our absolute focus on our clients. This will also be reflected by the new capital market targets that we will present in July and explain in detail at our Investor Day in September 2020. In the future, we will also pursue our strategy of investing in growth – and thus also in employees and technology – while managing our costs.

Your loyalty to Vontobel forms the basis for our success story, which spans almost a century, and we will continue to count on your support going forward. We wish to express our special thanks to you, our shareholders, and to our dedicated employees, whose vital contribution has enabled Vontobel to continuously reinvent itself – while always remaining Vontobel.

Herbert J. Scheidt
Chairman of the
Board of Directors

Dr Zeno Staub
Chief Executive Officer

Ratios

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Return on shareholders' equity (ROE) (%)[1]	14.2	13.0	13.1	18.0	12.4
Cost[2] / income ratio (%)	75.6	76.5	75.3	68.2	77.0
Equity ratio (%)	6.9	6.5	7.1	7.8	8.1
Basel III leverage ratio (%)	5.2	4.9	4.7	5.2	5.1

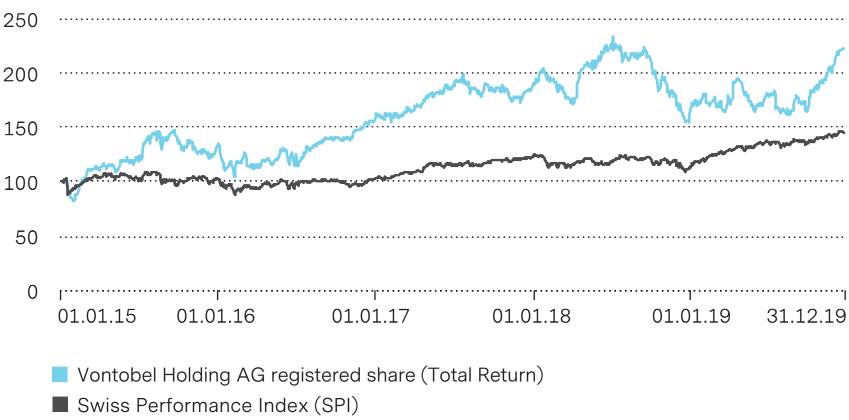
1 Group net profit as a percentage of average equity based on monthly figures, both without minority interests
2 Operating expense, excl. provisions and losses

Share data

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Basic earnings per share (CHF)[1]	4.49	3.96	3.65	4.72	3.20
Diluted earnings per share (CHF)[1]	4.39	3.88	3.56	4.59	3.11
Equity per share outstanding at balance sheet date (CHF)	32.71	30.81	29.31	27.65	26.02
Dividend per share (CHF)[2]	2.25	2.10	2.10	2.00	1.85
Price / book value per share	2.1	1.6	2.1	1.9	1.8
Price / earnings per share	15.4	12.7	16.8	11.3	14.8
Share price at balance sheet date (CHF)	69.15	50.40	61.50	53.45	47.50
High (CHF)	69.70	76.05	66.35	54.15	53.45
Low (CHF)	49.72	49.60	53.25	36.90	30.25
Market capitalization nominal capital (CHF mn)	3,932.9	2,866.5	3,497.8	3,040.0	2,701.6
Market capitalization less treasury shares (CHF mn)	3,833.2	2,786.3	3,400.1	2,927.4	2,601.7
Undiluted weighted average number of shares	55,901,396	55,769,779	55,376,259	55,082,263	55,375,938

1 Basis: weighted average number of shares
2 Financial year 2019: As per proposal submitted to the General Meeting

Performance of Vontobel Holding AG registered share (indexed)



Source: Bloomberg

Share information

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

BIS capital ratios

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
CET1 capital ratio (%)	13.5	12.3	18.4	19.0	17.9
CET1 capital (CHF mn)	949.4	835.1	1,098.6	1,018.4	895.1
Tier 1 capital ratio (%)	19.9	18.9	18.4	19.0	17.9
Tier 1 capital (CHF mn)	1,397.5	1,282.7	1,098.6	1,018.4	895.1
Risk weighted positions (CHF mn)	7,039.3	6,801.1	5,955.6	5,360.8	5,001.9

Risk ratio

CHF MN	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Average Value at Risk market risk	5.0	5.4	2.5	2.7	3.0

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

Rating

	31.12.2019	31.12.2018	31.12.2017
Moody's Rating Bank Vontobel AG (long-term deposit rating)	Aa3	Aa3	Aa3

Consolidated income statement

CHF MN	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Operating income	1,261.9	1,157.8	1,060.1	1,081.1	988.6
Operating expense	955.2	881.6	800.8	759.8	764.7
Group net profit	265.1	232.2	209.0	264.4	180.1
of which allocated to minority interests	*14.1*	*11.5*	*6.6*	*4.6*	*2.9*
of which allocated to the shareholders of Vontobel Holding AG	*251.0*	*220.7*	*202.4*	*259.8*	*177.2*

Segment profits before taxes

CHF MN	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Wealth Management	117.2	93.0	60.5	47.2	46.1
Asset Management	198.3	180.3	162.8	163.5	138.5
Investment Banking	77.5	91.7	112.1	84.6	77.0
Corporate Center	–86.2	–88.7	–76.1	26.0	–37.7

Consolidated balance sheet

CHF MN	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Total assets	26,240.3	26,037.3	22,903.7	19,393.9	17,604.8
Shareholders' equity (excl. minority interests)	1,813.3	1,703.5	1,620.5	1,514.1	1,425.2
Loans	5,046.2	4,904.6	3,310.5	2,601.9	2,365.1
Due to customers	10,506.4	12,649.2	9,758.2	9,058.5	8,775.8

Client assets[1]

CHF BN	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Assets under management	198.9	171.1	165.3	138.5	136.3
of which under discretionary management	*130.6*	*107.3*	*107.1*	*90.2*	*93.9*
of which under non-discretionary management	*68.2*	*63.8*	*58.2*	*48.3*	*42.4*
Other advised client assets	16.5	13.5	12.8	10.4	6.0
Structured products and debt instruments outstanding	10.7	7.9	8.5	6.4	5.5
Total advised client assets	**226.1**	**192.6**	**186.6**	**155.3**	**147.8**
Custody assets	62.3	54.7	59.9	40.1	39.4
Total client assets	**288.4**	**247.3**	**246.5**	**195.4**	**187.2**

Net new money[1]

CHF BN	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Net new money	11.7	5.0	5.9	–10.6	8.0

Personnel (full-time equivalents)

	31.12.2019	31.12.2018	31.12.2017	31.12.2016	31.12.2015
Number of employees Switzerland	1,636.8	1,662.2	1,353.8	1,347.0	1,201.2
Number of employees abroad	344.8	333.5	334.4	327.4	292.7
Total number of employees	**1,981.6**	**1,995.7**	**1,688.2**	**1,674.4**	**1,493.9**

1 Definition see note 35

Our brand

Our Beliefs and Behaviors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business review

Vontobel generated good organic growth and a strong net inflow of new money

Growing economical and geopolitical uncertainty had an impact on the operating environment in 2019. However, many asset classes performed well and 2019 went down in history as one of the most successful years ever for the stock market. Yield curves continued to flatten and were even inverted in some cases.

The structural changes in the European finance industry are continuing. At the same time, the trend towards passive investing and the low or negative interest rate environment are all leading to general pressure on margins. In addition, providers operating in the area of wealth and asset management are having to make significant investments in client and compliance processes, in the adjustment of their product offering and in automation since the introduction of the global standard for the Automatic Exchange of Information (AEOI) on financial accounts as well as the rules set out in the Markets in Financial Instruments Directive (MiFID II) that have applied within the EU since January 2018.

For Vontobel as a globally active investment manager with Swiss roots that specializes in wealth management, active asset management and investment solutions, our focus on our own strengths and our commitment to systematically pursuing our growth strategy have proved effective once again. We successfully expanded our client base in all divisions both in our Swiss home market and internationally, and we further enhanced our range of products and services. In addition, we continued to expand our digital initiatives such as “cosmofunding” and “deritrade” and reinforced our technology leadership. Other digital offerings like “Vontobel Wealth” and “Volt” are constantly being further developed, allowing us to provide digital services that complement our personal advice. We are consistently using regulatory developments as well as the ongoing digital transformation as an opportunity to further improve our client service.

In Asset Management, we achieved a strong performance and strong growth in net new money as a result of our focus on high-conviction active asset management. Our multi-boutique approach continues to prove successful in this context, with broadly diversified growth in net new money across the Fixed Income, TwentyFour Asset Management, Multi Asset and Sustainable Equities boutiques. In an environment characterized by investor caution and low flows of new assets, we were able to generate a significant net inflow of new money. Measured in terms of asset inflows into investment funds, we ranked as one of the top 3 active mutual fund managers in Europe in 2019. Vontobel is now one of the six largest asset managers in Switzerland. In the area of ESG solutions, Vontobel even ranks as the no. 3 in Switzerland.

With the acquisition of Notenstein La Roche Privatbank AG, we created the basis for broader income growth in Wealth Management. This transaction and the additional locations we have gained in our Swiss home market enabled us to cement our position as one of the leading private banks in Switzerland.

The high level of trust that clients place in Vontobel and our strong investment performance resulted in a significant net inflow of new money of CHF 11.7 billion and in pleasing growth in operating income of 9% to CHF 1,261.9 million. Pre-tax profit rose by 11% to CHF 306.7 million and net profit grew by 14% to CHF 265.1 million (earnings per share: CHF 4.49). Adjusted for one-off impacts, net profit totaled CHF 258.9 million, an increase of 4% compared to the adjusted net profit of CHF 249.2 million for 2018. Costs from the integration of Notenstein La Roche (CHF 9.6 million) and the integration of the US-based private clients portfolio of Lombard Odier (CHF 0.6 million), and the positive impact of the one-off dividend distribution by SIX Group AG (CHF 6.1 million) as well as the tax relief resulting from the change in tax law in the Canton of Zurich (to implement the provisions of the Federal Act on Tax Reform and AHV Financing; TRAF) of CHF 10.3 million, resulted overall in positive exceptional items of CHF 6.2 million after tax. In contrast, net profit for 2018 included negative exceptional items of CHF 17.0 million after tax from the integration of Notenstein La Roche.

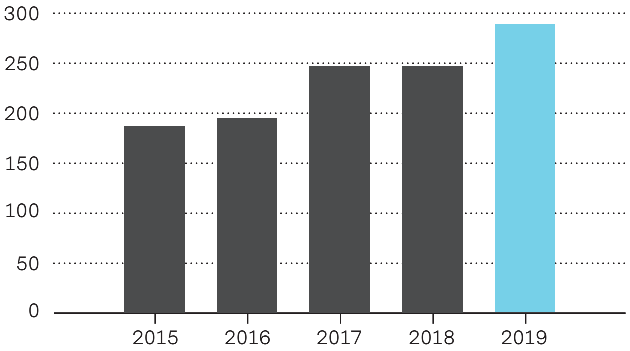
Vontobel generated a return on equity of 14.2% in the year under review, exceeding its current cost of capital of around 8% as well as its mid-term target of 14%.

Vontobel has maintained its comfortable capital position, with a CET1 ratio of 13.5% and a Tier 1 capital ratio of 19.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA of 7.8% for the CET1 capital ratio and 12% for the Total Capital Ratio for Category 3 banks, which include Vontobel. The new IFRS 16 standard for financial reporting for leases, which was applied for the first time, resulted in an expansion of the balance sheet. Excluding this effect, the CET1 ratio would be 13.8% and the Tier 1 capital ratio would be 20.4%.

To partially finance the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued a CHF 450 million Additional Tier 1 bond with a coupon of 2.625% in June 2018, thus significantly strengthening its regulatory capital base.

The Board of Directors' confidence in Vontobel's strategy and its active capital management are demonstrated by the dividend of CHF 2.25 per share proposed for the financial year 2019 (2018: CHF 2.10). This represents a generous payout ratio of 50% based on the 2019 net profit allocated to shareholders.

Total client assets
in CHF bn



Client assets reach new record level

The increase in client assets from CHF 247.3 billion at the end of 2018 to CHF 288.4 billion at the end of 2019 was mainly driven by the strong net inflow of new money in Asset Management and strong investment performance in Wealth and Asset Management.

Client assets[1]

CHF BN	31.12.2019	31.12.2018
Assets under management	198.9	171.1
Other advised client assets	16.5	13.5
Structured products and debt instruments outstanding	10.7	7.9
Total advised client assets	**226.1**	**192.6**
Custody assets	62.3	54.7
Total client assets	**288.4**	**247.3**

1 Definition see note 35

At the end of 2019, the volume of assets under management entrusted to Vontobel was higher than ever before at CHF 198.9 billion. The total increase in assets of CHF 27.8 billion reflects:

- Growth in net new money of CHF +11.7 billion
- The acquisition of the US-based private clients portfolio of Lombard Odier with CHF +0.7 billion of assets
- The reclassification of the private label funds business from assets under management to other advised client assets and divestments, totaling CHF –5.1 billion
- The net positive impact of performance and currency effects of CHF +20.5 billion.

In Combined Wealth Management (i.e. Wealth Management, formerly Private Banking, and the External Asset Managers business), assets under management grew by 15% to CHF 75.3 billion. This increase was largely attributable to positive performance, as well as market and currency effects. In addition to the net inflow of new money of CHF 0.5 billion, the acquisition of the US-based private clients portfolio of Lombard Odier led to an increase in assets under management of CHF 0.7 billion.

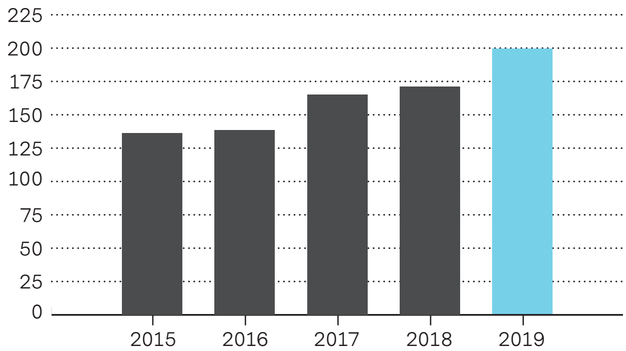
Asset Management generated a record net inflow of new money of CHF 11.0 billion. At 10.8%, the growth in net new money was significantly higher than our target range of 4–6%. In addition to the strong net inflow of new money, the business focusing on institutional investors also recorded positive performance effects, which led to a CHF 11.7 billion increase in assets under management. Overall, Asset Management saw assets under management grow from CHF 104.2 billion at the end of 2018 to CHF 121.6 billion at December 31, 2019, corresponding to an increase of 17%.

Development of assets under management

CHF BN	31.12.2019	31.12.2018
Combined Wealth Management	**75.3**	**65.7**
Wealth Management	*61.4*	*53.8*
External Asset Managers	*13.9*	*11.9*
Institutional clients	**125.4**	**107.3**
Asset Management[1]	*121.6*	*104.2*
Investment Banking[2]	*3.7*	*3.1*
Corporate Center[3]	**–1.8**	**–1.9**
Total assets under management	**198.9**	**171.1**

1 Including intermediaries
2 Excluding External Asset Managers
3 Assets under management that are managed on behalf of other segments.

Assets under management
in CHF bn



Total advised client assets – which consist of assets under management, other advised client assets and structured products – grew by 17% to CHF 226.1 billion. Advised client assets are an important indicator for Vontobel in view of the significant value they generate. Other advised client assets include advised assets in respect of which Vontobel advises clients on asset allocation and / or provides clients with further services. In the year under review, Vontobel Financial Products maintained its strong market position in Switzerland and Europe. Since fall 2017, Vontobel has also offered leverage products in Hong Kong – the world's largest derivatives market – where it achieved a market share of 1.5% in 2019. The volume of structured products outstanding – i.e. excluding leverage products – and debt instruments rose by 35% to CHF 10.7 billion.

In the finance industry, like in other sectors, there is a growing trend towards specialization, with companies sharpening the focus of their activities. Against this backdrop, Vontobel is now well established as a provider of global execution and global custody solutions in the Swiss market. At present, around 115 banks have joined Vontobel's transaction banking platform with custody assets of CHF 62.3 billion.

Growth in new money driven by broad-based Asset Management

The needs of all our clients are at the center of our business philosophy and actions, as evidenced by our employees' consistent focus on delivering service and performance. Our efforts to put this philosophy into practice and our continued investments in growth and in an efficient sales structure at a global and product-oriented level are bearing fruit. As a result, Vontobel once again generated strong growth in new money of 6.9% in the financial year 2019, exceeding the target range of 4–6%.

In Combined Wealth Management (Wealth Management and the External Asset Managers business), the target of 4-6% growth in net new money was not met. The CHF 0.5 billion of inflows of new money corresponded to net new money growth of 0.8%. Wealth Management accounted for CHF 0.1 billion of this sum – with new assets being acquired in all key markets outside Switzerland. The External Asset Managers business generated CHF 0.4 billion of net new money, corresponding to growth of 3.1%.

The high quality of products, the systematic diversification strategy that has been in place for several years, and the further strengthening of the globally-oriented sales organization form the basis for the strong inflow of new money in Asset Management, which totaled CHF 11.0 billion. Significant inflows were generated in particular by fixed income products, including the successful products of TwentyFour Asset Management, which continue to experience strong growth, as well as by the Multi Asset and Sustainable Equities boutiques. The investment business with Raiffeisen also made a positive contribution to new money. In total, Asset Management generated growth in net new money of 10.8%, far exceeding the 4–6% target range.

Development of net new money

CHF BN	31.12.2019	31.12.2018
Combined Wealth Management	**0.5**	**2.2**
Wealth Management	*0.1*	*1.6*
External Asset Managers	*0.4*	*0.7*
Institutional clients	**11.3**	**2.7**
Asset Management[1]	*11.0*	*3.1*
Investment Banking[2]	*0.3*	*–0.4*
Corporate Center[3]	**–0.1**	**0.1**
Total net new money	**11.7**	**5.0**

1 Including intermediaries
2 Excluding External Asset Managers
3 Net new money from assets that are managed on behalf of other segments.

Assets under management by investment category

IN %	31.12.2019	31.12.2018
Swiss equities	15	14
Foreign equities	33	33
Bonds	35	34
Alternative investments	1	2
Liquid assets, fiduciary investments	11	11
Other[1]	5	6

1 Including structured products and debt instruments issued by Vontobel

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

The increasing proportion of Swiss equities reflects the strengthening of the Swiss home market in Wealth Management as a result of continued organic growth and the influence of Notenstein La Roche, with its strong Swiss roots, as well as the good performance of the Swiss equity market.

The changes in the structure of assets by investment category observed in recent years also reflect the systematic diversification of the boutiques within Asset Management. The successful international expansion of the Fixed Income business is demonstrated by the growing proportion of fixed income securities, which increased by a further percentage point during the year under review.

Assets under management by currency

IN %	31.12.2019	31.12.2018
CHF	27	27
EUR	22	23
USD	30	27
GBP	6	8
Other	15	15

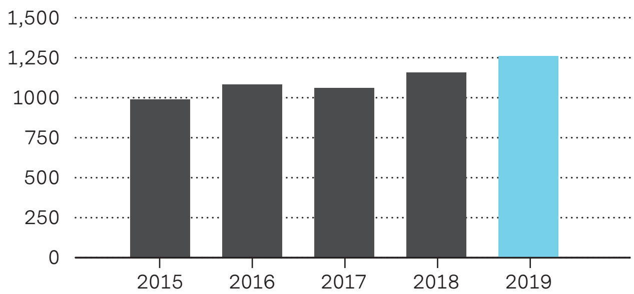
Our investment expertise is geared towards our international client base – as reflected by our broadly diversified allocation of assets under management in terms of currencies. A total of 27% of assets under management comprise investments in Swiss francs. The proportion of investments in US dollars increased, while the proportion in euros and British pounds decreased slightly.

Successful performance of the business

In recent years, Vontobel has successfully transformed itself from a financial institution that focused predominantly on the Swiss market into an established and globally active wealth and asset manager. This is demonstrated not only by our international client base and the balanced structure of assets under management in terms of currencies but also by the significant contribution from fee and commission income, which accounted for 68% of operating income of CHF 1,261.9 million in the year under review.

Operating income

in CHF mn



Commission income grew by 9% to CHF 859.2 million due to higher average assets under management in the year under review. Advisory and management fees rose by 14% to CHF 774.1 million, while administration and custody fees grew by 5% to CHF 203.7 million. Brokerage fees – also part of net commission income – rose by 4% to CHF 100.8 million. The environment continues to be characterized by the growing trend towards “all-inclusive” mandates in Wealth Management as well as the impacts of regulatory changes (MiFID II).

Trading income grew by 5% to CHF 310.8 million compared to the previous year. The further shift to the platform business and a renewed improvement in Vontobel’s positioning in Swiss and international markets on the one hand contrasted with a lower margin on the other. Vontobel’s trading income mainly comprises income from the issuing, hedging and market making of structured products and warrants – represented by the total of “Securities” and “Other financial instruments at fair value”. In the year under review, these activities contributed CHF 274.2 million (+5%) to trading income. Income from forex and precious metals trading rose by 4% to CHF 36.6 million.

Structure of the income statement

	31.12.2019 CHF MN	31.12.2019 IN %[1]	31.12.2018 CHF MN	31.12.2018 IN %[1]
Net interest income after credit losses	84.4	7	71.8	6
Net fee and commission income	859.2	68	785.7	68
Trading income	310.8	25	295.1	26
Other income	7.5	1	5.1	0
Total operating income	**1,261.9**	**100**	**1,157.8**	**100**
Personnel expense	637.2	50	570.1	49
General expense	216.3	17	246.7	21
Depreciation of property, equipment (incl. software) and intangible assets	100.1	8	68.8	6
Provisions and losses	1.6	0	–4.0	0
Total operating expense	**955.2**	**76**	**881.6**	**76**
Taxes	41.6	3	44.0	4
Group net profit	**265.1**	**21**	**232.2**	**20**

1 Share of operating income

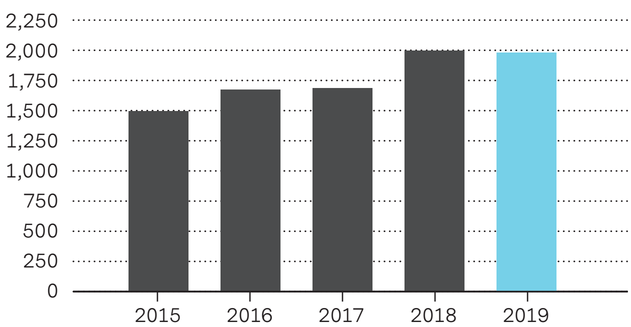
Managing the bank's balance sheet while maintaining a conservative risk profile is especially challenging in an environment of continued extremely low or negative interest rates. As a result of active and systematic treasury management, an increase in loans to clients (+3%), and the one-off dividend distributed by SIX Group AG of CHF 6.9 million before tax, net interest income rose by 18% to CHF 84.4 million. Excluding this one-off income, net interest income increased by 8%. Other income increased from CHF 5.1 million to CHF 7.5 million, reflecting the sale of debt instruments in financial investments.

Vontobel made further investments in the three key areas of core markets, talent and technologies in the financial year 2019. The integration of Notenstein La Roche, the expansion of Vontobel's Swiss presence and the increase in the average number of full-time employees over the course of the year had an influence on costs in the reporting period.

Operating expense rose by 8% to CHF 955.2 million as a result of the further expansion of the business. Personnel expense – which is the largest cost component – increased by 12% to CHF 637.2 million. At the end of 2019, Vontobel employed 1,982 full-time equivalents. While this represents a decrease of 14 full-time equivalents compared to the end of 2018, the average headcount over the full year 2019 was 7% higher than in the previous year.

Operating expense includes one-off expenses related to the integration of Notenstein La Roche of CHF 11.1 million before tax. In 2018, integration costs amounted to CHF 20.3 million (taking into consideration the positive impact of IAS 19). Overall, integration costs totaled CHF 31.4 million and were thus substantially lower than the initial estimates of CHF 50 million. In addition, the integration of the US-based private clients portfolio of Lombard Odier in 2019 resulted in costs of CHF 0.7 million. These integration costs were partially offset by the one-off positive impact of the special dividend of CHF 6.9 million before tax distributed by SIX Group AG.

Headcount
full-time equivalents



General expense amounted to CHF 216.3 million in the year under review, a decrease of 12% compared to the previous year. However, lease expenses of around CHF 27 million have this year been included in depreciation instead of in general expense due to IFRS 16. Adjusted for this impact, general expense totaled CHF 243.3 million and was thus almost unchanged compared to the previous year (–1%). At the same time, adjusted depreciation expense rose by 6% to CHF 73.1 million compared to the previous year. Under IFRS 16, depreciation of property, equipment and intangible assets was CHF 100.1 million compared to CHF 68.8 million in the financial year 2018.

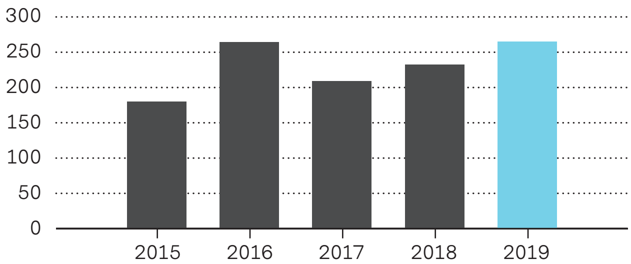
Capital expenditure and depreciation

CHF MN	31.12.2019	31.12.2018
Capital expenditure [1]	93.1	376.3
of which goodwill	*1.7*	*260.6*
of which other intangible assets	*8.9*	*45.8*
of which property, equipment and software [2]	*82.5*	*69.9*
Depreciation	100.1	68.8

1 Additions to property, equipment and intangible assets (including additions from changes in the scope of consolidation)
2 Excluding property and equipment sold directly after the acquisition of Notenstein La Roche Privatbank AG

Overall, operating efficiency declined slightly compared to the previous year on an adjusted basis, with a cost / income ratio of 75.1% (2018: 74.7%). The IFRS profit before tax increased by 11% to CHF 306.7 million. The tax charge decreased by 5% to CHF 41.6 million. This resulted in a lower tax rate of 13.6%, compared to 15.9% in the previous year. The Swiss tax reform (TRAF) already reduced the tax charge in the year under review. IFRS net profit after tax increased by 14% to CHF 265.1 million. Due to the increase in minority interests in profit as well as a marginal rise in the average number of shares outstanding, there was a slightly smaller increase in earnings per share of 13% to CHF 4.49.

Group net profit
in CHF mn



On an adjusted basis, i.e. excluding:
- integration costs related to Notenstein La Roche of CHF 11.1 million before tax, and CHF 9.6 million after tax, as well as
- integration costs for the US-based private clients portfolio of Lombard Odier of CHF 0.7 million before tax, or CHF 0.6 million after tax, and
- the one-off positive impact of a special dividend from our participation in SIX Group AG of CHF 6.9 million before tax or CHF 6.1 million after tax
- tax relief due to the change in tax law in the Canton of Zurich (to implement the provisions of the Federal Law on Tax Reform and AHV Financing; TRAF) of CHF 10.3 million
- corresponding on a net basis to CHF +4.9 million before tax or CHF –6.2 million after tax,

net profit totaled CHF 258.9 million, an increase of 4% compared to the previous year.

Reconciliation of reported to adjusted profit after tax

CHF MN	31.12.2019	31.12.2018
Group net profit	**265.1**	**232.2**
Integration costs [1]	10.2	31.8
Special dividend SIX Group AG	–6.1	–
One-off positive impact on pension fund liabilities NLR (IAS 19)	–	–14.8
Tax relief due to the change in tax law in the Canton of Zurich (TRAF)	–10.3	–
Group net profit on an adjusted basis	**258.9**	**249.2**

1 2019: Integration costs for Notenstein La Roche Privatbank AG of CHF 9.6 mn and for the North American wealth management portfolio of CHF 0.6 mn
2018: Integration costs for Notenstein La Roche Privatbank AG

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

There were no significant shifts in the currency composition of the income statement in the financial year 2019. The proportion of income generated in Swiss francs decreased slightly, with a corresponding increase in the proportion of income in British pounds. On the cost side, there was a slight decline in the proportion of costs incurred in Swiss francs and euros. As a result, 40% of income and 77% of operating expense at Vontobel were generated in Swiss francs. The US dollar continued to represent the second most important currency, accounting for 31% of income and 9% of operating expense. This was followed by the euro, representing 16% of income and 7% of costs.

Structure of income statement by currency

IN %	31.12.2019	31.12.2018
Total operating income		
CHF	40	41
EUR	16	16
USD	31	31
GBP	7	6
Other	6	6
Total operating expense		
CHF	77	78
EUR	7	8
USD	9	9
GBP	4	3
Other	3	2

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

In Combined Wealth Management, the business model has been selectively expanded in recent years and its focus has been sharpened. The acquisition of Notenstein La Roche Privatbank in the previous year marked an important investment in the future. The systematic client focus and ongoing enhancement of the advisory process in Wealth Management are reflected by the continued growth in advised client assets in recent years. In addition to an increase in advised client assets (+14%) in the year under review, operating income rose by 17% and pre-tax profit increased by 21%.

The positioning of Asset Management as a high-conviction manager and the diversification strategy introduced some time ago continue to prove successful. The impressive quality of its products and the strong inflows of new money into the Fixed Income boutique, including TwentyFour Asset Management, the Multi Asset and Sustainable Equities boutiques, show that we are on the right path. The division was once again the main earnings driver at Vontobel, with a 10% increase in its pre-tax profit contribution to CHF 198.3 million.

The Financial Products business in Investment Banking has, for years, displayed a high level of innovation while maintaining its close proximity to clients. It has successfully established itself as one of the leading providers of structured products and derivatives in Europe. Vontobel Financial Products has had a presence in Hong Kong – the world's largest derivatives market – since 2017. The decline in operating income reflects subdued market demand. This resulted in a 25% decline in pre-tax profit to CHF 47.2 million.

Wealth & Asset Management (Wealth Management, Asset Management, External Asset Managers business) accounted for 88% of pre-tax profit generated by the divisions. This large proportion reflects Vontobel's clear positioning as a wealth and asset manager. Financial Products (Investment Banking excluding the External Asset Managers business) contributed 12% of Vontobel's pre-tax profit (excluding the Corporate Center) in the year under review.

The Corporate Center recorded a slightly better result compared to the previous year, mainly reflecting lower integration costs and higher dividend income compared to 2018.

Segment profits before taxes

CHF MN	31.12.2019	31.12.2018
Wealth Management	117.2	93.0
Asset Management	198.3	180.3
Investment Banking	77.5	91.7
of which External Asset Managers	*30.3*	*28.6*
Corporate Center	–86.2	–88.7
Total	**306.7**	**276.2**

Conservative risk management

Vontobel remains committed to a conservative risk management approach. At CHF 5.0 million, the average Value at Risk in the Financial Products business remains very low. In 2019, this figure mainly reflected equity components.

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

CHF MN (AVERAGE 12 MONTHS ENDING)	31.12.2019	31.12.2018
Equities	4.6	4.1
Interest rates	1.1	1.3
Currencies	0.7	0.6
Commodities	0.2	1.2
Diversification effect	–1.6	–1.8
Total	**5.0**	**5.4**

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

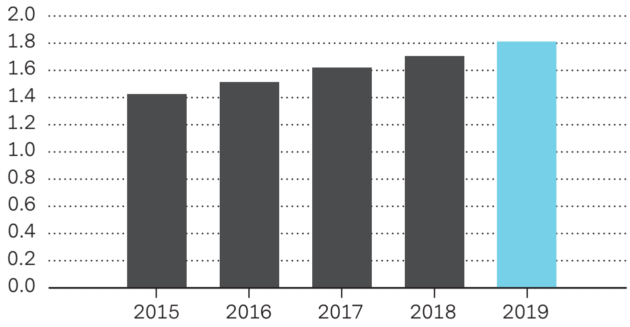
Continued comfortable capital position

Vontobel has maintained its comfortable capital position, with a CET1 ratio of 13.5% and a Tier 1 capital ratio of 19.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA of 7.8% for the CET1 ratio and of 12% for the Total Capital Ratio for Category 3 banks, which include Vontobel. The new IFRS 16 standard for financial reporting for leases that was applied for the first time resulted in an expansion of the balance sheet. Excluding this effect, the CET1 ratio would be 13.8% and the Tier 1 capital ratio would be 20.4%.

Consolidated shareholders' equity was CHF 1.8 billion at the end of 2019, an increase of 6% compared to the end of 2018. Vontobel's very solid capital position is also reflected by its equity ratio of 6.9% and a leverage ratio under Basel III of 5.2%. Furthermore, Vontobel's balance sheet can be described as highly liquid, since its Liquidity Coverage Ratio averaged 193% for the year under review and thus significantly exceeded the minimum requirement of 100% defined by FINMA for 2019.

Shareholders' equity

in CHF bn



Total assets grew by 1% to CHF 26.2 billion in the year under review. On the liabilities side of Vontobel's balance sheet, client deposits decreased by 17% from CHF 12.6 billion to CHF 10.5 billion, and liabilities arising from the structured products business increased by 36% to CHF 10.7 billion. There was also a positive development in terms of hedging positions for this business on the assets side of the balance sheet, which was reflected, among other things, by higher trading portfolio assets as well as higher replacement values. At the same time, the item "Other financial assets at fair value" increased by CHF 1.1 billion. Loans to clients rose slightly to CHF 5.0 billion, an increase of 3%.

Of the total regulatory capital of CHF 1,123.9 million required under BIS rules (December 31, 2018: CHF 1,128.0 million), i.e. on the basis of 8% of risk-weighted positions and taking into account the deductions (goodwill, etc.) shown in the following table, 47% was allocated to Wealth Management, 23% to Asset Management and 20% to Investment Banking.

Allocation of regulatory capital required (BIS) as of December 31, 2019

CHF MN	CREDIT RISKS	MARKET RISKS	OPERATIONAL RISKS	GOODWILL ETC.	TOTAL
Wealth Management	81.1	0.0	61.3	387.1	529.5
Asset Management	9.3	0.0	67.1	181.8	258.2
Investment Banking	54.6	123.8	50.2	–8.1	220.5
of which Financial Products	*38.5*	*123.8*	*40.1*	*–12.5*	*189.9*
Corporate Center	42.6	71.6	1.5	0.0	115.7
Total	**187.6**	**195.4**	**180.1**	**560.8**	**1,123.9**

89% of client assets come from Swiss home market and international focus markets

In recent years, Vontobel has become an established global wealth and asset manager. Between 2002 and the end of 2019, there was almost a five-fold increase in advised client assets. Today, 59% of advised client assets consist of the assets of clients domiciled outside Vontobel's Swiss home market – primarily in target markets comprising Emerging Markets, Germany, the US, the UK and Italy. However, Vontobel is also well established in its home market, with clients domiciled in Switzerland accounting for CHF 92.2 billion of advised client assets. This underscores the high level of confidence that clients in our home market have in Vontobel's expertise and financial solidity.

Client assets by client domicile as of December 31, 2019

CHF BN	ASSETS UNDER MANAGEMENT	OTHER ADVISED CLIENT ASSETS	STRUCTURED PRODUCTS AND DEBT INSTRUMENTS	TOTAL ADVISED CLIENT ASSETS	CUSTODY ASSETS	TOTAL CLIENT ASSETS
Home market	**81.2**	**2.3**	**8.8**	**92.2**	**59.4**	**151.6**
Switzerland[1]	*81.2*	*2.3*	*8.8*	*92.2*	*59.4*	*151.6*
Target markets	**98.6**	**5.9**	**1.9**	**106.4**	**0.0**	**106.4**
Germany	*20.1*	*5.0*	*1.9*	*27.1*	*0.0*	*27.1*
Italy	*13.8*	*0.0*	*0.0*	*13.8*	*0.0*	*13.8*
UK	*21.5*	*0.0*	*0.0*	*21.5*	*0.0*	*21.5*
US	*17.6*	*0.0*	*0.0*	*17.6*	*0.0*	*17.6*
Emerging Markets[2]	*25.6*	*0.9*	*0.0*	*26.5*	*0.0*	*26.5*
Other markets	**19.1**	**8.3**	**0.0**	**27.5**	**2.9**	**30.4**
Total client assets	**198.9**	**16.5**	**10.7**	**226.1**	**62.3**	**288.4**

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

Strategic priorities

Based on Vontobel's client-driven and long-term oriented strategy as an internationally active specialist in wealth and asset management that is dedicated to growth and innovation, the Board of Directors and Executive Board of Vontobel defined five strategic priorities in 2017 for the following three years:

– A great client experience has become essential to meet the expectations of clients. The first strategic priority is therefore to **deliver the unique Vontobel experience.** In this way, we will generate superior value for clients and create a stronger emotional connection to the brand.

– **Empower people** is the second strategic priority that has been defined. An ownership mindset forms the backbone of Vontobel's culture. Through various initiatives, we want to empower and foster entrepreneurship among our employees.

– Our third strategic priority is to **create brand excitement** among our clients. We have sharpened our corporate profile and we introduced a new corporate design in September 2017 to strengthen our positioning and further increase the attractiveness of the Vontobel brand.

– Our fourth strategic priority is to **boost growth and market share**. We are thus remaining true to the principle of pursuing an organic growth strategy, driving growth initiatives across all business units in Switzerland and internationally. At the same time, a disciplined M&A approach will complement our targeted organic growth.

– **Driving efficiency** is the fifth strategic priority. We want to transform top-line growth into superior bottom-line growth through tight cost management and by streamlining processes to achieve economies of scale. Vontobel operates in international markets, where we are subject to increasing regulations and where products are growing more complex in response to rising client expectations. Our global platform strategy is the key to efficiently managing this complexity: With our state-of-the-art infrastructure, we create high-quality products and services centrally in Switzerland and distribute them globally. Vontobel's efficient IT infrastructure allows for a high degree of automation that exceeds 99%. Since we completely renewed our core banking platform system in the last decade, our resources can now be allocated to digital innovation in order to deliver greater benefits for clients as well as further efficiency gains.

Targets 2020

Ambitious mid-term targets

Building on these strategic priorities, the Board of Directors and Executive Board have defined ambitious targets for growth, profitability, capital and dividends for 2020. In summer 2018, the profitability targets for Vontobel and Combined Wealth Management were increased to take account of the positive impacts that the acquisition of Notenstein La Roche is expected to have on profitability.

In specific terms, this means Vontobel wants to:

- **Outgrow the market** in all core activities with top-line growth and net new money growth of 4–6%, excluding market performance effects
- Generate a higher **return on equity** of more than 14%, clearly exceeding the cost of capital; achieve a **cost/income ratio** of less than 72%
- Maintain a very strong **capital position** with a CET1 capital ratio of more than 12% and a total capital ratio of more than 16%
- Distribute profits not used for organic growth and M&A to shareholders, with a target **payout ratio** of more than 50% for shareholders

Targets 2020

Top-line growth	
Total operating income	4–6%
Net new money generation	
Net new money growth	4–6%
Earnings power	
Return on equity (ROE)	>14%
Efficiency	
Cost/income ratio	<72%
Capital strength	
Tier 1 capital ratio (CET1)	>12%
Total capital ratio	>16%
Dividend	
Payout ratio	>50%

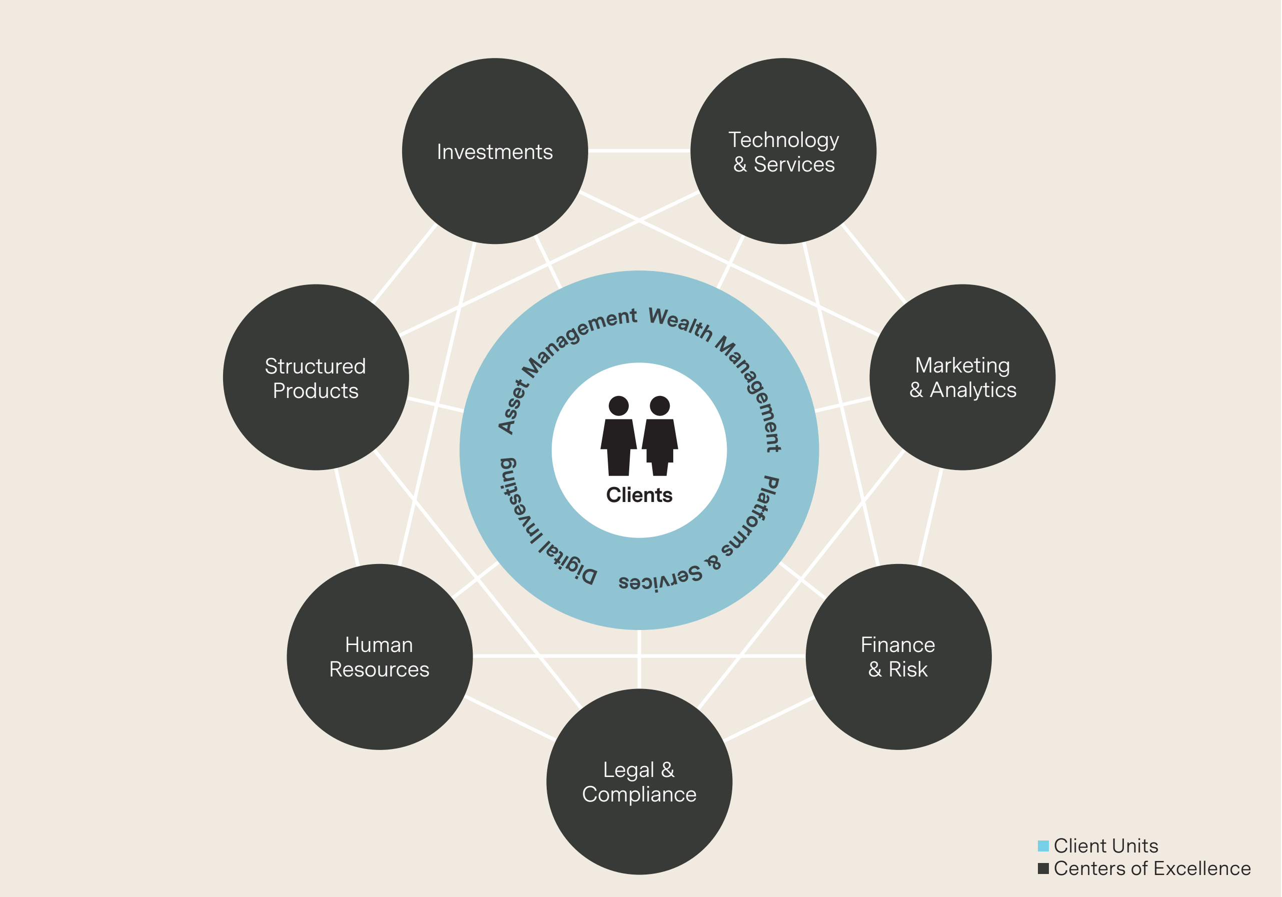
One Vontobel

A client-centric investment manager – clearly positioned for clients and investors

The demand for professional investment solutions and individually tailored expert investment advice is continuing to grow across all client groups and sections of the population. This trend is mainly driven by the protracted phase of low interest rates and the challenging investment environment associated with it, as well as the strong need to invest – both individually and as a society – to address the increasing pension funding gap around the world. At the same time, new opportunities created by ever faster technological advances are transforming the wishes and behavior of clients. Today, clients expect individual solutions that are tailored to specific situations – at any time, in any location. They want problems to be solved in a single click. Practices that are already part of the everyday client experience in large areas of the retail industry have now also become increasingly important for the financial sector.

At Vontobel, where we are operating from a position of strength, we want to actively seize the growth opportunities resulting from the change in client behavior at an early stage. Our aim is to set ourselves apart from the competition – leading the way in terms of the quality of our performance and client experiences. Vontobel's evolution into a client-centric investment manager that harnesses the power of technology for the benefit of its clients is the logical next step based on our value proposition "Driven by the power of possibility. Delivering the edge". We are underscoring our commitment to taking the client's view with our exclusive focus on the buy-side business. This means we are always on the side of the investor.

Our goal is to enable each client to access the very best we can offer in terms of investment opportunities, technology and services – and to create typical Vontobel client experiences that can compete with the offerings of digital companies. To achieve this, Vontobel will leverage the power of technology even more intensively than before. We want to anticipate the wishes of our clients to ensure that we are always ready to offer them the right solution.



We will not only invest in talents and technology but will also further develop the way we work together, as well as our organizational set-up. Under the new model, which was implemented at the start of the year, advisory expertise is bundled within specialized Client Units that are aligned with client needs. Investment and solutions-based competencies are combined within Centers of Excellence. Reflecting our "One Vontobel" approach, all the units are linked by a flat management structure and a uniform performance evaluation system that is focused on the achievement of shared success for clients. In this way, Vontobel is facilitating cooperation across businesses in a collaborative working environment. This is a prerequisite for rapid, market-driven innovation, strong organic growth and the development of disruptive business models.

Clients are at the center of all that we do

Vontobel is bundling its expertise within the specialized Asset Management, Wealth Management, Platforms & Services and Digital Investing Client Units, which are focused exclusively on client needs. Advisors working within the Client Units can devote their full attention to addressing client needs and wishes. They have been freed from other duties not directly related to their interaction with clients.

These other duties have been bundled within Centers of Excellence. In these teams, we are bringing together similar competencies in a single location to allow for the cross-fertilization of ideas in order to develop the best possible client solutions in the most effective way possible. The Centers of Excellence are: Investments, Structured Products, Technology & Services, Marketing & Analytics, Finance & Risk, Human Resources and Legal & Compliance.

Operating Committee

*Member of the Executive Board

The new leadership team for rapid, client-driven decision-making

Vontobel has established a new leadership team, the Operating Committee, that reflects this collaborative approach in order to facilitate rapid, client-driven decision-making.

Client Units

Asset Management will continue to focus primarily on institutional clients such as pension funds, insurance companies and sovereign wealth funds, as well as third-party banks in the wholesale fund business. The concept of well-established asset-class specialization and the corresponding boutiques will be complemented by a regional focus in the area of client services. The provision of services to the Global Banks client group will be coordinated globally to optimally address the significant growth potential in this area.

The **Wealth Management** team will serve wealthy private clients as well as ultra-high-net-worth individuals (UHNWI) – a client group that Vontobel increasingly wants to attract. As part of the new advisory philosophy, this team will also advise entrepreneurs and decision-makers from the SME segment.

Further wealth management services will be provided via technology-driven, digital models. EAMs and other intermediaries will be offered Vontobel products and services by the **Platforms & Services** unit. In this area, Vontobel has set itself the goal of becoming the partner of choice in Switzerland, Germany, Hong Kong and Singapore. With **Digital Investing** Vontobel is launching an explicit challenger unit whose competencies can be offered to broader client groups either directly or via ecosystems. This unit will also focus on the successful end-clients business with structured products and complement it with a broader investment perspective. Platforms such as deritrade or EAMnet and proprietary robo technology will also continue to operate in these areas, placing an emphasis on client needs.

Centers of Excellence

In the **Investments** business, around 300 Vontobel experts work in London, Milan, Munich, New York, Singapore and Zurich to provide internationally renowned global investment expertise for the benefit of all clients. Our specialists deliver robust long-term performance quality, which is the key to every successful client solution. Vontobel's investment philosophy will continue to be founded on the conviction that independent thinking and strategies with a long-term focus lead to the creation of value. This philosophy is optimally enshrined in the proven multi-boutique structure, which remains unchanged.

Production expertise in the field of structured products is being combined within the **Structured Products** Center of Excellence. This area will also be responsible for the further development of cosmofunding, one of the leading Swiss ecosystems for financing.

In the **Technology & Services** Center of Excellence, Vontobel is bundling numerous success-critical skills to prepare for a future in which the importance of technology will continue to grow. This area will provide global access to a client-centric infrastructure focusing on end-to-end processes. Alongside quality and efficiency, it will place an emphasis on state-of-the-art, contextual client experiences and on growth opportunities offered by platforms and ecosystems – supported by current development methods and technologies, such as cloud services and artificial intelligence.

The **Marketing & Analytics** team will support organic growth across all client groups. Drawing on data-driven knowledge and expertise in particular, the team will continuously further develop the Vontobel client experience according to the wishes and expectations of our clients.

Further Centers of Excellence are: **Finance & Risk, Human Resources** and **Legal & Compliance**.

Wealth Management

Vontobel has actively shaped Wealth Management in recent years and aligned its offering even more closely to different client needs. Rather than concentrating on individual products, it focuses on the advisory process that is based to a large extent on our personal dialogue with clients – enabling us to address their specific objectives even more effectively through the delivery of customized solutions. This not only requires a good infrastructure with digital processes but also a highly qualified team of relationship managers as well as an impressive product and service offering.

To support organic growth, we are continuously expanding our employee training and are aligning our range of products and services – including sustainable investment solutions – to the evolving needs of our clients. A core aspect of our offering is our innovative and proprietary Vontobel 3alpha Investment Philosophy®. Its key features include enhanced client benefits, the streamlined and more flexible use of the product range, and a high level of transparency – especially with regard to fees. Clients decide which advisory model they wish to choose for their individual portfolio modules and select the amount and type of contact they have with their relationship manager accordingly.

In this context, Vontobel announced in June 2019 that the traditional range of wealth management products and services for wealthy clients is, in future, being expanded to include "Volt", its own digital active wealth management offering. Based on the 3alpha Investment Philosophy®, we have thus become the first Swiss wealth manager to offer our wealthy clients digital access to the investment expertise of a global active wealth and asset manager. Using a digital onboarding process, new clients can also open an account and thus make use of Vontobel's global wealth management offering. In addition, Vontobel's partner Raiffeisen Switzerland will provide its own digital wealth management offering for Swiss retail clients based on Vontobel's Digital Investment Solution Platform from spring 2020.

These two ground-breaking new offerings fit seamlessly into Vontobel Wealth Management's digitization strategy. Our focus is on our digital interaction with clients and on streamlining internal processes to facilitate the investment process, which has become more labor-intensive for relationship managers as a result of regulatory developments. Using a specially developed system, relationship managers can now digitally prepare investment proposals, simulate impacts on the portfolio in real time, provide clients with rapid access to essential documentation, and execute transactions directly after consulting with the client. The regulatory requirements that apply in Europe under MiFID II are fully reflected in the tool, and it also takes new rules in Switzerland (FIDLEG) completely into account. Wealth Management has bundled this digitization process in the WM Digital Hub. Development times have been reduced significantly as a result of agile working methods and an interdisciplinary approach to project delivery. We can use this as the basis to drive forward the process of digital development rapidly and efficiently in the future. In December 2019, WM Digital Hub received the Digital Economy Award 2019.

In addition to concentrating on organic growth, Wealth Management is also playing an active role in the industry consolidation. In 2018, Vontobel acquired the private bank Notenstein La Roche and completed the acquisition of the US-based private clients portfolio from Lombard Odier on April 1, 2019. The related outflows and adjustments were fully offset by organic growth and good performance. The integration of these two entities was therefore a dominant topic in 2019. With these acquisitions, Vontobel has further expanded its growing portfolio of wealthy clients. It has also strengthened its presence in its home market with additional locations and has expanded its business in the US. In doing so, Vontobel has underscored its position as one of the leading private banks in Switzerland.

Assets under management totaled CHF 61.4 billion at the end of December 2019 (+14% compared to the end of 2018). Vontobel Wealth Management acquired new assets in all its core markets outside Switzerland. The continued growth in client assets under management is also reflected by our strong financials. Vontobel Wealth Management increased its operating income by 19% and its pre-tax profit by 26% compared to the previous year. At 71 basis points, the gross margin was maintained at the same level as in the previous year.

Vontobel Wealth Management has been actively managing client assets with foresight for decades and aspires to be the leading Swiss wealth manager. We pursue a holistic approach that centers on our clients and their assets. We consider it important to ensure continuity in our advisory services. This forms the foundations for a long-term business relationship with our clients. Our offering encompasses a wide variety of services – from portfolio management and active investment advisory to integrated financial advice, financial planning and financing solutions. Vontobel Wealth Management has a presence in Zurich, Basel, Berne, Chur, Geneva, Lausanne, Locarno, Lucerne, Lugano, Olten, Schaffhausen, St. Gallen, Winterthur, Milan, Munich, Hamburg and Hong Kong. It is also present in New York through its SEC-registered company Vontobel Swiss Wealth Advisors AG.

Segment results

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Net interest income after credit losses	65.9	56.0	9.9	18
Net fee and commission income	330.3	273.8	56.5	21
Trading income and other operating income	22.4	21.4	1.0	5
Total operating income	**418.6**	**351.2**	**67.4**	**19**
Personnel expense	166.5	142.7	23.8	17
General expense	22.1	18.3	3.8	21
Services from / to other segment(s)	103.4	93.4	10.0	11
Depreciation of property, equipment (incl. software) and intangible assets	8.7	6.8	1.9	28
Provisions and losses	0.7	–3.0	3.7	
Total operating expense	**301.5**	**258.2**	**43.3**	**17**
Segment profit before taxes	**117.2**	**93.0**	**24.2**	**26**

Key figures

IN %	31.12.2019	31.12.2018
Cost[1] / income ratio	71.8	74.4
Change of assets under management	14.0	22.4
of which net new money	*0.2*	*3.6*
of which change in market value	*12.3*	*–7.9*
of which through acquisition[2]	*1.2*	*29.5*
of which other effects[3]	*0.3*	*–2.8*
Operating income / average assets under management[4] (bp)	71	71
Profit before taxes / average assets under management[4] (bp)	20	19

Client assets[5]

	31.12.2019 CHF BN	31.12.2018 CHF BN	CHANGE TO 31.12.2018 CHF BN	IN %
Assets under management	61.4	53.8	7.6	14
Other advised client assets	1.3	1.5	–0.2	–13
Total advised client assets	**62.6**	**55.3**	**7.3**	**13**
Average assets under management[4]	58.8	49.7	9.1	18

Net new money[5]

CHF BN	31.12.2019	31.12.2018
Net new money	0.1	1.6

Personnel

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	IN %
Employees (full-time equivalents)	579.1	574.6	4.5	1
of which relationship managers	*265.1*	*274.1*	*–9.0*	*–3*

1 Operating expense excl. provisions and losses
2 Financial year 2019: Acquisition of US-based private clients portfolio from Lombard Odier in April 2019
Financial year 2018: Acquisition of Notenstein La Roche Privatbank AG in July 2018
3 Financial year 2019: Reclassification of certain assets (CHF 0.2 bn) that are now held for investment purposes.
Financial year 2018: Sale of the Liechtenstein operation in February 2018 and reclassification of certain assets (CHF 0.2 bn) that are now held for investment purposes.
4 Calculation based on average values for individual months
5 Definition see note 35

Asset Management

In 2019, Asset Management continued its successful growth path of recent years, achieving strong growth not only in absolute terms but also relative to the market. Measured in terms of net new money in the European and cross-border fund market, Vontobel ranked as one of the top 3 active asset managers in 2019. An important driver of this success is our positioning as a high-conviction asset manager with a multi-boutique approach – with all our boutiques benefiting from highly specialized investment teams with a strong performance culture and robust risk management. Our strategies and solutions thus generate clear value for our clients. Our boutique model and the resulting balanced diversification across asset classes and products allows us to offer good solutions in every market cycle.

The high quality of our products is reflected not only by the "style consistency" of the individual strategies but especially also by the strong long-term performance reported by all of the boutiques. Based on the last five years, around 80% of our funds (asset based) rated by the renowned rating agency Morningstar have been in the first or second performance quartiles. The figure is even around 90 % over three years. The Morningstar ratings, as well as the many awards that we have received, are evidence of the good quality of our offering. At end-2019, around 90% of Vontobel funds were assigned a four- or five-star rating. In the course of the year, Asset Management won more than 60 awards for its funds and strategies.

Vontobel Asset Management today has its own presence in ten countries and works with distribution partners in other countries. To improve our local footprint, we are increasing our number of locations around the world – including the recent opening of a presence in Paris – and we are supplementing our network through new distribution partnerships. At the same time, we are investing continuously in digital client communications and client service. Our client base includes institutions such as public and private pension funds as well as intermediaries such as banks, insurance companies and asset managers.

Over the years, Vontobel has also firmly established itself as an emerging markets specialist. At end-2019, CHF 29.9 billion of Vontobel's assets under management was allocated to this rapidly growing market. Vontobel launched its first emerging markets equity fund back in 1992 and can thus look back at a long track record with good-long term performance. Today, Vontobel is one of the largest active emerging markets managers in Europe. Measured in terms of inflows into emerging markets funds, we rank in the top 3 in the asset classes Corporate Bonds and Government Bonds and we are in the top 6 for Equities among providers of actively managed investment funds in Europe. The growth potential of actively managed emerging markets products is enormous and Vontobel is very well positioned to benefit from this development.

In addition to our awards as a top provider in the emerging markets segment, TwentyFour Asset Management – our boutique specializing in fixed income investments – was also very successful. It received the accolade "Fixed Income Manager of the Year" at the European Pensions Awards and was also named "Specialist Group of the Year" for the fifth time at Investment Week's Fund Manager Awards.

Vontobel also plays an important role in the field of sustainable investment solutions according to ESG criteria. At the end of December 2019, CHF 30.7 billion of Vontobel's client assets were already invested in ESG strategies. Our strong positioning in sustainable investing has also been confirmed by renowned independent institutions. In 2019, Vontobel won 16 different awards in this area and demonstrated that it can also create innovative sustainable investment products, such as the Clean Tech Fund.

This is all reflected by the excellent net inflow of new money in 2019, which corresponded to a growth rate of 10.8% and thus clearly exceeded our 4%–6% target range. Together with the good performance of our products, these inflows resulted in record advised client assets of CHF 137.7 billion in Asset Management, an increase of 17% compared to end-2018.

Despite a further shift in the structure of assets towards fixed income and continued pressure on margins within the industry, the gross margin increased to 45 basis points. Operating income totaled CHF 511.3 million, representing growth of 10% compared to 2018. Asset Management achieved a good level of operating efficiency in an industry comparison. The cost / income ratio reached a very good level at 61.2%. With a pre-tax result of CHF 198.3 million, Vontobel Asset Management once again accounted for the largest proportion of Vontobel's pre-tax profit.

As an active asset manager, the division creates financial value for clients. To achieve this, it develops first-class solutions to optimize returns and manage risk. Asset Management is positioned as a multi-boutique provider that focuses on the following areas: Fixed Income, TwentyFour Asset Management, Multi Asset, Quality Growth Equities and Sustainable Equities. Each boutique is run as an independent center of expertise. The Asset Management division has a presence in Zurich, Berne, Geneva, St. Gallen, New York, Fort Lauderdale, Frankfurt, London, Luxembourg, Madrid, Milan, Munich, Paris, Hong Kong and Sydney.

Segment results

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Net interest income after credit losses	0.9	0.7	0.2	29
Net fee and commission income	507.1	464.1	43.0	9
Trading income and other operating income	3.3	–0.1	3.4	
Total operating income	**511.3**	**464.7**	**46.6**	**10**
Personnel expense	201.9	175.8	26.1	15
General expense	56.4	55.7	0.7	1
Services from / to other segment(s)	44.6	43.1	1.5	3
Depreciation of property, equipment (incl. software) and intangible assets	9.8	9.4	0.4	4
Provisions and losses	0.3	0.4	–0.1	–25
Total operating expense	**313.1**	**284.4**	**28.7**	**10**
Segment profit before taxes	**198.3**	**180.3**	**18.0**	**10**

Key figures

IN %	31.12.2019	31.12.2018
Cost[1] / income ratio	61.2	61.1
Change of assets under management[2]	17.3	–4.9
of which net new money[2]	*10.8*	*3.0*
of which change in market value[2]	*11.5*	*–8.5*
of which other effects[2,3]	*–5.0*	*0.6*
Operating income / average assets under management[4] (bp)	45	42
Profit before taxes / average assets under management[4] (bp)	18	16

Client assets[5]

	31.12.2019 CHF BN	31.12.2018 CHF BN	CHANGE TO 31.12.2018 CHF BN	CHANGE TO 31.12.2018 IN %
Assets under management	121.6	104.2	17.4	17
of which Vontobel funds	*42.0*	*29.1*	*12.9*	*44*
of which managed on behalf of other segments	*1.8*	*2.0*	*–0.2*	*–10*
Other advised client assets	16.1	13.3	2.8	21
Total advised client assets	**137.7**	**117.5**	**20.2**	**17**
Average assets under management[4]	112.9	111.1	1.8	2

Net new money[5]

CHF BN	31.12.2019	31.12.2018
Net new money	11.0	3.1

Personnel

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	CHANGE TO 31.12.2018 IN %
Employees (full-time equivalents)	433.8	432.0	1.8	0

1 Operating expense excl. provisions and losses
2 Adjusted for assets that are managed on behalf of other segments
3 Financial year 2019: Reclassification of all private label funds without an asset management agreement as other advised client assets (value as of 01.01.2019: CHF 4.1 bn), buy-out Real Estate and sale of Fund of Hedge Fund business
Financial year 2018: Reclassification due to the sale of the Liechtenstein operation in February 2018
4 Calculation based on average values for individual months
5 Definition see note 35

Investment Banking

Vontobel Financial Products is one of the world's leading providers of investment and leverage products. Measured in terms of exchange-traded volumes in the target segment, we have a market share of 32.0% in our Swiss home market that is relatively stable over time. In Europe, our overall market share increased slightly to 12.5% (in 2018: 11.0% on a comparable basis), representing a new record level for Vontobel. In our newest market Hong Kong – which is also the world's largest derivatives market – our market share reached 1.5%. In 2019, clients around the world traded a total of CHF 31.4 billion of Vontobel products. Of this sum, CHF 9.7 billion was traded in Asia.

Our client proximity and innovative technology provide us with the necessary basis to rapidly enter new markets and serve new target groups, as demonstrated by the good results of our international expansion. In January 2019, we were also able to trade the first Vontobel products in the Danish market. In our home market, our unique and leading Vontobel deritrade platform enables around 90 banks and over 550 asset managers to independently compare, create, purchase and manage structured products from different issuers for their clients. In the year under review, a total of CHF 9.2 billion of products was purchased on our platform – an increase of more than 50% compared to the previous year.

With cosmofunding, Vontobel launched a new platform in 2018 that allows Swiss companies and public-sector bodies to raise capital in the form of private placements or loans. Since its launch in October 2018, more than CHF 2.1 billion of placements and loans were issued and the level of demand was several times higher than that figure.

Vontobel's External Asset Managers (EAM) business unit provides support and advice to external asset managers. Ever since the introduction of MiFID II, we have also offered our clients comprehensive regulatory expertise and we have additionally provided the corresponding cost reporting since 2019. We are also continuously developing our digital platform Vontobel EAMNet. Vontobel Singapore has been granted a new license that allows us to provide comprehensive advice to EAMs directly in that market. Our efforts once again resulted in good organic growth in 2019. Assets under management increased to CHF 13.9 billion, which represents a new record level.

Vontobel Corporate Finance acted as lead manager for eight domestic bond issues as well as two equity capital increases. Vontobel also acted as offer manager for three public takeover bids. Brokerage was able to defend its market position and received the Extel Thomson award in the "Swiss Equities" category for the ninth year in succession. Equity Research also achieved a top 3 ranking.

From 2020, Vontobel is adopting a consistent focus as a buy-side investment manager and, as part of this process, is exiting its pure capital markets business. Vontobel's renowned competencies in the area of Swiss equity research will be retained as part of our bundled investment expertise and will be geared exclusively towards private and institutional buy-side investors. As part of the new advisory philosophy, the Corporate Finance team will advise entrepreneurs and decision-makers from the SME segment in Wealth Management.

Operating income in Investment Banking totaled CHF 317.9 million in 2019. The External Asset Managers business improved its operating income, while Corporate Finance and Brokerage saw income levels decline. The growth in trading income was limited, reflecting subdued levels of market demand and general pressure on margins. In combination with our ongoing investments, pretax profit declined to CHF 77.5 million.

Investment Banking creates customized investment solutions for our clients. Vontobel is today one of the leading issuers of structured products and derivatives in Europe and has an established presence in Asia. Investment Banking also provides comprehensive services for external asset managers. Securities and foreign exchange trading, as well as the securities services supplied by Transaction Banking, complete its range of offerings. Prudent risk management is assigned the utmost importance in all of these activities. Vontobel Investment Banking is a global leader in the digitization of investment solutions. Investment Banking has operations in Zurich, Basel, Geneva, Lugano, Frankfurt, Dubai, London, New York, Hong Kong and Singapore.

Segment results

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Net interest income after credit losses	15.6	13.5	2.1	16
Net fee and commission income	58.9	78.3	–19.4	–25
Trading income and other operating income	243.5	241.4	2.1	1
Total operating income	**317.9**	**333.2**	**–15.3**	**–5**
Personnel expense	119.1	118.2	0.9	1
General expense	60.3	66.3	–6.0	–9
Services from / to other segment(s)	49.6	49.2	0.4	1
Depreciation of property, equipment (incl. software) and intangible assets	10.1	7.0	3.1	44
Provisions and losses	1.3	0.8	0.5	63
Total operating expense	**240.4**	**241.5**	**–1.1**	**0**
Segment profit before taxes	**77.5**	**91.7**	**–14.2**	**–15**

Key figures

IN %	31.12.2019	31.12.2018
Cost[1] / income ratio	75.2	72.2
Change of assets under management	17.7	8.4
of which net new money	*4.3*	*1.9*
of which change in market value	*13.5*	*–8.0*
of which through acquisition[2]	*0.0*	*14.5*

Client assets[3]

	31.12.2019 CHF BN	31.12.2018 CHF BN	CHANGE TO 31.12.2018 CHF BN	IN %
Assets under management	17.7	15.0	2.7	18
Structured products and debt instruments outstanding	10.7	7.9	2.8	35
Total advised client assets	**28.4**	**22.9**	**5.5**	**24**
Custody assets	62.3	54.7	7.6	14
Total client assets	**90.7**	**77.6**	**13.1**	**17**

Net new money[3]

CHF BN	31.12.2019	31.12.2018
Net new money	0.6	0.3

Personnel

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	IN %
Employees (full-time equivalents)	420.7	421.4	–0.7	0

Of which External Asset Managers

	31.12.2018	31.12.2018	CHANGE TO 31.12.2018	IN %
Operating income (CHF mn)	66.6	63.0	3.6	6
Profit before taxes (CHF mn)	30.3	28.6	1.7	6
Cost[1] / income ratio (%)	54.4	54.3		
Assets under management (CHF bn)	13.9	11.9	2.0	17
Net new money (CHF bn)	0.4	0.7		
Operating income / average assets under management[4] (bp)	51	56		

1 Operating expense excl. provisions and losses
2 Acquisition of Notenstein La Roche Privatbank AG in July 2018
3 Definition see note 35
4 Calculation based on average values for individual months

Corporate Center

Vontobel laid the foundations for the current digital transformation of the business more than a decade ago with the implementation of a new back- and middle-office landscape. It has since made continued improvements to back- and middle-office applications and has added new functionalities to them.

The Governance, Risk and Compliance (GRC) Platform that was recently implemented provides additional transparency about operational risks by facilitating the closer integration of Operational Risk Management with the Internal Control System (ICS). This also allows for the streamlining of processes as well as the more effective assignment of responsibilities. This GRC Platform serves as the central source of information for all operational risks and the ICS. With this platform, Vontobel is playing a pioneering role in the banking sector and received the award for risk management at the Avedos User Conference 2019 in recognition of GRC.

A modern core banking system is an essential prerequisite for the successful implementation of innovative front-office applications – either as support for relationship managers or for direct interaction with clients. Each year, Vontobel invests more than CHF 40 million in the continued upgrading of its IT infrastructure, placing a strong focus on the digital transformation of all divisions. Topics such as artificial intelligence and digital distribution are growing increasingly important. In this context, Vontobel Wealth Management recently developed Vontobel Volt® in close collaboration with Operations. Volt is the first digital platform launched by a Swiss wealth manager in the area of active wealth management that can be accessed by interested clients via a fully digital process using video identification and a digital signature. With Volt, clients can define their own individual investment priorities, and their investments are actively managed with the support of artificial intelligence.

Vontobel has a long tradition of corporate responsibility and sustainability, which are part of our corporate culture. We strive to take account of sustainability aspects across every area of our business and we view this as a permanent and pressing commitment. Since the 1990s, we have continuously expanded our range of sustainable investment solutions and we play a leading role in this area: The current Swiss Sustainable Investment Market Study names Vontobel as the third largest provider of sustainable investments. The volume of sustainable investments at Vontobel rose from CHF 23.3 billion at the end of December 2018 to CHF 30.7 billion at December 31, 2019. The proportion of assets under management that are managed according to sustainability criteria has thus increased from 13.6% to 15.4%. The growth in sustainable assets was therefore twice as high as the growth in total assets under management.

The UN Principles for Responsible Investment (UN PRI) initiative awarded Vontobel a very good score. In 2019, Vontobel outperformed the benchmark in each of the seven modules assessed in the PRI reporting. Vontobel Asset Management also received various awards for sustainable investment solutions in 2019. Vontobel Investment Banking has introduced an ESG label for structured products that designates sustainable underlyings that have been evaluated according to environmental, social and governance criteria. Wealth Management has developed and launched new investment solutions focusing on the sustainability themes of water, diversity and impact. The main focus of the solutions is on healthcare, education, poverty and the environment.

The negative interest rates that apply to certain sight deposits held by banks at the Swiss National Bank (SNB), as well as the negative key interest rate in the Eurozone, adversely affected our result once again in 2019. They primarily had an impact in Wealth Management and in the External Asset Managers business, as well as in Treasury. In addition, in Treasury, it was not possible to reinvest the capital from maturing bonds at the same attractive conditions and this also had a negative impact on interest income. These two effects were partly offset by an increase in lending to clients in the form of secured loans (lombard loans) and mortgages, as well as by the active management of excess liquidity.

Operating income in the Corporate Center increased compared to 2018 due to the special distribution of CHF 6.9 million received in connection with the participation in the SIX Group AG following the sale of the card business. At the same time, operating expense rose. Once again, integration costs of CHF 11.8 million (before taxes) were booked in Corporate Center. The Corporate Center's pretax result was CHF –86.2 million.

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

Segment results

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Net interest income after credit losses	2.0	1.7	0.3	18
Net fee and commission income	–37.1	–30.5	–6.6	
Trading income and other operating income	49.1	37.5	11.6	31
Total operating income	**14.0**	**8.7**	**5.3**	**61**
Personnel expense	149.6	133.3	16.3	12
General expense [1]	77.5	106.4	–28.9	–27
Services from / to other segment(s)	–197.7	–185.6	–12.1	
Depreciation of property, equipment (incl. software) and intangible assets [1]	71.5	45.5	26.0	57
Provisions and losses	–0.7	–2.2	1.5	
Total operating expense	**100.2**	**97.4**	**2.8**	**3**
Segment profit before taxes	**–86.2**	**–88.7**	**2.5**	

Personnel

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	IN %
Employees (full-time equivalents)	548.0	567.7	–19.7	–3

1 The change compared to the previous year is mainly attributable to the new standard for financial reporting for leases (IFRS 16).

Corporate Governance

Corporate Governance

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

The core elements of our corporate governance are:
1 The clearly defined, balanced division of responsibilities between the Board of Directors and the Executive Board

2 The protection of shareholder interests

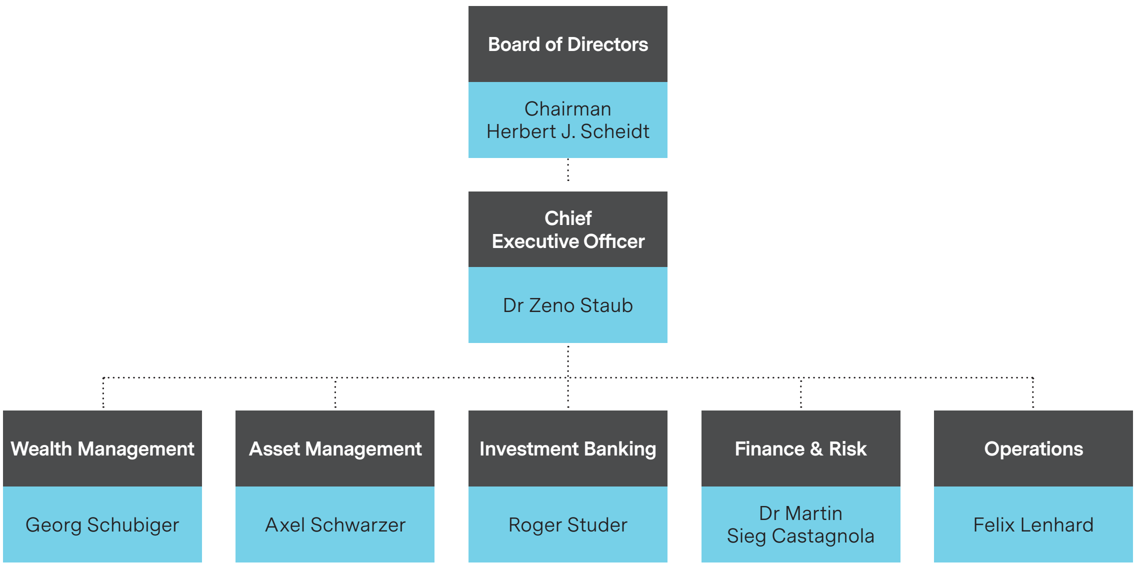
3 The provision of transparent information to the public

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

The SIX Swiss Exchange AG issued a "Directive on Information relating to Corporate Governance", which entered into effect on July 1, 2002. The following information meets the requirements of this directive (in the current version of May 1, 2018) and takes into account the SIX commentary last updated on April 10, 2017. If information required by this directive is published in the Notes to the financial statements, a reference indicating the corresponding section of the notes is given.

Group structure and shareholders

Structure of Vontobel as of December 31, 2019



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

Roger Studer was member of the Executive Board up to and including December 31, 2019. Enrico Friz is member of the Executive Board (General Counsel) since the financial year 2020.

For information on Vontobel's new organizational set-up as of January 1, 2020, please refer to page 23ff.

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

	31.12.2019		31.12.2018	
	NOMINAL CHF MN	SHARE IN %	NOMINAL CHF MN	SHARE IN %
With voting rights on share capital of CHF 56.875 mn of Vontobel Holding AG				
Advontes AG	6.0	10.5	5.7	10.0
Vontrust AG (Holding of the Vontobel family shareholders)	8.1	14.3	8.1	14.3
Vontobel Foundation	8.5	14.9	8.5	14.9
Pellegrinus Holding AG (public utility foundation Corvus)[1]	2.7	4.7	2.7	4.7
Further shares in the extended pooling agreement	3.6	6.3	3.9	6.8
Total voting rights on share capital	**28.9**	**50.7**	**28.9**	**50.7**

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

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

Shareholders pooling agreement

A shareholder pool, consisting of a core pool and an extended pool of shareholders, has been in place since August 2017 and combines a total of 50.7% of votes. A total of 44.4% of votes are controlled through the core pool, comprising the pool members Vontobel Foundation and Pellegrinus Holding (total of 19.6% of votes), as well as the family holding company Vontrust AG (14.3% of votes), and the family holding company Advontes AG (10.5% of votes). The remaining 6.3% of votes are bound through the extended pool with one family member (Kathrin Kobel-Vontobel). The core pool imposes restrictions on the transfer of shares and grants pre-emptive rights in favor of the members of the core pool.

The shares bound in the core pool are subject to a vote pooling requirement and votes have to be cast at the Annual General Meeting of Vontobel Holding AG in accordance with the preceding resolutions of the core pool or, for its duration, of the extended pool. The earliest possible date for termination of the core pool is the end of 2026. The extended pool was concluded for an indefinite period of time and can be terminated at the end of any year, subject to an 18-month notice period. The members of the core pool have a right of purchase or a pre-emptive right to acquire the pool shares bound in the extended pool. Pool shares acquired in this way become part of the core pool. Shares bound in the extended pool, together with shares bound in the core pool, are subject to a joint vote pooling requirement, and votes have to be cast at the Annual General Meeting of Vontobel Holding AG in accordance with the preceding resolutions of the extended pool. Vontobel Holding AG and its executives are not members of the shareholder pool.

Registered shareholders as of December 31, 2019

	NUMBER OF SHAREHOLDERS	IN %	NUMBER OF SHARES	IN %
Natural persons	6,276	93.3	14,407,443	25.3
Legal persons	450	6.7	34,074,802	59.9
Unregistered shares [1]	–	–	8,392,755	14.8
Total	**6,726**	**100.0**	**56,875,000**	**100.0**

1 Of which 1.4 million shares (2.5%) owned by Vontobel Holding AG and its subsidiaries

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

Capital structure

Capital
The share capital of Vontobel Holding AG amounted to CHF 56,875,000 as of December 31, 2019. The registered shares of Vontobel Holding AG (security no. 1 233 554, ISIN CH001 233 554 0) are listed on the SIX Swiss Exchange and are included in the Swiss Performance Index SPI®. Further information on the composition of capital can be found in the Notes to the consolidated financial statements, note 27.

Details of contingent and authorized capital
Details of contingent and authorized capital can be found in the Notes to the consolidated financial statements, note 27.

Changes in capital
Information on the composition of capital, changes in capital during the past two years and authorized capital is given in the Statement of Equity and in the Notes to the consolidated financial statements, note 27.

For information on earlier periods, please refer to the relevant Annual Reports (2017: note 27 and 2018: note 26, www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-reporting/).

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

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

Restrictions on transferability and nominee registrations in the share register
This information is provided in the “Shareholders’ participatory rights” section on page 55.

Convertible bonds and options
There were no convertible bonds outstanding as of December 31, 2019. To partially finance the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued a CHF 450 million Additional Tier-1 bond with a coupon of 2.625% in June 2018. Further information is provided in Note 24.

The volume of the entire share capital recorded for outstanding structured products and options amounts to a net 2,558 shares (previous year: 4,535 shares). This means that option rights issued by Vontobel amounting to 0.0% (previous year: 0.0%) of share capital were outstanding on December 31, 2019. No conditional capital is used to hedge these option rights as they are hedged through market transactions.

Board of Directors

Members of the Board of Directors as of December 31, 2019

NAME	FUNCTION	NATIONALITY	COMMITTEE MEMBERSHIP[1]	INITIAL ELECTION	TERM EXPIRES
Herbert J. Scheidt	Chairman	CH/D		2011	2020
Dr Frank Schnewlin	Vice-Chairman	CH	RAC	2009	2020
Bruno Basler	Member	CH	NCC[2]	2005	2020
Dr Maja Baumann	Member	CH	RAC	2016	2020
Dr Elisabeth Bourqui	Member	CH/F/CA	NCC	2015	2020
David Cole	Member	US/NL	RAC[2]	2016	2020
Stefan Loacker	Member	AT	RAC	2018	2020
Clara C. Streit	Member	D/US	NCC	2011	2020
Björn Wettergren	Member	CH/S	NCC	2016	2020

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

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

Other activities and functions
See curricula vitae of the members of the Board of Directors, page 40.

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

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

Herbert J. Scheidt
Chairman of the Board of Directors

Born 1951,
Swiss and German citizen

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

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

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

Mandates
- Chairman of the Board of Directors of the Swiss Bankers Association, Basel, Switzerland
- Vice-Chairman of the Board of economiesuisse, Zurich, Switzerland
- Vice-Chairman of the Board of Directors of Hero AG, Lenzburg, Switzerland; Chairman of the Finance and Audit Committee, Member of the Human Resources Committee
- Member of the Board of Directors of SIX Group AG, Zurich, Switzerland Member of the Nomination & Compensation Committee
- Member of the Board of the European Banking Federation, Brussels, Belgium

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

Born 1951,
Swiss citizen

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

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

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

Mandates
- Vice-Chairman of the Board of Directors of Swiss Life AG and Swiss Life Holding AG, Zurich, Switzerland; Member of the Chairman’s and Corporate Governance Committee, Chairman of the Compensation Committee, Member of the Investment and Risk Committee
- Chairman of the Board of Directors of Twelve Capital AG and Twelve Capital Holding AG, Zurich, Switzerland

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

Born 1963,
Swiss citizen

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

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

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

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

Born 1977,
Swiss Citizen

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

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

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

Dr Elisabeth Bourqui
Member of the Board of Directors and Member of the Nomination and Compensation Committee

Born 1975,
Swiss, French and Canadian citizen

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

Professional background
2019 Self-employed

2018 CalPERS, Sacramento, California, USA
Chief Operating Investment Officer

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

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

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

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

Mandates
- Member of the Board of Directors of the Swiss-Japanese Chamber of Commerce, Zurich, Switzerland

David Cole
Member of the Board of Directors and Chairman of the Risk and Audit Committee

Born 1961,
US and Dutch citizen

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

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

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

Mandates
- President of the Supervisory Board of IMC, B.V., Amsterdam, Netherlands
- President of the Supervisory Board of NN Group, The Hague, Netherlands
- Member of the Board of Directors of Swiss Re Asia Pte. Ltd., Singapore
- Member of the Board of Directors of Swiss Re Corporate Solutions, São Paulo, Brazil

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

Born 1969,
Austrian citizen

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

Professional background

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

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

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

Born 1968,
German and US citizen

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

Professional background

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

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

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

Born 1981,
Swiss and Swedish citizen

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

Professional background

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

Mandates
- Chairman of the Board of Directors of Cagson AG, Baar, Switzerland
- Member of the Board of Directors of Vontrust AG, Zurich, Switzerland
- Member of the Board of Directors of the Swedish-Swiss Chamber of Commerce, Zurich, Switzerland

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

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

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

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

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

Internal Organizational Regulations stipulate that members of the Board of Directors are required to step down from their function at the Annual General Meeting in the calendar year in which they reach the age of 70. Further information regarding the year in which the individual members of the Board of Directors were first elected can be found in the table “Members of the Board of Directors as of December 31, 2019” on page 39.

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

Internal organization

Board of Directors

The Board of Directors appoints a Vice-Chairman from among its own members. The Chairman of the Board of Directors appoints a Secretary, who need not be a shareholder or a member of the Board of Directors. The Board of Directors meets at the invitation of its Chairman or of the Secretary, acting on behalf of the Chairman, as often as required for business purposes – generally once or twice a quarter but at least four times a year. The meetings usually last around eight hours. A total of six meetings were held during the year under review (in February, April, July, September, October, November and December); this included two two-day strategy meetings.

The Board of Directors is quorate if an absolute majority of its serving members is present. A quorum is not required in order for the Board of Directors to pass resolutions on capital increase reports or for those that require official authentication. Board resolutions and appointments are decided by the absolute majority of the members present. In the event of a tied vote, the chairman of the meeting casts the deciding vote. Resolutions may also be passed by circular letter, provided no member calls for a verbal consultation on the matter.

The Board of Directors may delegate some of its duties to committees. The standing committees are: The Nomination and Compensation Committee and the Risk and Audit Committee. Their duties and powers of authorization are defined in the Articles of Association and in internal regulations. Information on the composition of the individual committees can be found in the table “Members of the Board of Directors as of December 31, 2019” on page 39. The Chairman of each committee informs the Board of Directors about the committee’s activities at the next meeting of the Board of Directors. When necessary, ad-hoc committees are formed to deal with specific topics, such as mergers and acquisitions projects. During the year under review no ad hoc meeting was held.

Nomination and Compensation Committee (NCC)

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

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

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

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

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

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

Risk and Audit Committee (RAC)
The Risk and Audit Committee shall monitor and assess the Institution-wide Risk Management Framework, the integrity of financial statements, internal controls in the area of financial reporting, the effectiveness of the audit firm and its interaction with Group Internal Audit. It also evaluates the internal control system that goes beyond the area of financial reporting, as well as Group Internal Audit.

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

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

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

As of December 31, 2019, the majority of members of the Risk and Audit Committee met the independence criteria prescribed by supervisory law. Meetings of the Risk and Audit Committee are attended by the Chairman of the

Board of Directors as a guest, as well as by the CEO, the Head of the Finance & Risk support unit (CFO) and representatives of Group Internal Audit and the external auditors. Furthermore, specialists from within Vontobel – particularly the Head of Risk Control, the Head of Legal, Compliance and Tax, and the Head of Finance & Controlling – are reguarly invited to attend meetings when specific topics concerning their areas of responsibility are discussed.

Attendance of meetings of the Board of Directors and the Committees in 2019

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

In addition, training was provided in the course of, and in addition to, the ordinary meetings of the Board of Directors in 2019.

Group Internal Audit

Group Internal Audit shall perform the audit duties assigned to it. It reports directly to the Board of Directors and supports it in fulfilling its supervisory and monitoring duties in the Vontobel Group. It shall also make regular reports to the Risk and Audit Committee and regularly attend meetings of that committee. It shall observe the special duties, rights and obligations of the Risk and Audit Committee and of the Chairman of the Board of Directors when conducting its operations.

Organizational aspects of Internal Audit, as well as its duties and powers of authorization, are set out in special regulations. It has an unlimited right of inspection within all Group companies and all business documents are available for it to inspect at any time. Its audit activities are based on the guidelines issued by the Swiss Institute of Group Internal Auditing (SVIR). Group Internal Audit coordinates its activities with the external auditor in accordance with professional standards and guidelines.

Board of Directors

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

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

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

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

Executive Board

The Executive Board is the Group's executive body that reports to the Board of Directors. It was composed of the CEO and the heads of the business units and support units up to and including December 31, 2019. For information on Vontobel's new organizational set-up as of January 1, 2020, please refer to page 23ff.

The Executive Board shall meet as often as business dictates – generally monthly but at least nine times per year. Where sensible and necessary, it shall be extended to include members of the Executive Boards of Group companies and representatives of senior management with Group-wide responsibilities, acting in an advisory capacity.

The Executive Board shall be quorate if an absolute majority of its members are present.

The Executive Board shall operate as a committee, under the leadership of the CEO. The CEO shall have the final say in the event of differences of opinion between members of the Executive Board. Each member of the Executive Board has the right to inform the Chairman of the Board of Directors about differences of opinion on important topics.

The Executive Board may pass its resolutions by circular, which may involve the use of electronic tools, provided that no member calls for verbal deliberations on the resolution. A majority of all Executive Board members is required for such resolutions.

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

If necessary, the Executive Board may establish committees with specific duties.

The Executive Board is responsible for all Group matters that do not expressly fall within the remit of the Board of Directors of Vontobel Holding AG or of a Group company according to legislation, the Articles of Association or the Organizational Regulations.

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

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

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

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

(a) Formulating and proposing the Group's annual budget and annual targets – broken down by business unit and support unit – for approval by the Board of Directors;
(b) Decisions on new products, business activities or markets (including digital products and / or services); if this matter will have a significant impact on the Group's business policy, the Executive Board shall refer the matter to the Board of Directors directly; if the matter will have a significant impact on the Group's risk profile, the Executive Board shall obtain the approval of the Board of Directors through the Risk and Audit Committee;
(c) Ensuring that a professional investment policy is permanently in place and is implemented promptly throughout the Group;
(d) Issuing directives that apply to the entire Group and that fall exclusively within the remit of the Executive Board according to legal provisions, the Articles of Association or the Organizational Regulations; issuing directives relating to the Compliance function, credit and counterparty risk, and asset and liability management (ALM), which apply to individual business units or support units;
(e) Granting loans in accordance with the powers defined in the lending regulations;
(f) Assumption of trading positions on own account within the defined limits; the Executive Board delegates the permissible limits to the responsible business areas and units within the Group;
(g) Initiation of legal proceedings or filing of appeals, conclusion of composition agreements, settlement or recognition of lawsuits where the value in dispute amounts to CHF 1 million to CHF 2 million;
(h) Issuing an employee handbook (in the form of a Group-wide directive).

New Organisation 2020

For information on Vontobel's new organizational set-up as of January 1, 2020, please refer to page 23ff.

Information and control instruments relating to the Executive Board

The Board of Directors meets at least four times a year as specified in the Organizational Regulations; in practice, there are five to eight meetings a year. The ordinary meetings usually last an entire day. Unless the Chairman of the Board of Directors decides otherwise, the CEO and the Head of the Finance & Risk division (CFO) attend the meetings of the Board of Directors in an advisory capacity. The Chairman determines which other participants may attend a meeting of the Board of Directors (other members of the Executive Board or specialists). The CEO is entitled to make recommendations regarding other participants. The Board of Directors receives monthly reports about the performance of the business and is informed about the development of risk as well as the Group's compliance with legal, regulatory and internal rules and requirements at least every six months. Its control instruments include semi-annual reporting requirements, the annual budgeting process and internal and external audits. The periodic reporting requirements include a monthly financial report, which provides information on the current performance of the business and the corresponding realization of targets at both Group level and business unit level (MIS), as well as information about the meetings of the Executive Board. As part of its risk reporting, Vontobel discloses information about the development of market, liquidity, credit, operational and reputational risks. Detailed information on the management and monitoring of these risks can be found in the Notes to the consolidated financial statements (pages 137 to 149). Group Internal Audit reports to the Chairman of the Board of Directors and the Risk and Audit Committee about its audit activities on an ongoing basis and provides the Board of Directors with consolidated reports twice annually. The audit company produces its annual statutory report (report about the statutory audit) as well as further reports on audits addressing specific topics for submission to the Board of Directors. The statutory report is addressed to the Board of Directors and a copy of the report is submitted to the Swiss Financial Market Supervisory Authority (FINMA) as well as the Executive Board and the Head of Group Internal Audit.

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

Executive Board

Members of the Executive Board as of December 31, 2019

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

Roger Studer was member of the Executive Board up to and including December 31, 2019. Enrico Friz is member of the Executive Board (General Counsel) since the financial year 2020.

Other activities and functions
See curricula vitae of the Members of the Executive Board, page 52.

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

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

Management contracts
There are no management contracts.

Compensation, shareholdings and loans
Information about compensation, shareholdings and loans can be found in the Vontobel Compensation Report commencing on page 59.

Dr Zeno Staub
Chief Executive Officer

Born 1969,
Swiss citizen

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

Professional background

Since 2001	Vontobel, Zurich, Switzerland		
	Since 2011	Chief Executive Officer of Vontobel	
	2008–2011	Head of Asset Management and Member of the Group Executive Management	
	2006–2007	Head of Investment Banking and Member of the Group Executive Management	
	2003–2006	CFO and Member of the Group Executive Management	
	2001–2002	Head of the CFO management support unit (Controlling and IT project portfolio)	
2000	BZ Informatik AG, Freienbach, Switzerland Member of the Executive Management		
1994–2000	Almafin AG, St. Gallen, Switzerland Founding shareholder and Managing Partner		

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

Dr Martin Sieg Castagnola
Chief Financial Officer

Born 1965,
Swiss citizen

Education
Dr. oec., University of Zurich, Switzerland

Professional background

Since 2008	Vontobel, Zurich, Switzerland Chief Financial Officer of Vontobel	
1994–2008	Zürcher Kantonalbank (ZKB), Zurich, Switzerland	
	2007–2008	Member of the Executive Board and Head of Investment & Private Banking
	2007	Head of Asset Management
	2005–2006	Head of Treasury
	2003–2005	Head of Portfolio Management of ZKB Axxess Vision
	1999–2003	Head of Equities & Equity Derivatives Trading
	1994–1999	Head of the Economy department and Risk Controlling
1994–1999	University of Zurich, Switzerland Lecturer in empirical economic research / econometrics; assistant at the Institute for Empirical Research in Economics	

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

Georg Schubiger
Head of Wealth Management

Born 1968,
Swiss citizen

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

Professional background

Since 2012 Vontobel, Zurich, Switzerland
Head of Wealth Management

2008–2012 Danske Bank Group, Denmark
- 2010–2012 Chief Operating Officer, Member of the Group Executive Board
- 2008–2010 Head of Business Development and Member of the Group Executive Committee

2002–2008 Sampo Group, Finland
- 2004–2008 Head of Eastern European Banking and Member of the Executive Board
- 2002–2004 Head of Business Development and Member of the Group Management Committee

1996–2002 McKinsey & Company Zurich, Switzerland and Helsinki, Finland
Associate Principal Financial Services Group

Mandates
none

Axel Schwarzer
Head of Asset Management

Born 1958,
German citizen

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

Professional background

Since 2011 Vontobel, Zurich, Switzerland
Head of Asset Management

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

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

Roger Studer
Head of Investment Banking
until December 31, 2019

Born 1967,
Swiss citizen

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

Professional background

2001–2019	Vontobel, Zurich, Switzerland	
	2008–2019	Head of Investment Banking
	2003–2007	Head of Financial Products
	2001–2002	Head of Risk Management and Development of Derivative Products
1999–2000	ABN AMRO (Switzerland) Bank AG, Switzerland Head of Portfolio Management and Research	
1999	Rentenanstalt / Swiss Life Head of Quantitative Asset Allocation	
1997–1998	DG Bank AG, Switzerland Head of Private Clients Austria	
1984–1996	Vontobel Zurich, Switzerland	
	1995–1996	Head of Market Making Derivative Products
	1992–1995	Head of Warrants and Options Trading
	1984–1992	Various positions

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

Felix Lenhard
Chief Operating Officer

Born 1965,
Swiss citizen

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

Professional background

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

Mandates
none

Shareholders' participatory rights

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

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

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

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

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

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

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

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

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

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

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

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

Change of control and defense measures

Mandatory public takeover offer
The Articles of Association do not include an "opting out" or "opting up" clause with regard to mandatory public takeover offers, as defined in Art. 125 of the Swiss Financial Market Infrastructure Act. The instruments available to the company to defend itself against hostile takeover bids essentially comprise the following measures already referred to above:
– At present, 50.7% of voting rights are bound by a shareholder pooling agreement on a long-term basis (see section "Major shareholders and groups of shareholders with pooled voting rights", page 37).
– The registration restrictions allow the Board of Directors to refuse to enter shareholders or a group of shareholders in the share register once their shareholdings exceed the 10% threshold (see section "Voting rights: restrictions and representation", page 55).
– A change in the registration restrictions or the removal of more than one member of the Board of Directors in the course of one financial year must be approved by a qualified majority (see section "Statutory quorums", page 55).

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

Statutory auditor / Group auditor

Duration of mandate and term of office of auditor in charge
The consolidated financial statements and the financial statements of Vontobel Holding AG and the subsidiaries are audited by Ernst & Young. The external auditor of Vontobel Holding AG is elected for a period of one year at the Annual General Meeting. Ernst & Young was elected as auditor for the first time when Vontobel Holding AG was established in 1983. The auditor in charge is Prof. Andreas Blumer, who helds this function since the financial year 2019. The holder of this office changes every seven years, in accordance with banking legislation. The role of statu-

tory auditor is performed by Philipp Müller since the financial year 2019.

Fees paid to the auditor

1,000 CHF	31.12.2019	31.12.2018
Auditing fees billed by Ernst & Young	2,785.7	3,316.5
Additional fees billed by Ernst & Young for audit-related services	1,002.3	414.4
of which tax services	*929.2*	*372.6*
of which other services	*73.1*	*41.8*

Additional fees
The additional fees primarily concern services provided in connection with projects and audit-related services for tax or regulatory matters. Tax services comprise services related to the tax returns of subsidiaries and the area of transfer pricing documentation. Other services provided during the year under review consisted primarily of services related to regulatory confirmations for the supervisory authorities and the evaluation of the impacts of regulatory changes. The audit firm is permitted to provide these services as well as performing the auditing duties of the external auditor as they do not give rise to any conflicts of interests. The subject of any new audits, as well as special audits that have to be conducted at the request of the supervisory authorities, are subject to the approval of the Risk and Audit Committee. There is no prescribed catalogue of criteria that has to be consulted when approving these types of additional mandates; the Risk and Audit Committee decides on an individual basis whether the issuing of an additional mandate would impact on the auditor's independence.

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

Vontobel, as a banking group, is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). Legal requirements and regulations must therefore be observed in the selection of the audit firm. Other material selection criteria applied by the Board of Directors are the audit firm's proven expertise with regard to complex finance and valuation issues in accordance with the accounting standards prescribed by FINMA and the International Financial Reporting Standards (IFRS), as well as its expertise regarding special topics relating specifically to the institution. The audit firm's independence, performance and fees are evaluated annually using a defined process and a structured set of criteria. In addition, a detailed review is conducted every five years. A review of this nature was carried out in 2018 and it was decided that the mandate should be put out to tender in 2019 to ensure a comprehensive validation process. The tendering process carried out in 2019 evaluated potential audit firms using a set of criteria that are relevant for Vontobel. Based on the outcome of this process, the Board of Directors decided to propose to the General Meeting of Shareholders that EY be elected as the statutory auditors. The audit firm's mandate will continue to be subject to annual evaluations in the future.

Information policy

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

Details of the financial calendar and contact addresses are listed on page 245 of the Annual Report and on www.vontobel.com/en-int/about-vontobel/investor-relations/financial-calendar/. For our financial reporting please refer to www.vontobel.com/en-ch/about-vontobel/investor-relations/financial-reporting/.

Compensation report

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

Bruno Basler
Chairman of the Nomination and Compensation Committee

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

Shareholders' letter

Dear shareholders

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

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

An important feature of our compensation system is that it encourages all employees to participate in our share participation plan. This promotes an entrepreneurial, prudent and long-term mindset and approach among all our employees and management. More than 60% of all Vontobel employees now take part in the share participation plan. At the end of 2019, members of the Executive Board held an average of more than 9.5 times their base salary in Vontobel shares. Furthermore, both our compensation system and individual compensation payments are consistently aligned with the "Pay for Performance" principle: If the financial value created by Vontobel increases, compensation will, on average, also increase. And if value creation decreases, then compensation also decreases. "Pay for Performance" also means that a relatively high proportion of total compensation at Vontobel is variable. The benefit of this is that despite significant variations in business cycles, our level of personnel expense relative to operating income has remained very stable over the last 15 years, amounting to an average of around 50%. This also has the effect of reducing the volatility of Vontobel's net profit, dividend and investment power and thus enables a more consistent policy.

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

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

Pay-for-performance
Vontobel can look back with satisfaction at the financial year 2019. With net profit of CHF 265.1 million, Vontobel exceeded the previous year's result by 14%. On an adjusted basis, net profit totaled CHF 258.9 million, corresponding to an increase of 4%. This good result is also reflected in the return on equity of 14.2%. which exceeded our medium-term target. The CHF 226.1 billion, assets under management at the end of 2019 were well above the previous year's level (CHF 192.6 billion). Contributing factors were the good performance of our products and the net new money generated of CHF 11.7 billion, which corresponds to growth of 6.9% and is above our target range of 4-6%. Vontobel is also well on track towards achieving its profitability target. This successful financial year underscores our ability to achieve growth, even in a challenging environment. Subject to approval of the General Meeting of Shareholders, the proposed aggregate compensation of the Executive Board will increase by 7% compared to the previous year, which is significantly lower than group result increase of 14%. Thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders.

The proposed ordinary dividend of CHF 2.25 represents an attractive dividend yield of 3.3%. Retained earnings are used to strengthen the company's capital position and to finance investments in future organic growth, as well as giving Vontobel additional financial flexibility to carry out potential acquisitions. The increase in profitability in recent years resulted in a substantial rise in the return on equity in the performance period from 2017 to 2019. The average return on equity in these three years was 13.4%, significantly exceeding the target return of 8%. The average BIS Total Capital Ratio was a solid 19.9%. Consequently, the multiplier for performance shares from the 2016 bonus, which will vest in spring 2020, is 112%.

Say-on-pay
Our shareholders approved all of the compensation proposals at the General Meeting of Shareholders 2019. The fixed compensation of the Board of Directors was approved by 96% of shareholders. The proposed fixed compensation of the Executive Board was approved by 89% and the proposed bonus by 95% of shareholders. At the General Meeting of Shareholders 2020, you, our shareholders, will once again be given a prospective vote on fixed compensation and a retrospective vote on variable compensation. At Vontobel, you vote on the actual compensation amounts, meaning that you retain full control over the compensation that is paid out. We are asking you to approve it at the General Meeting of Shareholders of March 30, 2020.

Outlook
Vontobel wouldn't be Vontobel if we didn't constantly look to the future. We are committed to securing Vontobel's success, both today and in the long term. This entrepreneurial tendency to look to the future is even more important as the world, our society and our clients change ever more rapidly due to the emergence of new opportunities in a digitized world. Consequently, one of the core functions of any Board of Directors is to constantly think about the company's long-term future and to take proactive steps to achieve continued improvements and become even more successful. This is what we do, and at the end of 2019, we decided to evolve into a client-centric investment manager. As an investor for investors, we want to systematically think and act from the client's perspective. We are harnessing the power of technology to deliver a high-quality, customized client experience and to deploy our investment expertise across multiple platforms and ecosystems to reach new client groups. To deliver on our claim, we have also implemented a new internal set-up. This is about much more than presenting new organizational charts. We are placing our clients at the heart of all that we do and adopting a client-centric approach to serving them. In future, we will think in terms of solutions, not products. This change requires a new, collaborative way of working. We will cooperate in an interdisciplinary, direct, open and solution-oriented manner to provide even better solutions for our clients.

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

Bruno Basler

Chairman of the Nomination
and Compensation Committee

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

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

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

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

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

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

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

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

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

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

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

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

Strategic priorities

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

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

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

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

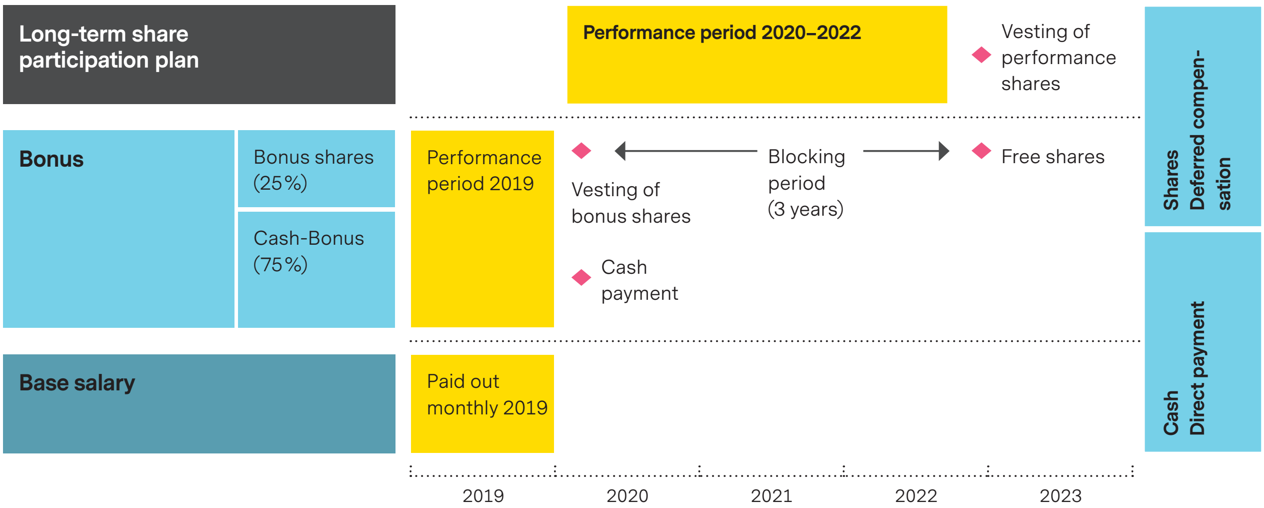
Compensation components
We are committed to providing each employee with a total compensation package that is fair, competitive, future-oriented and tailored to the role of the individual. The overall-level of pay is in line with market practices and is linked to Vontobel's operational profitability.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

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

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

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

Overview of employee compensation components:



Bonus

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

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

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

Long term incentive

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

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

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

Bonus Shares

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

Performance Shares

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

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

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

Link between variable components and the principle “Pay for Performance”

Link between the bonus and pay for performance

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

Link between the share plans and pay for performance

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

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

Governance

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

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

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

Responsibility for Vontobel's compensation system
To follow these principles, governance roles and responsibilities are clearly defined and shared across the organization:

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

Say-on-pay motions proposed to the General Meeting of Shareholders 2020

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

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

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

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

The Board of Directors will hold the following votes on compensation at the General Meeting of Shareholders of March 30, 2020:

Voting on compensation

	2017	2018	2019	2020	2021	2022
Consultative vote on Compensation Report 2019			Compensation system and governance			
Maximum aggregate fixed compensation of members of Board of Directors for forthcoming term of office				Compensation period		
Maximum aggregate fixed compensation of members of Executive Board for period from 1 July 2020 to 30 June 2021				Compensation period		
Maximum aggregate performance-related compensation of Executive Board for prior financial year that has ended			Performance period			
Additional amount for performance shares of the Executive Board, which relate to bonus shares for 2016 (approved at the General Meeting of Shareholders 2017) and will vest in 2020.	Performance period					
Maximum aggregate amount for performance shares 2020–2022 of Executive Board				Performance period		

= General Meeting

In the event of one or more motions being rejected at the General Meeting of Shareholders 2020, the Board of Directors is required to call a new General Meeting within six months and to propose new motions for the approval of compensation to shareholders.

Nomination & Compensation Committee (NCC)

The NCC consists of at least three members of the Board of Directors, who are elected each year by the General Meeting of Shareholders. In 2019, the NCC comprised the independent Board members Bruno Basler (Chairman of the NCC), Elisabeth Bourqui and Clara C. Streit, as well as the non-independent Board member Björn Wettergren. Björn Wettergren represents the fourth generation of the Vontobel and de la Cour families.

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

Benchmarks

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

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

Peer group

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

Bonus pool

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

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

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

Allocation of bonus

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

External consultants

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

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

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

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

Periodic review of the system

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

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

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

Change of control clauses

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

Notice periods and severance agreements

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

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

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

Loans to governing bodies

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

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

Compensation of the Board of Directors

Compensation system

Compensation principles

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

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

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

Compensation components

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

Duties and roles

Board of Directors

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

COMPENSATION COMPONENTS

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

Chairman of the Board of Directors

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

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

Actual compensation (audited information)

Compensation for the financial year

For the financial year 2019, compensation totalling CHF 4.4 million (previous year CHF 4.3 million) was paid to the members of the Board of Directors. Of this sum, CHF 2.6 million was paid in cash and CHF 1.7 million in the form of share-based compensation.

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

NAME	FUNCTION	COMPENSATION PAID IN CASH CHF 1,000	COMPENSATION PAID IN SHARES[1] CHF 1,000	OTHER COMPENSATION CHF 1,000	31.12.2019 TOTAL FIXED COMPENSATION CHF 1,000	31.12.2018 TOTAL FIXED COMPENSATION CHF 1,000
Herbert J. Scheidt[2]	Chairman	1,253.5	1,250.0	110.1[3]	2,613.6	2,615.0
Dr Frank Schnewlin	Vice-Chairman	191.9	57.5	0.0	249.4	270.4
Bruno Basler	Member	169.1	57.5	0.0	226.6	222.8
Dr Maja Baumann	Member	158.9	57.5	0.0	216.4	199.9
Dr Elisabeth Bourqui	Member	168.6	57.5	0.0	226.1	195.3
David Cole	Member	163.4	57.5	0.0	220.9	193.0
Stefan Loacker[4]	Member	146.9	57.5	0.0	204.4	150.1
Nicolas Oltramare[5]	Member	0.0	0.0	0.0	0.0	51.7
Clara C. Streit	Member	140.1	57.5	0.0	197.6	193.8
Björn Wettergren	Member	158.1	57.5	0.0	215.6	193.8
Total		**2,550.5**	**1,710.0**	**110.1**	**4,370.6**	**4,285.8**

1 Allocation of shares of Vontobel Holding AG that are subject to a holding period of three years, during which they cannot be sold.
2 In the year under review, Herbert J. Scheidt received CHF 124,567 (previous year CHF 105,833) of fees for Board memberships outside the company that he holds in connection within his role at the company.
3 Contribution to pension funds
4 Since 18 April 2018
5 Until 18 April 2018

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

The performance shares of the Chairman of the Board of Directors that vested in 2019 relate to bonus shares from 2015 and to the performance period from 2016 to 2018:

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

	31.12.2019 NUMBER	31.12.2018 NUMBER	CHANGE TO 31.12.2018 NUMBER	CHANGE TO 31.12.2018 IN %
Number of performance shares allotted to Herbert J. Scheidt[1]	9,304	26,954	–17,650	–65

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 0.4 mn (previous year CHF 1.0 mn) and was included on a pro rata basis over the vesting period.

Additional fees, related parties and similar information
None.

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

Holdings of shares and options (audited information)

		31.12.2019	31.12.2019 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE		31.12.2018	31.12.2018 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE	
NAME	FUNCTION	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS	SHARES NUMBER	CALL OPTIONS	PUT OPTIONS
Herbert J. Scheidt	Chairman	464,263	0	0	426,063	0	0
Dr Frank Schnewlin	Vice-Chairman	11,070	0	0	9,914	0	0
Bruno Basler	Member	16,701	0	0	15,545	0	0
Dr Maja Baumann[1]	Member	3,529	0	0	2,373	0	0
Dr Elisabeth Bourqui	Member	4,291	0	0	3,135	0	0
David Cole	Member	3,079	0	0	1,923	0	0
Stefan Loacker	Member	1,319	0	0	500	0	0
Clara C. Streit	Member	9,159	0	0	8,003	0	0
Björn Wettergren[1]	Member	20,883	0	0	19,713	0	0

The above figures do not include rights to receive performance shares.
The calculation of the number of shares at the time of exercise reflects the exchange ratio of the respective options.
The above figures also include the share and option holdings of parties related to the members of Vontobel's governing bodies.
1 The figures stated do not include the indirect participations of members of the Board of Directors Dr Maja Baumann and Björn Wettergren held through a group of shareholders ("shareholder pool") bound by a shareholder pooling agreement. Further information on the shareholder pool is provided in the Corporate Governance Report on page 37.

Loans to governing bodies (audited information)

As of December 31, 2019 and December 31, 2018 CHF no loans and credits to members of the Board of Directors were outstanding. CHF 3.1 million (previous year CHF 3.1 million) of fully secured loans and credits to related parties were outstanding as of December 31, 2019. No loans to former members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Compensation of the Executive Board

Compensation system

Compensation principles

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

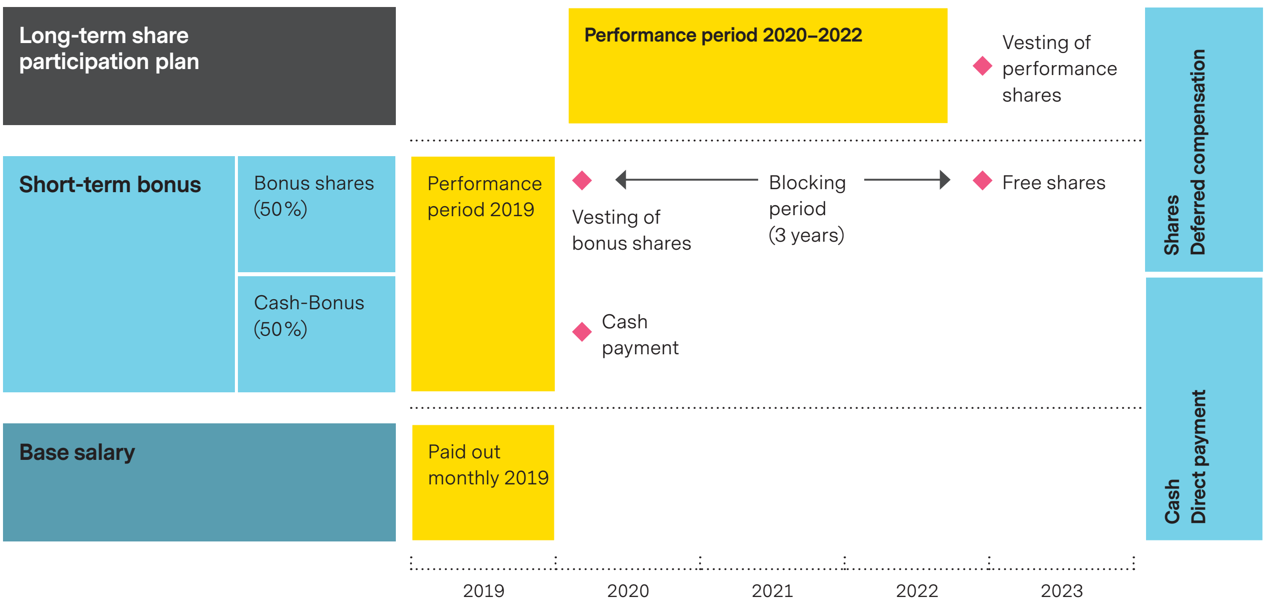
In the allocation of variable compensation, quantitative and qualitative objectives are assigned equal weighting when measuring and evaluating performance. In this context, the NCC takes account of criteria including:
- Performance of each member of the Executive Board
- Financial performance of Vontobel and the relevant division
- Performance measured in relation to the finance industry peer group
- Current market rates of compensation and efforts to achieve a compensation policy with a long-term focus, and
- Balanced distribution between groups of stakeholders

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

Compensation components

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

Overview of Executive Board compensation components:



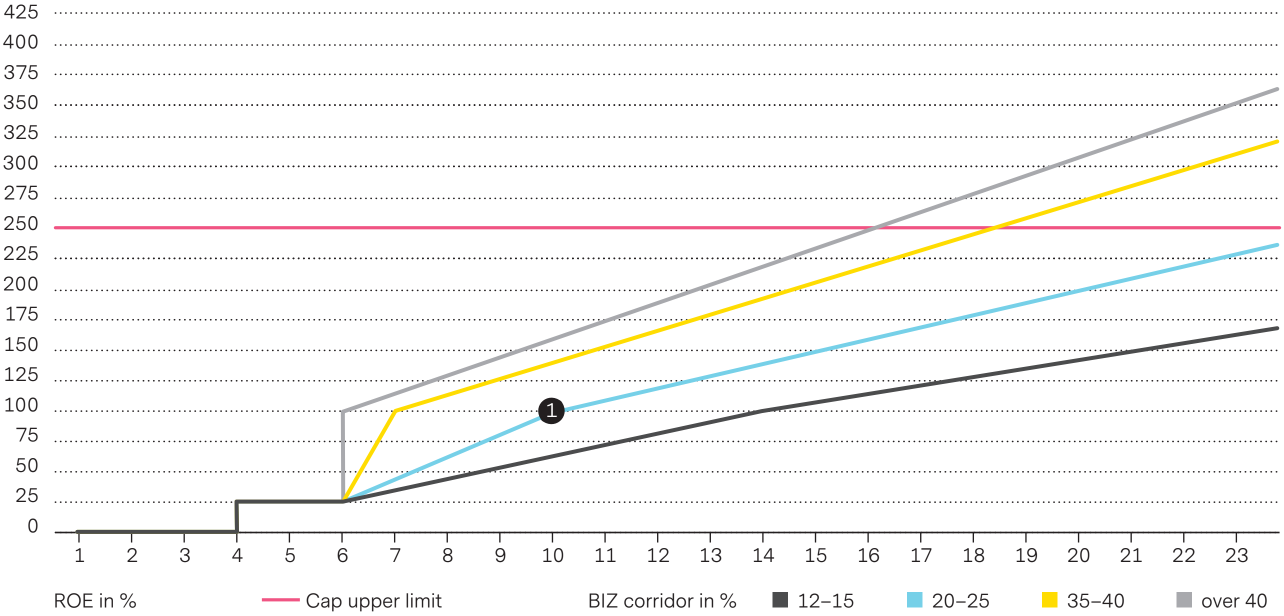
The compensation of the members of the Executive Board consists of the following components:

COMPENSATION COMPONENTS

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

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

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



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

Additional amount

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

Objectives and their achievement

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

The following objectives were defined for the Executive Board for 2019 and were evaluated by the Board of Directors:

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

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

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

In 2019, Vontobel demonstrated once again that it can successfully shape the changes in our industry – and can do so according to the needs of our clients and our company. We will continue to follow this path. We are investing in our future, are focused on sustainable growth, and are committed to delivering profitability.

In the challenging environment in 2019, with strong competition and difficult financial markets, the Executive Board largely achieved or exceeded the financial objectives defined for the financial year. We are also well on track to deliver on our ambitious mid-term targets. The high level of trust that clients place in Vontobel and its successful positioning in the market are reflected by the strong net inflow of new money of CHF 11.7 billion, the pleasing growth in operating income of 9% to CHF 1,261.9 million, and a good net profit of CHF 265.1 million. Compared to the IFRS net profit of CHF 232.2 million for 2018, the result for 2019 increased by 14%. Adjusted for one-off impacts, the result was CHF 258.9 million, corresponding to growth of 4% compared to the adjusted 2018 result of CHF 249.2 million. Vontobel generated a return on equity of 14.2% for 2019, significantly exceeding its current cost of capital of around 8% and slightly above the mid-term target of 14%. Vontobel has maintained a comfortable equity position with a CET 1 ratio of 13.5% and a Tier 1 capital ratio of 19.9%. Both ratios substantially exceed the regulatory minimum requirements defined by FINMA.

The Executive Board far exceeded its strategic objectives defined for 2019. Considerable progress was achieved at a strategic level and Vontobel generated further growth in all core activities, as well as strengthening its market position in key target markets. Wealth Management maintained its positive earnings trend in 2019. Despite the fiercely competitive environment, the gross margin in Wealth Management remained stable. This positive earnings trend reflects the systematic client focus, competence-driven product offering and especially also the economies of scale of the broader business base following the acquisition of Notenstein La Roche Privatbank AG and the US-based private clients portfolio of Lombard Odier. Asset Management has successfully positioned itself as an active high-conviction manager with a multi-boutique model. As a result of its multi-boutique approach, Vontobel Asset Management has a high level of diversification across all market- and client-relevant asset classes and can offer investment solutions for every market cycle. In 2019, Asset Management once again delivered on its claim of being Vontobel's engine of growth. At 10.8% its growth in net new money for 2019 far exceeded the ambitious 4-6% target range. Vontobel Asset Management remains Vontobel's main earnings driver.

Vontobel Financial Products has harnessed the positive effects of its successful platform strategies to further strengthen its position in the market. With a market share of 12.5% in Europe and 32.0% in our Swiss home market, measured in terms of exchange-traded volumes in the target segment, Vontobel is one of the leading providers if investment and leverage products. This mainly reflects the quality of its products, good service and its innovative strength in the area of product development. Building on these strategic priorities, in 2017 the Board of Directors and the Executive Board defined ambitious targets for growth, profitability, capital and dividends for 2020. In summer 2018, the profitability targets for Vontobel and Combined Wealth Management were increased to take account of the positive impacts that the acquisition of Notenstein La Roche Privatbank is expected to have on profitability.

The Executive Board consistently exceeded its qualitative objectives. For example, it further strengthened Vontobel's positioning in the market and vis-à-vis all stakeholders. A strong emphasis was placed on client focus. To deliver the best solutions and generate sustained success for our clients, the Executive Board has, in particular, introduced specific Customer Journeys. In this context, ever stricter regulatory requirements have been implemented in good time and systematic compliance with new data protection ordinances has been guaranteed. To achieve our targets and ensure we maintain a long-term view, it is essential to have an inspiring and dedicated leadership team in place that promotes talented employees in a targeted way, motivating them and setting the right objectives. Vontobel is about taking ownership, adopting a forward-looking approach to seize the opportunities available to us in the future, and thinking independently for the benefit of our clients. Our sharper identity sends out a clear signal and is an expression of what motivates us and how we create value for our clients.

With the realignment that was implemented at the end of 2019, Vontobel is creating the necessary organizational basis to allow us to better anticipate changes in client expecations and client behaviour and to respond to them more flexibly in the future. Vontobel's evolution into a client-centric investment manager that harnesses the power of technology for the benefits of its clients is the logical next step based on our value proposition "Driven by the power of possibility. Delivering the edge".

Actual compensation (audited information)

Compensation for the financial year

The aggregate compensation of the Executive Board increased by 7% compared to the previous year, reflecting the extremely successful performance of the business. This increase is less than the growth in profit, including on an adjusted basis, thus taking account of the need to ensure that the value created is distributed appropriately between different groups of stakeholders.

The variable bonus awarded to members of the Executive Board based on an evaluation of their achievement of individual objectives was, on average, 2.79 times their base salary (previous year: 3.12).

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

	FIXED COMPENSATION			PERFORMANCE-RELATED COMPENSATION			
FINANCIAL YEAR	BASE SALARY CHF MN	PENSION CHF MN	OTHER COMPENSATION[1] CHF MN	BONUS PAID IN CASH[2] CHF MN	BONUS PAID IN SHARES[3] CHF MN	TOTAL[4,5]	NUMBER OF RECIPIENTS
31.12.2019	4.3	0.8	0.0	6.9	5.1	17.1	6
31.12.2018	3.7	0.7	0.0	5.8	5.8	16.0	6
Change vs 31.12.2018 in %	16	14	0	19	–12	7	0

1 Other short-term employee benefits comprise family allowance payments and preferential interest rates for mortgages.
2 Financial year 2019: Subject to the approval of the General Meeting of Shareholders 2020; Performance-related Compensation for one Member of the Executive Board entirely in cash.
3 A total of 96,555 (previous year 133,498) Vontobel Holding AG shares were allocated to members of the Executive Board. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
4 Excluding flat rate compensation for expenses and employer contribution to AHV / IV / ALV.
5 The expense relating to performance shares is not included in "Total compensation for the financial year". The allocation of performance shares is shown separately in the following table "Allocation of shares from the long-term employee share-based benefit program".

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

			CHANGE TO 31.12.2018	
	31.12.2019 CHF MN OR NUMBER	31.12.2018 CHF MN OR NUMBER	CHF MN OR NUMBER	IN %
Market value of performance shares at the date on which they were allotted in CHF mn[1]	9.1	9.7	–0.6	–6
Number of performance shares allotted	164,919	157,582	7,337	5
Number of persons receiving compensation	6	6	0	0

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 6.5 mn (previous year CHF 5.8 mn) and was included on a pro rata basis over the vesting period.

Highest total compensation for the financial year

			FIXED COMPENSATION			PERFORMANCE RELEATED COMPENSATION		
FINANCIAL YEAR	NAME	FUNCTION	BASE SALARY CHF 1,000	PENSION PLAN CHF 1,000	OTHER COMPENSATION CHF 1,000	BONUS PAID IN CASH CHF 1,000	BONUS PAID IN SHARES[1] CHF 1,000	TOTAL CHF 1,000
2019	Dr Zeno Staub	CEO	850.0	135.0	3.0	1,500.0	1,500.0	3,988.0
2018	Dr Zeno Staub	CEO	700.0	118.9	3.0	1,450.0	1,450.0	3,721.9

To determine the member of the Executive Board with the highest total compensation, the conditional rights to receive performance shares associated with bonus shares are included in the calculation with a weighting of one performance share per bonus share.
1 The member of the Executive Board was awarded 28,260 shares (previous year 33,519) of Vontobel Holding AG as part of his compensation for the year under review. These shares are subject to a holding period of three years, during which they cannot be sold. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period. Those values will be known in spring 2022 respectively 2023 (cf. previous section "compensation components").

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

	31.12.2019	31.12.2018
Number of performance shares allotted	41,019	37,322

The number of performance shares allocated is calculated on the basis of the number of bonus shares received for the financial year 2015 (previous year 2014) as well as the performance of the business in the years 2016 to 2018 (2015 to 2017).

Vesting of performance shares

The increase in profitability in recent years resulted in a pleasing increase in the return on equity in the performance period from 2017 to 2019. The average return on equity was 13.4% and the average BIS Total Capital Ratio was a solid 19.0%. Consequently, the multiplier for performance shares from the 2016 bonus, which will vest in spring 2020, is 112%.

Multiplier of performance shares that have vested since 2004

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

			DETERMINING FACTORS MULTIPLIER			
SERVICE PERIOD (BUSINESS YEAR)	PERFORMANCE PERIOD	ALLOCATION YEAR	AVERAGE RETURN ON EQUITY (ROE)	AVERAGE BIS TOTAL CAPITAL RATIO[1]	MULTIPLIER	MARKET PRICE AT ALLOCATION DATE IN CHF
2004	2005–2007	2008	18.9%	23.7%	189%	36.85
2005	2006–2008	2009	16.2%	22.1%	162%	24.00
2006	2007–2009	2010	12.2%	21.6%	122%	32.25
2007	2008–2010	2011	9.2%	21.5%	85%	36.40
2008	2009–2011	2012	9.0%	23.1%	81%	22.00
2009	2010–2012	2013	8.6%	24.6%	74%	30.95
2010	2011–2013	2014	7.9%	25.8%	73%	32.15
2011	2012–2014	2015	8.3%	25.1%	83%	43.35
2012	2013–2015	2016	9.6%	22.3%	93%	41.75
2013	2014–2016	2017	13.0%	20.1%	130%	55.60
2014	2015–2017	2018	14.5%	18.6%	121%	61.80
2015	2016–2018	2019	14.7%	18.8%	123%	55.20
2016	2017–2019	2020	13.4%	19.0%	112%	n/a

1 Up to 31.12.2012: BIS Tier 1 Capital Ratio

Additional fees, related parties and similar information

None.

Former members of the Executive Board

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

Holdings of shares and options (audited information)

NAME	FUNCTION	31.12.2019 SHARES NUMBER	31.12.2019 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE CALL OPTIONS	31.12.2019 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE PUT OPTIONS	31.12.2018 SHARES NUMBER	31.12.2018 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE CALL OPTIONS	31.12.2018 OPTIONS NUMBER OF SHARES AT THE TIME OF EXERCISE PUT OPTIONS
Dr Zeno Staub	CEO	147,896	0	0	125,438	0	0
Dr Martin Sieg Castagnola	CFO	81,302	0	0	72,230	0	0
Felix Lenhard	Member	89,109	0	0	77,191	0	0
Georg Schubiger	Member	112,563	0	0	66,302	0	0
Axel Schwarzer	Member	163,340	0	0	96,161	0	0
Roger Studer	Member	83,831	0	0	71,000	0	0

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

Loans to governing bodies (audited information)

As of December 31, 2019, fully secured loans and credits to and the promise of payment in favour of members of the Executive Board of CHF 2.0 million were outstanding (previous year CHF 3.6 million). No loans to former members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Compensation of other employees

Compensation system

Compensation principles

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

Long-term participation plan

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

Variable Compensation Agreements

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

Vontobel Asset Management USA

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

TwentyFour Asset Management

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

Questions and answers

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

Objectives

Why doesn't the Compensation Report contain more detailed disclosures on objectives and the extent to which they are achieved?

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

Caps (relative or absolute limit on compensation)

Why has Vontobel not imposed any caps on bonuses?

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

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

Why has Vontobel not defined any caps for the share participation plan?

Our Long-term Incentive Program is risk-adjusted and has a natural cap, since the return on equity and Total Capital Ratio parameters run counter to each other on the one hand and have a de facto maximum limit on the other.

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

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

Target bonus

Why has Vontobel not introduced a target bonus?

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

Shares for employees

Does Vontobel increase its share capital in order to allocate bonus and performance shares?

Vontobel purchases all of the shares required for the compensation of the Board of Directors, Executive Board and employees in the market. This ensure that our compensation system does not result in any dilution of shareholders.

Discount on shares

Why is a 20% discount applied to the shares allocated to employees?

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

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

Peer comparison in participation plan

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

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

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

Capital costs in compensation model

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

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

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

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

Mandatory share ownership requirements

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

Our compensation model results in the Board of Directors and Executive Board building up a significant shareholding over time. In the case of the Executive Board, for example, the mandatory requirement to take 50% of the bonus in shares automatically results in a minimum holding of Vontobel registered shares with a value equivalent to 50% of the variable compensation paid over the last three years. For this reason – and because management has not sold all of the shares that became free – the Executive Board had an aggregate holding of Vontobel shares corresponding to 9.5 times its base salary at the end of 2019.

Clawbacks

Why are there no clawbacks at Vontobel?

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

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

Total compensation

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

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

If the compensation from the participation plan 2016 were to be added to the compensation for 2019, this would provide a misleading picture since the compensation stems from different periods.

Building a better working world

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To the General Meeting of
Vontobel Holding AG, Zurich

Zurich, 7 February 2020

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Vontobel Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled “audited information” of the remuneration report (pages 59 to 86).

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

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

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

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2019 of Vontobel Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Andreas Blumer (Qualified Signature)	Philipp Müller (Qualified Signature)
Prof. Dr. Andreas Blumer	Philipp Müller
Licensed audit expert (Auditor in charge)	Licensed audit expert

Corporate Responsibility & Sustainability

Foreword

Vontobel is the third-largest provider of sustainable investments in Switzerland

According to the "Swiss Sustainable Investment Market Study 2019" published by Swiss Sustainable Finance (SSF), a total of CHF 716.6 billion of assets were invested according to sustainability criteria as of December 31, 2018. Our clients have been benefiting from our broad range of sustainable investment solutions since the 1990s. Vontobel thus ranks as one of the pioneers in this field, as the SSF market study 2019 confirms: with a market share of 8.7%, Vontobel is the third-largest provider of sustainable investments in Switzerland.

The market for sustainable investments in Switzerland grew by 83% in 2018 compared to the previous year. In Europe, the average annual growth rate of sustainably managed assets was 6% in the period from 2014 to 2018. Vontobel expects that the demand for sustainable investment solutions will continue to rise due in part to the EU "Action Plan for Financing Sustainable Growth". The Action Plan will drive an increased focus on sustainable investing among investors. Vontobel has set itself the goal of pursuing its growth path and assuming a leading role in the field of sustainable investing. In 2019, we also established a project team to ensure the implementation of the Action Plan at Vontobel.

In 2019, Vontobel further improved on the already good score for the "Principles for Responsible Investment" (PRI) for our sustainable investment strategies: in the 2019 reporting, Vontobel outperformed the benchmark for all seven of the modules that were assessed (2018: six out of seven modules were above benchmark). Vontobel has been a signatory to the PRI since 2010. The UN initiative has more than 2,800 signatories globally, primarily comprising companies from the financial world.

On our "derinet" web portal, investors can now buy Vontobel certificates whose underlyings have undergone a sustainability analysis. In the case of certificates linked to equities, Vontobel first examines each underlying based on standard exclusion criteria. In a second step, sectors and companies are evaluated according to sustainability criteria and a final selection is made. If a product has several underlyings, they must all qualify as sustainable. These products are assigned an ESG logo and can be found easily using a new filter criterion.

In 2019, we also organized various internal and external road shows. For our German clients, we held events on the topic of sustainability at Vontobel and presented the abovementioned certificate solution to participants. In addition, we conducted internal training courses about corporate responsibility and sustainability at new Vontobel locations.

Another milestone in 2019 was the launch of our cross-divisional "Sustainable Investment Policy", thus formalizing our long-standing sustainable investment approaches. Based on the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), we also started work on a scenario analysis for Vontobel. We analyzed various model portfolios during a pilot project. Our aim is to use the analysis to identify the initial opportunities and risks of climate change for our business activities and to subsequently formulate recommended courses of action that could be taken to address them. The findings of this analysis will also help us to determine the next steps for our company.

Information about our latest projects and activities is available at: www.vontobel.com/responsibility.

Dr Zeno Staub, CEO Vontobel

Signatory of:

PRI Principles for Responsible Investment

Above average PRI rating

Sustainable Investing

Product portfolio

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

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

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

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

Wealth Management
We published our latest ESG study “Drive positive change with ESG” in cooperation with Longitude (a Financial Times Group company) in September 2019. A survey involving over 4,600 people from 14 countries across three continents was conducted on the topic of sustainable investing for the study. The findings revealed a significant knowledge gap among investors and showed that there is considerable untapped potential in the area of sustainable investing: 59% of the respondents were not even aware that it is possible to adopt an ESG approach to saving and investing. 65% believe that ethical companies generate better returns. In addition, 49% of the respondents expressed the wish to have more support and advice about sustainable investment themes from their financial services providers. To increase the focus on sustainability and ESG topics among our relationship managers, Vontobel Wealth Management held an internal road show in the first half of 2019 and gave detailed presentations about our sustainability approach and related investment solutions in the different locations. We also took this opportunity to inform relationship managers about corporate responsibility.

— Investment solutions
Our portfolio management and investment advisory offering incorporates sustainable investment solutions that address the needs of our private clients.

Our product range in the area of portfolio management includes two dedicated sustainable portfolio management mandates. The first solution is a Multi-Asset mandate – a standard solution based on sustainable investment strategies defined by Vontobel. This mandate solution invests according to sustainability criteria via collective investment vehicles (funds and certificates) in the asset classes cash, fixed income, and equities and it is diversified across various sustainability approaches. Sound, long-term strategic asset allocation provides a robust basis for this mandate. We also cover “high conviction” themes (e.g. clean tech, water or healthy living). The second solution is an individual mandate that is tailored to the client’s wishes regarding sustainability criteria, investment strategy, and the use of financial instruments. A specialized portfolio management team is responsible for managing the mandates. Our relationship managers – together with sustainability experts – conduct personal consultations with clients to regularly discuss the performance of the portfolio in terms of its financial return and the generation of positive environmental and social impacts.

In the area of investment advisory, clients have the opportunity to invest in equities, fixed income or collective investments that are in line with Vontobel Wealth Management’s sustainability approach and are the subject of buy recommendations by primary or secondary research providers as well as our in-house fund research team. In addition, our relationship managers can filter the investment universe according to fundamental analysis using a Web-based tool in combination with the list of recommendations to identify sustainable stocks. This allows them to compile sustainable portfolios more efficiently and to provide our clients with appropriate advice about sustainable stocks.

In the area of pension provision, we give our clients the opportunity to invest through our cooperation partners in investment funds that combine the goals of capital preservation and capital growth with ethical, environmental, and social aspects.

In summer 2019, based on the "Sustainable value creation" megatrend, Vontobel Wealth Management launched two actively managed open-end certificates. The first one focuses on the theme of water and invests in companies that offer sustainable products and services to mitigate or eliminate global problems such as water shortages or water pollution, thus generating positive environmental and social impacts. The second certificate is devoted to diversity as a driver of innovation and cohesion within companies and it invests in firms that strive for gender diversity (especially in the composition of their Board of Directors or Executive Board), as well as diversity across nationalities and generations. Stock selection for the two products is based on fundamental analysis produced by Vontobel Swiss Equity Research, the Vontobel Global Quality Achievers Model, and external research providers. The analysis of ESG factors is based on ESG research produced by Vontobel Asset Management, as well as external research providers such as Sustainalytics. The ESG filter criteria focus on minimizing existing and potential ESG risks and controversial factors, as well as on criteria that are designed to generate positive environmental and social impacts.

Investment communications

In 2019, we further strengthened our presence using communication channels such as the Internet, social media, newspapers and magazines, to inform our clients about the topic of sustainability.

As part of our series of "Insights & Trends" events in Switzerland and Germany, we selected sustainable investing at Vontobel as a key theme for 2019 alongside the current market outlook. This generated lively discussions and met with a positive response from clients.

In 2019, we included members from our new locations in the "Wealth Management Expert Circle Sustainable Investing" that provides a platform for regular dialogue about sustainability topics as part of the expansion of our range of client services. Through the discussion of new developments in the area of sustainability, the Expert Circle aims to ensure the transfer of knowledge within our organization and to create the basis to embed this topic within our client communications.

— Training and education

We used the acquisition of Notenstein La Roche in 2018 as an opportunity to make significant and targeted investments in the training and development of our relationship managers. In 2019, around 150 people completed the Vontobel Curriculum for Relationship Managers. This training course, which was developed specifically for Vontobel Wealth Management, consists of four days of classroom learning as well as around 25 hours of online training about topics such as finance, regulation, and advisory capabilities. A key component of the curriculum is the transfer of knowledge about sustainable investing and the expansion of our expertise in this field across the whole of Wealth Management. In addition to regular training courses about specialist themes and regulatory aspects, sustainability was one of the topics that featured prominently in the training we provided in 2019. In this context, we held a special "Lunch & Learn" presentation that explained how Vontobel is positioned in the area of sustainability based on the private banks report published by the University of Zurich.

Sustainable investing was also one of the topics covered in the First Week Entry Training for new employees in 2019. This induction program, which lasts several days, allows new employees in Vontobel Wealth Management to get to know the company and ensures they are ideally prepared for their challenging new role.

— Outlook

In 2020, we will focus on expanding our advisory process and on broadening our range of internal and external sustainable investment solutions in the areas of portfolio management and investment advisory. We will also expand and deepen our training about the topic of sustainability for relationship managers.

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

Asset Management

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

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

We provide our clients with a choice of sustainability-oriented funds and individual mandates. The ESG Investment Governance Committee is responsible for the coordination of the different investment strategies regarding environmental, social, and governance (ESG) issues, overarching principles and policies, and generally advances ESG throughout the various investment teams in Vontobel Asset Management. The Committee consists of representatives of all Asset Management boutiques and meets once each month. It reports to the Vontobel Asset Management Executive Committee.

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

We offer a broad range of equity, fixed income and multi-asset funds incorporating different sustainability approaches. Our investors receive comprehensive information about the funds' investment processes and selection criteria based on the individual investment policy of the respective funds, e.g. in the form of methodology white papers. In addition, we provide investors with specific ESG information on selected investment products. This information covers aspects such as the ESG profiles and ESG ratings of certain investments, the ESG profiles of our mandates and funds – including benchmark comparisons – and CO_2 reporting or impact-related information based on the UN Sustainable Development Goals.

— mtx strategies (equities)

The mtx strategies are based on the belief that there is a strong positive correlation between improvements in a company's return on invested capital (ROIC) and its share price. We focus on a limited number of stocks that pass our top quartile ROIC test and are top-ranked in their industry. Therefore, we seek to examine whether ESG data is material to the alpha source of the investment strategy in such a highly selective group of top performing stocks and whether ESG performance can support ROIC. Core to our ESG Integration approach is our in-house yardstick, the so-called minimum standard framework (MSF). Sector-specific MSFs, which consider up to 25 material ESG factors with a possible relevance on future cash flows, help us evaluate both the companies' ESG risks and opportunities. All assets managed according to mtx strategies follow this approach and are therefore ESG compliant. In 2019, we made new appointments to further strengthen the ESG analysts team.

— Global Trends Strategies (equities)

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

— Swiss Equities

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

— **Sustainable Fixed Income strategies**
Being invested in bonds issued by countries as well as companies, we follow a range of sustainability assessment methods taking into account the characteristics of different fixed income market segments and client requirements. Typically, we exclude issuers whose activities are highly controversial. For example, companies should not generate more than 10% of their turnover from controversial products and services. Criteria such as human rights violations (according to Freedom House) or threats to freedom and security (according to the Global Peace Index) are taken into account in the selection of countries. We can apply further exclusion criteria to direct investment mandates at the request of clients. We consider the ESG analysis an integral part of our credit and country analysis revolving around the identification of material ESG issues. For this, we start with the assessment of recognized ESG research agencies and then take an in-depth look at critical ESG issues using our in-house capabilities and methodologies. For example, all portfolios at our subsidiary TwentyFour are managed on an ESG integration basis, where ESG factors are evaluated alongside traditional credit metrics in order to help maximize risk-adjusted returns over the long term. For their sustainable fund range, further negative and positive screening is applied beyond simply ESG integration. Negative screening excludes sectors such as Tobacco, Alcohol, Controversial Weapons, Gambling, Adult Entertainment and Carbon intensive energy, whilst positive screening means they can only invest in companies that have ESG scores from their own in-house scoring model in the top two-thirds of potential scores. We also offer "best-in-class" approaches based on external sustainability rating agencies such as Inrate, for example.

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

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

Investment Banking
Vontobel Investment Banking is one of the leading issuers of structured products in Switzerland and the rest of Europe.

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

With the recently launched platform investerest, Investment Banking enables internal and external investment managers to offer their products to a broad public via a central marketplace. At the same time, this gives investors the opportunity to create customized products and to obtain a valuation and share them using various functions. We are thus making it possible to place sustainable products with a large community, to further develop those products via different interactions, and to take account of user influences and incorporate them in order to enhance the products.

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

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

103-3 Evaluation of the management approach
FS6 Percentage of the portfolio for business lines by specific region, size and by sector
See pages 20, 26–31 and 211–213.

FS8 Products and services designed to deliver a specific environmental benefit

FS11 Percentage of assets subject to positive and negative environmental or social screening

Sustainable investments

	2019	2018
Volume of sustainable investments (CHF mn)	30,672	23,285
Proportion of sustainable investments (in % of AuM)	15.4	13.6

At 31.12.2019, Vontobel had a total of CHF 30,627 mn of assets under management invested according to sustainability criteria, corresponding to an increase by more than 30% versus the previous year. The pleasing increase is attributable to a strong overall performance and high inflows across all sustainable investment solutions. Measured as a proportion of total assets under management, sustainable investments thus increased from 13.6% to 15.4%.

Active Ownership

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

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

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

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

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

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

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

103-3 Evaluation of the management approach
FS10 Portfolio-based engagement on social or environmental issues
Each year, Vontobel publishes a Voting and Engagement Report (www.vontobel.com/voting). The report for 2019 will be published in mid-2020. In 2018, we voted on a total of 5,817 resolutions at 463 general meetings worldwide for the abovementioned strategies. At 279 of the meetings (60%), we rejected one or more motions. With certain exceptions, we voted with the management at four meetings, and at 180 general meetings (39%) we supported all the motions put forward by management.

In 2018, Hermes EOS, engaged in a critical dialogue with 38 companies on a total of 134 issues on our behalf, of which 19% related to environmental, 26% to social and 25% to strategy and risk matters. Corporate governance was once again the main topic discussed in 2018, accounting for 30% of all issues.

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

Economic Sustainability

Economic Performance and Indirect Economic Impacts

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

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

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

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

103-3 Evaluation of the management approach
201-1 Direct economic value generated and distributed
Value creation increased by 12% compared to the previous year, while tax payments decreased by around 8%. The Board of Directors' confidence in Vontobel's strategy and its active capital management are demonstrated by the proposed dividend of CHF 2.25 per share, corresponding to an increase of 7% versus the previous year. Further information on the operating result is provided on page 120.

Economic value distributed

CHF MN	2019	2018
Value creation [1]	945.5	842.3
Taxes [2]	46.6	50.5
Dividend for the fiscal year [3]	126.5	117.7

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

201-3 Defined benefit plan obligations and other retirement plans
Information on pension and other employee benefit plans and benefit pension liabilities is provided in the tables on pages 156 and 174.

203-1 Infrastructure investments and services supported
In 2019, the Vontobel Charitable Foundation contributed around CHF 580,000 of donations and sponsorship funding (2018: CHF 585,000). In the year under review, the Charitable Foundation supported initiatives including the project "Protection of species, biodiversity and habitat at the Kulturhof Hinter Musegg" run by the "Stiftung Kultur- und Lebensraum Musegg" in Lucerne. Further information: www.museggmauer.ch/stiftung-lebensraum-musegg.

In addition, Vontobel donated a total of CHF 276,091 in the year under review (2018: CHF 302,714). Of this sum, almost CHF 160,000 was donated to the Swiss Climate Foundation, of which Vontobel has been a founding member since 2008, and CHF 95,900 was given to the International Committee of the Red Cross (ICRC). Our 2019 fundraising campaign supported the ICRC project "ALMANACH". Further information is available at: www.klimastiftung.ch and www.vontobel.com/almanach.

Anti-corruption

103-1 Explanation of the material topic and its boundary
We operate our business with a focus on maintaining the satisfaction and trust of our clients, as well as on protecting and building the wealth they have entrusted to us. These goals are to always be pursued in accordance with applicable laws, rules and regulations – especially when taking steps to combat terrorism and corruption.

103-2 The management approach and its components
Anti-corruption measures are an important part of our compliance system. Effective compliance forms the basis of our long-term success and is therefore a core aspect of our business. Vontobel takes comprehensive, state-of-the-art measures to ensure continuous compliance with laws and regulatory requirements. As part of our Group-wide risk analysis, teams of specialists regularly assess all our areas of business using appropriate compliance processes to ensure they are legally compliant.

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

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

103-3 Evaluation of the management approach
205-1 Operations assessed for risks related to corruption
Our Group-wide risk management framework also addresses the topic of anti-corruption and covered all of our locations worldwide in the reporting year.

205-2 Communication and training about anti-corruption policies and procedures
In the year under review, 100% of all employees received information about our anti-corruption strategies and measures or received anti-corruption training.

205-3 Confirmed incidents of corruption and actions taken
There were no incidents of corruption involving employees at Vontobel in the year under review.

In the case of suspected breaches of legal or regulatory requirements, internal guidelines or ethical standards, a whistleblowing system is in place to allow employees to report these incidents anonymously. No such reports were made in 2019.

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

Environmental Sustainability

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

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

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

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

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

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

Vontobel has been carbon-neutral since January 1, 2009 (Scope 1, 2 and 3). We offset the greenhouse gas emissions we produce each year by purchasing CO_2 emissions certificates to support projects that save the same volume of emissions. The Vontobel Sustainability Committee once again selected a climate neutrality project with a focus on rainforest conservation in 2019. Detailed information about the project is available at: www.vontobel.com/environmental-sustainability. As a founding member of the Swiss Climate Foundation, we donate a significant proportion of our refunded CO_2 levy to the Foundation, which then uses these funds to finance projects to improve the energy efficiency of small- and medium-sized companies. The projects supported by the Climate Foundation in 2019 included a project that uses artificial intelligence to increase the efficiency of sewerage systems, as well as an initiative focusing in the upcycling of e-bike batteries. Further information is available at: www.vontobel.com/responsibility-news and www.klimastiftung.ch.

Each year, we gather comprehensive environmental data in order to measure our progress. Due to Vontobel's strong growth, we refined various data collection processes during the year under review, and were able to measure data from the previous year even more precisely. We have therefore adjusted the figures for 2018 in the "Energy" and "Emissions" overviews.

Materials

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

	2019[1]	2018[1,3]	2017[1,2]
Materials (absolute)			
Water (drinking water, m³)	24,006	16,137	22,902
Food (t)	103	96	91
Paper (t)	99	127	101
Proportion of recycled paper used	93%	88%	58%
Materials (per full-time position)			
Water (drinking water, l/FTE)	11,826	8,906	13,714
Food (kg/FTE)	51	53	55
Paper (kg/FTE)	49	70	61

1 Figures are based on the period from October 1 in the previous year to September 30
2 Figures are based on a broader scope and adapted emissions factors
3 Excluding Notenstein La Roche

Following extensive renovation work in one of our major office buildings in Zurich, we resumed operations in that building in April 2019. In addition, our buildings portfolio has expanded significantly following the integration of Notenstein La Roche at the end of 2018. These factors led to an increase in water consumption. It also became apparent that it is not always possible to clearly determine the amount of water supplied for each year of operations. We receive invoices at different times, depending on the water supplier.

While the total consumption of foodstuffs also rose because our canteen catered for more employees at certain times during the year, a slight reduction was achieved in the consumption of foodstuffs per full-time equivalent (FTE).

Following an increase in paper consumption in the previous year as a result of the integration of Notenstein La Roche, a significant decrease in paper consumption was recorded both on an absolute basis and per employee in the year under review. We further increased the proportion of recycled paper to 93%.

The renovation of our office building at Genferstrasse 27 in Zurich was completed in 2019. We were able to implement various environmentally relevant measures in cooperation with the building owner. For example, the building façade, which consists of cast plates, was completely dismantled, reformed, and then reused for the same building, with only small sections being designated as waste.

Energy

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

	2019[1]	2018[1,3]	2017[1,2]
Energy (absolute)			
Heat consumption (MWh)	3,570	2,298	3,478
Renewable energy consumption (MWh)	107	124	-
Electricity consumption (MWh)	6,863	6,183	7,009
District heating/cooling usage (MWh)	804	309	-
Total energy consumption (MWh)	11,343	8,914	10,487
Business travel (1,000 km)	18,387	20,103	17,952
of which business flights (1,000 km)	*16,955*	*18,720*	*17,227*
Commuting (1,000 km)	24,420	20,752	17,458
Energy (per full-time position)			
Total energy consumption (kWh/FTE)	5,588	4,919	6,279
Business travel (km/FTE)	9,058	11,093	10,750
of which business flights (km/FTE)	*8,352*	*10,330*	*10,316*
Commuting (km/FTE)	12,030	11,453	10,454

1 Figures are based on the period from October 1 in the previous year to September 30
2 Figures are based on a broader scope and adapted emissions factors
3 Excluding Notenstein La Roche

Total energy consumption in 2019 clearly increased compared to the previous year. This reflects the fact that one larger property in Zurich was used again following the completion of renovation work in April 2019. Due to the high temperatures in summer 2019, the use of air conditioning was relatively high.

Following a significant increase in business travel in the previous year, a reduction was recorded in 2019 due primarily to a decrease in business flights.

We are installing video-conferencing technology as a standard feature in all our meeting rooms globally. These investments are being made specifically to allow our employees to hold meetings around the globe at any time.

Emissions

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

	2019[1]	2018[1,3]	2017[1,2]
Emissions (absolute)			
Total greenhouse gas emissions ($t\ CO_2e$)	7,953	7,915	7,720
Greenhouse gas emissions scope 1 ($t\ CO_2e$)	939	543	856
Greenhouse gas emissions scope 2 ($t\ CO_2e$)	293	112	1
Greenhouse gas emissions scope 3 ($t\ CO_2e$)	6,720	7,260	6,863
of which business flights ($t\ CO_2e$)	*5,637*	*6,249*	*5,826*
of which commuting ($t\ CO_2e$)	*408*	*418*	*448*
Emissions (per full-time position)			
Total greenhouse gas emissions ($kg\ CO_2e/FTE$)	3,918	4,367	4,623
of which business flights ($kg\ CO_2e/FTE$)	*2,777*	*3,448*	*3,489*
of which commuting ($kg\ CO_2e/FTE$)	*201*	*231*	*268*

1 Figures are based on the period from October 1 in the previous year to September 30
2 Figures are based on a broader scope and adapted emissions factors
3 Excluding Notenstein La Roche

While we achieved a reduction in relative CO_2 emissions compared to the previous year, there was a slight increase in absolute CO_2 emissions. The decrease in absolute and relative emissions resulting from commuting reflects an increase in the number of employees in Switzerland, where our new locations have good public transport connections.

It is essential to have a solid set of data in order to develop and implement environmental and climate protection measures in a targeted and effective manner. In the year under review, we achieved further improvements in data quality for various environmental key figures at our international locations.

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

Social Sustainability

We define social sustainability as our responsibility as an employer and our comprehensive commitment to serving communities. Further information about our support for the International Committee of the Red Cross (ICRC) and other social commitments is available here: www.vontobel.com/serving-communities.

Employment

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

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

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

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

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

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

In addition to the regular Employee Surveys conducted in previous years, we carried out a Manager Survey (referred to as "upward feedback") for the first time in 2019. The results of this survey provide helpful input about the areas where managers have scope for further development. To support the recruitment of talents and to strengthen our Employer Branding, Vontobel has created a Talent Acquisition team.

103-3 Evaluation of the management approach
401-1 New employee hires and employee turnover
Compared to the previous year, the number of employees increased (see also 102-8 Information on employees and other workers, page 108).

Employee turnover[1]

	2019	2018
Turnover rate (in %)	14.2	11.4

Employee departures by age category: up to 20: 3; 21–30: 42; 31–40: 87; 41–50: 82; 51–60: 42; 61–64: 11; from 65: 7
Hires by age category: up to 20: 0; 21–30: 70; 31–40: 94; 41–50: 57; 51–60: 17; 61–64: 0; from 65: 2

1 2018: excluding Notenstein La Roche

In 2019, the employee turnover rate increased from 11.4% to 14.2% (see table). A total of 91 female employees and

183 male employees left Vontobel during the year. Meanwhile, a total of 240 new employees were hired during the year under review (80 women and 160 men).

401-2 Benefits provided to employees
Almost 10% (2018: 8%) of employees have made use of the option of purchasing individual days of holiday in addition to their normal holiday entitlement.

Training and Education

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

103-2 The management approach and its components
Training and development are essential in order to keep pace with the competition. We recognize our responsibility as an employer and therefore offer a comprehensive range of training and development courses.

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

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

Vontobel supports employees who want to complete external training courses, where appropriate. These courses mainly involve business-specific qualifications such as the Master in Banking and Finance, Bachelor or Master in Business Administration, CFA or CIIA.

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

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

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

Training[1]

	2019	2018
Training costs (1,000 CHF)	1,773	1,654
Training costs (CHF / FTE)	895	829
Number of apprenticeships (incl. trainees)	33	32

1 2018: excluding Notenstein La Roche

In 2019, overall training costs as well as training costs per employee rose compared to the previous year. The number of apprenticeships increased slightly from 32 in 2018 to 33.

404-2 Programs for upgrading employee skills and transition assistance programs
In 2019, the Vontobel Academy again offered a large number of internal and external courses on specialist, personal development, and management topics. The Vontobel Ambassador e-learning program is mandatory for all employees. Its aim is to inform all employees about our most important products and services. Vontobel has entered into a cooperation agreement with the Association for International Wealth Management (AIWM). As a result, the Vontobel Curriculum for Relationship Managers is now recognized internationally and opens the way for employees to complete further training at AZEK (Swiss Training Centre for Investment Professionals).

404-3 Percentage of employees receiving regular performance and career development reviews
At the end of 2019, 91% of employees had begun or completed their annual performance review process.

Diversity, Equal Opportunity and Non-Discrimination

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

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

Vontobel wants to strengthen employee awareness of the topic of Diversity & Inclusion. We have therefore defined three main areas that we will focus on going forward: “Gender”, “Nationality” and “Demography”. We have formulated appropriate and realistic goals – referred to as our “Aspirations 2020” – for each area. We provide comprehensive information about our various activities on the Intranet on an ongoing basis. Since 2019, volunteers from all areas of the business have been actively working on the further development of this topic in close consultation with the Executive Board and the Board of Directors.

In the “Gender” focus area, we are striving to continuously increase the number of women at senior management level or with leadership responsibilities. In addition to its cooperation with the women’s network “Fondsfrauen”, Vontobel became a member of “Advance” in 2019. In the “Nationality” focus area, we want to ensure that the composition of our workforce reflects our target markets while, at the same time, preserving our “Swissness” that is valued by our clients. Finally, in the “Demography” focus area, we aim to achieve a balanced age mix. Long-term succession planning that addresses the needs of the business divisions is an essential part of Vontobel’s long-term human resources planning. This is another area in which we take our Diversity & Inclusion focus areas into account. The age structure shows that most employees are aged between 30 and 50. Targeted measures are needed to align the potential of this age group with the divisions’ staffing needs.

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

103-3 Evaluation of the management approach
405-1 Diversity of governance bodies and employees
There was little change in the proportion of employees who worked on a part-time basis compared to 2018: The proportion of female employees working part-time remained stable at 33%, while the proportion of male employees in part-time positions increased slightly to 9% (2018: 8%).

HSG Diversity Benchmarking has confirmed that Vontobel demonstrates an above-average commitment to the promotion of women. In the area of recruitment, Vontobel’s performance is rated as average in an industry comparison. The newly created Talent Acquisition team is therefore placing a targeted focus on ensuring a healthy mix of female and male candidates in the area of recruitment. For these as well as further indicators see the tables on page 106.

406-1 Incidents of discrimination and corrective actions taken
No cases of discrimination were reported in 2019.

Breakdown of full-time and part-time positions by gender as of 31.12.2019

	NUMBER OF WOMEN	PROPORTION OF WOMEN	NUMBER OF MEN	PROPORTION OF MEN	TOTAL NUMBER	TOTAL PROPORTION
less than 20%	0	0%	0	0%	0	0%
20–49%	20	3%	2	0%	22	1%
50–79%	78	12%	21	1%	99	5%
80–99%	115	18%	93	7%	208	10%
100%	427	67%	1,293	92%	1,720	84%
Total	**640**	**100%**	**1,409**	**100%**	**2,049**	**100%**

Number of employees by domicile

	NUMBER OF WOMEN	NUMBER OF MEN	31.12.2019 TOTAL	NUMBER OF WOMEN	NUMBER OF MEN	31.12.2018 TOTAL
Switzerland	520	1,179	1,699	521	1,216	1,737
Germany	36	67	103	43	67	110
USA	30	54	84	28	51	79
United Kingdom	23	51	74	22	44	66
Hong Kong	12	17	29	12	13	25
Italy	9	13	22	9	10	19
Luxembourg	6	11	17	8	9	17
Singapore	1	7	8	3	5	8
U.A.E	2	5	7	2	10	12
Spain	1	3	4	1	3	4
Australia	0	2	2	0	2	2
Total	**640**	**1,409**	**2,049**	**649**	**1,430**	**2,079**

Number of employees by nationality

	31.12.2019		31.12.2018	
	NUMBER	IN %	NUMBER	IN %
Switzerland	1,379	67	1,402	67
Germany	226	11	248	12
United Kingdom	79	4	74	4
Italy	78	4	75	4
USA	73	4	68	3
France	38	2	39	2
China	16	1	19	1
Poland	12	1	9	0
Austria	11	1	14	1
Spain	11	1	16	1
Other	126	6	115	6
Total	**2,049**	**100**	**2,079**	**100**

Age structure

	31.12.2019		31.12.2018	
	NUMBER	IN %	NUMBER	IN %
Up to 20 years old	7	0	13	1
21 to 30 years old	268	13	267	13
31 to 40 years old	589	29	603	29
41 to 50 years old	678	33	705	34
51 to 60 years old	450	22	445	21
More than 60 years old	57	3	46	2
Total	**2,049**	**100**	**2,079**	**100**
Average age (in years)	*43*		*43*[1]	

1 Excluding Notenstein La Roche

Age structure of the Board of Directors

	31.12.2019		31.12.2018	
	NUMBER	IN %	NUMBER	IN %
31 to 40 years old	1	11	1	11
41 to 50 years old	3	33	4	44
51 to 60 years old	3	33	2	22
More than 60 years old	2	23	2	23
Total	**9**	**100**	**9**	**100**

Years of service

	31.12.2019		31.12.2018	
	NUMBER	IN %	NUMBER	IN %
< 1 year	229	11	266	12
1 up to < 5 years	756	37	739	36
5 up to < 10 years	517	25	521	25
10 up to < 20 years	423	21	435	21
20 up to < 30 years	84	4	80	4
from 30 years	40	2	38	2
Total	**2,049**	**100**	**2,079**	**100**

Breakdown of rank structure by gender as of 31.12.2019

	NUMBER OF WOMEN	PROPORTION OF WOMEN	NUMBER OF MEN	PROPORTION OF MEN
Employee	129	47%	143	53%
Middle management	320	46%	383	54%
Senior management	191	18%	876	82%
Executive Board	0	0%	6	100%
Total	**640**	**31%**	**1,408**	**69%**
Board of Directors	3	33%	6	67%

Marketing and Labeling, Product Compliance

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

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

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

Customer Privacy

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

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

103-3 Evaluation of the management approach
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
In the reporting year, no authorities issued sanctions against Vontobel for breaches of privacy or losses of client data.

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

General Disclosures

Organizational profile

102-1 Name of the organization
Vontobel Holding AG

102-2 Activities, brands, products, and services
Information on our activities, brands, products, and services is provided in the following sections of our Annual Report: “Our brand”, pages 10–11; “Wealth Management”, page 26; “Asset Management”, page 28, “Investment Banking”, page 30.

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

102-4 Location of operations
A current overview of all our locations can be found on the Internet at: www.vontobel.com/locations

102-5 Ownership and legal form
Further information about the nature of our ownership and our legal form are provided in the section “Major shareholders and groups of shareholders with pooled voting rights”, page 37.

102-6 Markets served
Information on markets served is provided in Wealth Management”, page 26; “Asset Management”, page 28, “Investment Banking”, page 30.

102-7 Scale of the organization
As of 31.12.2019, Vontobel had a total of 2,049 employees.

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

102-8 Information on employees and other workers
Of the total of 2,049 employees at Vontobel as of 31.12.2019, 1,720 held full-time positions (see table on page 105).

In addition to employees with permanent contracts, a total of 366 temporary employees worked for Vontobel at the end of 2019. These individuals either have fixed-term contracts or are available on an “on call” basis to assist the company when needed.

For further key figures concerning our employees see the section on “Diversity, Equal Opportunity and Non-Discrimination” (page 105).

102-9 Supply chain
Vontobel purchases a large quantity of products and services from external providers, including facility management services, IT infrastructure, and the design and production of printed materials, as well as catering and cleaning services. Wherever possible, we work with local suppliers. For example, we purchase fruit for our employees from a Swiss family-owned company. All of our print orders in Switzerland are awarded to Swiss printing companies. A major proportion of the advertising and Christmas gifts used throughout the company are also purchased from Swiss providers. At the end of 2019, we had a total of around 1,600 suppliers, of which 80% were based in Switzerland.

102-10 Significant changes to the organization and its supply chain
Information on the development of the business is provided in the “Business Review”, page 12, and in “Changes in the scope of consolidation” page 215. There were no significant changes to the supply chain.

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

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

102-12 External initiatives
Vontobel has been a signatory to the PRI, a UN initiative to promote sustainable investing, since 2010. The Principles were launched by the then UN Secretary General in 2006 and take account of the growing relevance of environmental, social, and governance (ESG) themes in investment practice. In June 2019, Vontobel hosted the “PRI Reporting Consultation Workshop” at its head office in Zurich.

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

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

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

Strategy

102-14 Statement from senior decision-maker
See the foreword of the Sustainability Report, page 90.

102-15 Key impacts, risks, and opportunities
See the foreword of the Sustainability Report, page 90.

Ethics and integrity

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

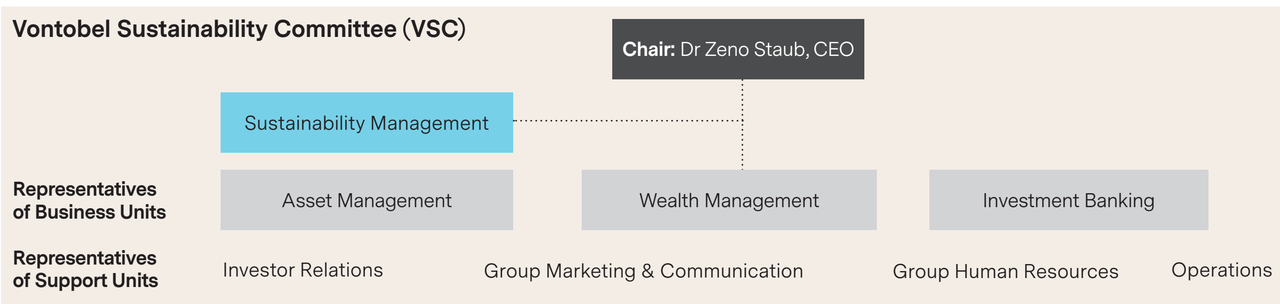
Two key documents form the basis of Vontobel's sustainability commitments:
- The Code of Conduct defines basic principles that employees must observe to ensure that we perform our business activities in a fair and forward-looking manner.
- The Sustainability Guidelines define the areas in which we take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

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

Governance

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

Vontobel strives to continuously improve its own sustainability performance and has two committees that work towards this goal: the Vontobel Sustainability Committee consists of representatives from all divisions and reports to the CEO. Based on Vontobel's Sustainability Principles, the Committee defines the Sustainability Strategy and specific targets. In the context of our "Strategy 2020", the Committee defined strategic objectives and key performance indicators for the area "Corporate Responsibility & Sustainability". Corporate Sustainability Management coordinates the implementation of the measures that have been decided in conjunction with the relevant specialist units (see chart).



Corporate Sustainability Management

Chief Executive Officer
Dr Zeno Staub

Corporate Marketing & Communication
P. Farinato

Communications
S. Aamara

Special Interest
C. Schilz

Corporate Sustainability Management
N. Ernst, S. Schärer

The ESG Investment Government Committee is responsible for the coordination of the different investment strategies regarding environmental, social, and governance (ESG) issues, overarching principles and policies, and generally advances ESG throughout the various investment teams in Vontobel Asset Management. The Committee consists of representatives of all Asset Management boutiques and meets once each month. It reports to the Vontobel Asset Management Executive Committee.

Information on Vontobel's overall governance structure is provided in the "Corporate Governance" section, starting on page 36.

Stakeholder engagement

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

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

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

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

102-44 Key topics and concerns raised
In 2018, we carried out an employee survey as well as various client surveys. Issues raised by employees included calls for targeted support in the area of career development and the topic of constructive feedback. In 2019 for the first time, we carried out a Manager Survey (referred to as "upward feedback"). The results of this survey provide helpful input about the areas where managers have scope for further development.

The majority of clients indicated that they were very satisfied with Vontobel but we nonetheless want to achieve improvements in this area and to further strengthen client satisfaction and trust in our company. We are making good progress in these efforts: in the financial year 2019, Vontobel once again received numerous awards, demonstrating our clients' satisfaction with our services.

Reporting practice

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

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

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

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

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

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

102-50 Reporting period
Unless stated otherwise, the reporting period is from January 1 to December 31, 2019. The environmental key figures relate to the period from October 1, 2018, to September 30, 2019.

102-51 Date of most recent report
February 2019

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

102-53 Contact point for questions regarding the report
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Simone Schärer
Sustainability Manager
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sustainability@vontobel.com

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

102-55: GRI Content Index
See GRI Content Index from page 113.

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

GRI Content Index

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

This GRI service was conducted on the German version of this report.

GRI Standard	Title	Page	Reason of omission
	Sustainable Investing	**91**	
	Product portfolio	**91**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	91, 95	
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	95	
FS8	Products and services designed to deliver a specific environmental benefit	95	
FS11	Percentage of assets subject to positive and negative environmental or social screening	95	
	Active Ownership	**96**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	96	
FS10	Portfolio-based engagement on social or environmental issues	96	
	Economic Sustainability	**98**	
GRI 201:	**Economic performance 2016**	**98**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	98	
201-1	Direct economic value generated and distributed	98	
201-3	Defined benefit plan obligations and other retirement plans	98	
GRI 203:	**Indirect economic impacts 2016**	**98**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	98	
203-1	Infrastructure investments and services supported	98	
GRI 205:	**Anti-corruption 2016**	**98**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	98, 99	
205-1	Operations assessed for risks related to corruption	99	
205-2	Communication and training about anti-corruption policies and procedures	99	
205-3	Confirmed incidents of corruption and actions taken	99	
	Environmental Sustainability	**100**	
GRI 301:	**Materials 2016**	**101**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	100, 101	
301-1	Materials used by weight or volume	101	
301-2	Recycled input materials used	101	
GRI 302:	**Energy 2016**	**101**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	100, 101	
302-1	Energy consumption within the organization	101	
302-3	Energy intensity	101	
302-4	Reduction of energy consumption	101	
GRI 305:	**Emissions 2016**	**102**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	100, 102	
305-1	Direct (Scope 1) GHG emissions	102	
305-2	Energy indirect (Scope 2) GHG emissions	102	
305-3	Other indirect (Scope 3) GHG emissions	102	
305-4	GHG emissions intensity	102	
305-5	Reduction of GHG emissions	102	

GRI Standard	Title	Page	Reason of omission
	Social Sustainability	**103**	
GRI 401:	**Employment 2016**	**103**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	103	
401-1	New employee hires and employee turnover	103	
401-2	Benefits provided to employees	104	
GRI 404:	**Training and Education 2016**	**104**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	104	
404-1	Average hours of training per year per employee	104	
404-2	Programs for upgrading employee skills and transition assistance programs	104	
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	105	
GRI 405:	**Diversity and Equal Opportunity 2016**	**105**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	105	
405-1	Diversity of governance bodies and employees	105	
GRI 406:	**Non-Discrimination 2016**	**105**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	105	
406-1	Incidents of discrimination and corrective actions taken	105	
GRI 417:	**Marketing and Labeling 2016**	**107**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	107	
417-1	Requirements for product and service information and labeling	107	
GRI 418:	**Customer Privacy 2016**	**107**	
GRI 103: 103-1 / 103-2 / 103-3	Management approach 2016	107	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	107	

UN Global Compact: Activities and Results

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

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

The Ten Principles of the UN Global Compact

PRINCIPLES	IMPLEMENTATION AT VONTOBEL: CONTENT-RELATED TOPICS AND COVERAGE ACCORDING TO GRI REPORTING	PAGE IN ANNUAL REPORT
Human Rights		
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights	Topic **Non-discrimination**	
	GRI 406-1 Incidents of discrimination and corrective actions taken	105
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based engagement on social or environmental issues	96
	FS11: Percentage of assets subject to positive and negative environmental or social screening	95
Principle 2: Make sure that they are not complicit in human rights abuses	Topic **Organizational Profile**	
	GRI 102-9 Supply chain	108
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based engagement on social or environmental issues	96
	FS11: Percentage of assets subject to positive and negative environmental or social screening	95
Labor		
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	Topic **Organizational Profile**	
	GRI 102-41 Collective bargaining agreements	110
Principle 4: Elimination of all forms of forced and compulsory labor	Topic **Organizational Profile**	
	GRI 102-9 Supply Chain	108
	Topic **Economic performance**	
	GRI 201-3 Defined benefit plan obligations and other retirement plans	98
Principle 5: Effective abolition of child labor	Topic **Organizational Profile**	
	GRI 102-9 Supply Chain	108
Principle 6: Elimination of discrimination in respect of employment and occupation	Topic **Organizational Profile**	
	GRI 102-8 Information on employees and other workers	108
	Topic **Employment**	
	GRI 401-1 New employees hires and employee turnover	103
	Topic **Training and Education**	
	GRI 404-2 Programs for upgrading employee skills and transition assistance programs	104
	GRI 404-3 Percentage of employees receiving regular performance and career development reviews	105
	Topic **Diversity and equal opportunity**	
	GRI 405-1 Diversity of governance bodies and employees	105
	Topic **Non-discrimination**	
	GRI 406-1 Incidents of discrimination and corrective actions taken	105

PRINCIPLES	IMPLEMENTATION AT VONTOBEL: CONTENT-RELATED TOPICS AND COVERAGE ACCORDING TO GRI REPORTING	PAGE IN ANNUAL REPORT
Environment		
Principle 7:	Topic **Materials**	
Businesses should support	GRI 301-1 Materials used by weight or volume	101
a precautionary approach to	GRI 301-2 Recycled input materials used	101
environmental challenges	Topic **Energy**	
	GRI 302-1 Energy consumption within the organization	101
	GRI 302-3 Energy intensity	101
	GRI 302-4 Reduction of energy consumption	101
	Topic **Emissions**	
	GRI 305-1 Direct (Scope 1) GHG emissions	102
	GRI 305-2 Energy indirect (Scope 2) GHG emission	102
	GRI 305-3 Other indirect (Scope 3) GHG emission	102
	GRI 305-4 GHG emissions intensity	102
	GRI 305-5 Reduction of GHG emissions	102
	Financial Sector specific indicators: product portfolio and active ownership	
	FS10: Portfolio-based engagement on social or environmental issues	96
	FS11: Percentage of assets subject to positive and negative environmental or social screening	95
Principle 8:	Topic **Materials**	
Undertake initiatives to promote	GRI 301-1 Materials used by weight or volume	101
greater environmental responsibility	GRI 301-2 Recycled input materials used	101
	Topic **Energy**	
	GRI 302-1 Energy consumption within the organization	101
	GRI 302-3 Energy intensity	101
	GRI 302-4 Reduction of energy consumption	101
	Topic **Emissions**	
	GRI 305-1 Direct (Scope 1) GHG emissions	102
	GRI 305-2 Energy indirect (Scope 2) GHG emission	102
	GRI 305-3 Other indirect (Scope 3) GHG emission	102
	GRI 305-4 GHG emissions intensity	102
	GRI 305-5 Reduction of GHG emissions	102
Principle 9:	Topic **Energy**	
Encourage the development and	GRI 302-4 Reduction of energy consumption	101
diffusion of environmentally friendly	Topic **Emissions**	
technologies	GRI 305-5 Reduction of GHG emissions	102
Anti-corruption		
Principle 10:	Topic **Ethics and Integrity**	
Businesses should work against	GRI 102-16 Values, principles, standards, and norms of behavior	109
corruption in all its forms, including	GRI 205-1 Operations assessed for risks related to corruption	99
extortion and bribery	GRI 205-2 Communication and training about anti-corruption policies and procedures	99
	GRI 205-3 Confirmed incidents of corruption and actions taken	99

Consolidated financial statements

Notes to the consolidated financial statements

Consolidated income statement

Consolidated income statement

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Interest income		113.6	99.2	14.4	15
Interest expense		27.9	24.5	3.4	14
Net interest income		**85.7**	**74.7**	**11.0**	**15**
Credit loss (expense) / recovery		–1.3	–2.8	1.5	
Net interest income after credit losses	1	**84.4**	**71.8**	**12.6**	**18**
Fee and commission income		1,130.3	1,035.2	95.1	9
Fee and commission expense		271.1	249.5	21.6	9
Net fee and commission income	2	**859.2**	**785.7**	**73.5**	**9**
Trading income	3	**310.8**	**295.1**	**15.7**	**5**
Other income	4	**7.5**	**5.1**	**2.4**	**47**
Total operating income		**1,261.9**	**1,157.8**	**104.1**	**9**
Personnel expense	5	637.2	570.1	67.1	12
General expense	6	216.3	246.7	–30.4	–12
Depreciation of property, equipment (incl. software) and intangible assets	7	100.1	68.8	31.3	45
Provisions and losses	8	1.6	–4.0	5.6	
Total operating expense		**955.2**	**881.6**	**73.6**	**8**
Profit before taxes		**306.7**	**276.2**	**30.5**	**11**
Taxes	9	41.6	44.0	–2.4	–5
Group net profit		**265.1**	**232.2**	**32.9**	**14**
of which allocated to minority interests		*14.1*	*11.5*	*2.6*	*23*
of which allocated to shareholders of Vontobel Holding AG		*251.0*	*220.7*	*30.3*	*14*

Share information

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Basic earnings per share[1] (CHF)	11	4.49	3.96	0.53	13
Diluted earnings per share[1] (CHF)	11	4.39	3.88	0.51	13

1 Basis: weighted average number of shares

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Group net profit according to the income statement		**265.1**	**232.2**	**32.9**	**14**
Other comprehensive income, net of tax	10				
Other comprehensive income that will be reclassified to the income statement					
Currency translation adjustments:					
Income during the reporting period		–3.3	–3.4	0.1	
Gains and losses transferred to the income statement		0.0	0.0	0.0	
Total currency translation adjustments		–3.3	–3.4	0.1	
Debt instruments in financial investements:					
Income during the reporting period		19.7	–4.8	24.5	
Gains and losses transferred to the income statement		–0.6	0.2	–0.8	–400
Total debt instruments in financial investments		19.1	–4.7	23.8	
Cash flow hedges:					
Income during the reporting period		1.5	0.1	1.4	
Gains and losses transferred to the income statement		0.0	0.0	0	
Total cash flow hedges		1.5	0.1	1.4	
Total other comprehensive income that will be reclassified to the income statement		**17.3**	**–8.0**	**25.3**	
Other comprehensive income that will not be reclassified to the income statement					
Income from equity instruments in financial investments		9.5	31.1	–21.6	–69
Income from defined benefit pension plans		–10.4	–55.1	44.7	
Total other comprehensive income that will not be reclassified to the income statement		**–0.9**	**–24.0**	**23.1**	
Total other comprehensive income, net of tax		**16.4**	**–32.0**	**48.4**	
Comprehensive income		**281.5**	**200.3**	**81.2**	**41**
of which allocated to minority interests		*14.2*	*11.1*	*3.1*	*28*
of which allocated to shareholders of Vontobel Holding AG		*267.2*	*189.2*	*78.0*	*41*

Consolidated balance sheet

Assets

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Cash		7,133.6	7,229.4	–95.8	–1
Due from banks		622.6	1,161.2	–538.6	–46
Receivables from securities financing transactions	21	355.1	765.0	–409.9	–54
Trading portfolio assets	12	3,395.6	2,972.1	423.5	14
Positive replacement values	12	155.3	136.0	19.3	14
Other financial assets at fair value	12	5,195.2	4,143.2	1,052.0	25
Loans	13	5,046.2	4,904.6	141.6	3
Financial investments	14	2,641.8	3,276.4	–634.6	–19
Investments in associates	15	1.0	0.9	0.1	11
Property, equipment and software	17	354.4	175.5	178.9	102
Goodwill and other intangible assets	19	573.3	579.3	–6.0	–1
Other assets	20	766.2	693.8	72.4	10
Total assets		**26,240.3**	**26,037.3**	**203.0**	**1**

Liabilities and equity

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Due to banks		544.2	679.8	–135.6	–20
Payables from securities financing transactions	21	218.7	34.5	184.2	534
Trading portfolio liabilities	12	99.3	208.4	–109.1	–52
Negative replacement values	12	728.4	1,325.7	–597.3	–45
Other financial liabilities at fair value	12	10,663.6	7,836.2	2,827.4	36
Due to customers		10,506.4	12,649.2	–2,142.8	–17
Debt issued	24	448.1	447.6	0.5	0
Provisions	25	19.4	18.5	0.9	5
Other liabilities	26	1,199.0	1,134.0	65.0	6
Total liabilities		**24,427.0**	**24,333.8**	**93.2**	**0**
Share capital	27	56.9	56.9	0.0	0
Treasury shares	27	–84.2	–98.8	14.6	
Capital reserve		–225.9	–172.8	–53.1	
Retained earnings		2,109.4	1,978.0	131.4	7
Other components of shareholders' equity		–42.9	–59.8	16.9	
Shareholders' equity		**1,813.3**	**1,703.5**	**109.8**	**6**
Minority interests		0.0	0.0	0.0	
Total equity		**1,813.3**	**1,703.5**	**109.8**	**6**
Total liabilities and equity		**26,240.3**	**26,037.3**	**203.0**	**1**

Statement of equity

Statement of equity

CHF MN	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE
Balance as of 01.01.2018	**56.9**	**–79.6**	**–160.3**
Impact of changes to the accounting principles (IFRS 9)			
Balance as of 01.01.2018 after adjustments	**56.9**	**–79.6**	**–160.3**
Group net profit			
Other comprehensive income that will be reclassified to the income statement			
Other comprehensive income that will not be reclassified to the income statement			
Comprehensive income	**0.0**	**0.0**	**0.0**
Dividend payment[2]			
Purchase of treasury shares		–94.4	
Sale of treasury shares		15.9	1.5
Share-based compensation expense			34.2
Allocations from share-based compensation		59.3	–34.0
Change in minority interests			0.0
Change in liability to purchase minority interests			–14.1
Other effects	0.0	0.0	0.0
Ownership-related changes	**0.0**	**–19.2**	**–12.5**
Balance as of 31.12.2018	**56.9**	**–98.8**	**–172.8**
Balance as of 01.01.2019	**56.9**	**–98.8**	**–172.8**
Group net profit			
Other comprehensive income that will be reclassified to the income statement			
Other comprehensive income that will not be reclassified to the income statement			
Comprehensive income	**0.0**	**0.0**	**0.0**
Dividend payment[2]			
Purchase of treasury shares		–73.6	
Sale of treasury shares		14.4	–0.9
Share-based compensation expense			34.5
Allocations from share-based compensation		73.9	–39.9
Change in minority interests			0.0
Change in liability to purchase minority interests			–46.8
Other effects	0.0	0.0	0.0
Ownership-related changes	**0.0**	**14.6**	**–53.1**
Balance as of 31.12.2019	**56.9**	**–84.2**	**–225.9**

1 ”Currency translation adjustments”, “Unrealized income from debt instruments in financial investments” and “Cash flow hedges” are reported in the balance sheet item “Other components of shareholders’ equity”.
2 Vontobel Holding AG paid a dividend (gross) of CHF 2.10 (previous year CHF 2.10) per registered share with a par value of CHF 1.00 in April 2019.

RETAINED EARNINGS	CURRENCY TRANSLATION ADJUSTMENTS[1]	UNREALIZED INCOME FROM DEBT INSTRUMENTS IN FINANCIAL INVESTMENTS[1]	CASH FLOW HEDGES[1]	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
1,854.7	**–48.4**	**–1.6**	**–1.2**	**1,620.5**	**0.0**	**1,620.5**
44.8		–1.1		43.7		43.7
1,899.5	**–48.4**	**–2.7**	**–1.2**	**1,664.2**	**0.0**	**1,664.2**
220.7				220.7	11.5	232.2
	–3.0	–4.7	0.1	–7.5	–0.4	–8.0
–24.0				–24.0	0.0	–24.0
196.7	**–3.0**	**–4.7**	**0.1**	**189.2**	**11.1**	**200.3**
–118.3				–118.3	–11.6	–129.8
				–94.4	0.0	–94.4
				17.4	0.0	17.4
				34.2	0.0	34.2
				25.3	0.0	25.3
	0.0	0.0		0.0	0.1	0.1
				–14.1	0.4	–13.8
0.0		0.0		0.0	0.0	0.0
–118.3	**0.0**	**0.0**	**0.0**	**–149.9**	**–11.1**	**–161.0**
1,978.0	**–51.4**	**–7.3**	**–1.1**	**1,703.5**	**0.0**	**1,703.5**
1,978.0	**–51.4**	**–7.3**	**–1.1**	**1,703.5**	**0.0**	**1,703.5**
251.0				251.0	14.1	265.1
	–3.5	19.1	1.5	17.1	0.1	17.3
–0.9				–0.9	0.0	–0.9
250.1	**–3.5**	**19.1**	**1.5**	**267.2**	**14.2**	**281.5**
–118.4				–118.4	–19.4	–137.8
				–73.6	0.0	–73.6
				13.5	0.0	13.5
0.0				34.5	0.0	34.5
				34.0	0.0	34.0
	0.0	0.0		0.0	0.2	0.2
				–46.8	5.0	–41.8
–0.4		–0.2		–0.6	0.0	–0.6
–118.8	**0.0**	**–0.2**	**0.0**	**–157.5**	**–14.2**	**–171.7**
2,109.4	**–54.9**	**11.6**	**0.4**	**1,813.3**	**0.0**	**1,813.3**

Consolidated cash flow statement

Consolidated cash flow statement

CHF MN	31.12.2019	31.12.2018
Cash flow from operating activities		
Group net profit (incl. minorities)	265.1	232.2
Reconciliation to net cash flow from operating activities		
Non-cash positions in Group results:		
Depreciation and valuation adjustments of property, equipment (incl. software) and intangible assets	100.1	68.8
Credit loss expense / (recovery)	1.3	0.3
Net effect from investments in associates	–0.1	0.0
Deferred income taxes	–10.5	3.5
Change in provisions	0.8	–26.5
Net income from investing activities	10.0	9.8
Net income from disposal of property, equipment (incl. software) and intangible assets	0.0	0.0
Other non-cash income	36.7	15.2
Net (increase) / decrease in assets relating to banking activities:		
Due from / to banks, net	–115.3	–605.6
Receivables from securities financing transactions	409.9	449.3
Trading positions and replacement values, net	–1,108.4	1,800.3
Other financial assets / liabilities at fair value, net	1,775.3	–1,264.2
Loans / due to customers, net	–2,384.4	–806.1
Other assets	–91.8	82.6
Net increase / (decrease) in liabilities relating to banking activities:		
Payables from securities financing transactions	184.2	–330.0
Other liabilities	–63.6	114.9
Taxes paid	–42.0	–31.4
Cash flow from operating activities	**–1,032.6**	**–286.8**
Cash flow from investing activities		
Business combinations	91.0	883.0
Disposal of subsidiaries and associates	0.0	21.9
Settlement of earn-out payments	–0.4	0.0
Purchase of property, equipment (incl. software) and intangible assets	–61.0	–66.7
Disposal of property, equipment (incl. software) and intangible assets	–2.0	0.0
Investment in financial instruments	–328.6	–983.2
Divestment of financial instruments	950.4	641.7
Cash flow from investing activities	**649.4**	**496.7**
Cash flow from financing activities		
Repayment of leasing liabilities	–28.0	0.0
Net movements in treasury shares	–60.1	–77.0
Dividends paid	–137.8	–129.8
Issued debt instruments	0.0	447.4
Cash flow from financing activities	**–225.9**	**240.6**
Effects of exchange rate differences	–4.9	–6.5
Net increase / (decrease) in cash and cash equivalents	**–614.1**	**444.1**
Cash and cash equivalents, beginning of the year	8,362.6	7,918.9
Impact of changes to the accounting principles	0.0	–0.4
Cash and cash equivalents as at the balance sheet date	**7,748.5**	**8,362.6**

CHF MN	31.12.2019	31.12.2018
Cash and cash equivalents comprise at the balance sheet date		
Cash [1]	7,133.6	7,229.4
Due from banks on demand	614.9	1,133.2
Total	**7,748.5**	**8,362.6**
Further information:		
Dividends received	39.6	47.5
Interest received	207.6	157.1
Interest paid	29.8	23.2

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

Accounting principles

1. Basis of presentation

Vontobel's consolidated financial statements comprise the accounts of Vontobel Holding AG and its subsidiaries. They have been prepared in accordance with the International Financial Reporting Standards (IFRS). The accounting principles applied are the same as in the consolidated financial statements dated December 31, 2018, the only exceptions being the changes referred in section 4.

2. Estimates, assumptions and judgment

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

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

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

3. Summary of the most important accounting principles

3.1 Consolidation principles

Subsidiaries

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

Acquired subsidiaries are consolidated from the date on which control is transferred to Vontobel. Changes to investments in subsidiaries are recorded as transactions in shareholders' equity provided Vontobel retains control of the subsidiary. Subsidiaries that are sold are consolidated until the date on which control is lost.

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

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

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

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

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

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

3.2 General principles

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

When drawing up the consolidated financial statements, the balance sheets of Vontobel companies that are denominated in a foreign currency are translated into Swiss francs at the closing exchange rates. Average exchange rates for the period under review are used for items of the income statement, other comprehensive income and cash flows. Currency translation adjustments that result from changes in exchange rates between the beginning and the end of the year, as well as the difference between the annual profit at average rates and at year-end rates, are recognized in other comprehensive income. If a realization event occurs (e.g. if control over a Group company is lost), the relevant currency translation adjustments are transferred from other comprehensive income to the income statement. For information on hedges of net investments in foreign operations, please refer to note 34 "Hedge accounting".

Segment reporting
Please refer to note 49 for information on the segments.

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

3.3 Financial instruments

Initial recognition
Purchases and disposals of financial assets are recognized in the balance sheet at the trade date. At the time of initial recognition, financial assets or financial liabilities are classified according to IFRS 9 criteria, assigned to the relevant category and measured at the fair value of the consideration paid or received, including directly attributable transaction costs. In the case of trading portfolio assets and liabilities and other financial instruments at fair value ("Fair value through profit or loss"), the transaction costs are immediately recognized through profit or loss.

Measuring fair value, fair value hierarchy and recognition of "day 1 profit"
For information on the measurement of fair value of financial instruments, the valuation techniques used, the fair value hierarchy and day 1 profit, please refer to note 30 "Fair value of financial instruments".

Trading portfolio assets and trading portfolio liabilities ("fair value through profit or loss")
Financial assets or financial liabilities held for trading purposes are recognized at fair value in "Trading portfolio assets" or "Trading portfolio liabilities". All income components are recognized in "Trading income".

Derivative financial instruments ("fair value through profit or loss") and hedge accounting
Derivative instruments are recognized as positive and negative replacement values at fair value. Provided no hedge accounting is applied for the relevant derivatives, all income components are recognized in "Trading income". Information on hedge accounting is provided in note 34.

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

Other financial liabilities at fair value ("fair value through profit or loss")
This balance sheet item contains issued structured products and debt instruments for which the fair value option is applied. They are managed, measured and reported to the Board of Directors and the Executive Board on a fair value basis according to a documented strategy. They are treated the same way in the income statement as trading portfolio liabilities (information on the treatment of the impact of changes in own credit risk is provided in note 3 "Trading income"). Income from issued structured products and debt instruments is therefore treated in the same way as income from the corresponding hedging positions.

Financial investments ("fair value through other comprehensive income")
This balance sheet item contains long-term equity investments (e.g. investments in infrastructure companies) on the one hand, and on the other hand debt instruments held within a business model whose objective is both selling debt instruments and collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial investments are recognized at fair value.

In the case of equity investements, dividends are recognized in net interest income and all other income components are recognized in other comprehensive income. Realized income is not transferred to profit or loss.

In the case of debt instruments, changes in fair value are recognized in other comprehensive income. The change in expected credit losses is shown in "Net interest income", and the reverse entry is recognized in other comprehensive income. If a debt instrument is sold, expected credit losses and cumulative changes in fair value are transferred from other comprehensive income to the items "Net interest income" and "Other income". Interest is accrued in the period in which it is earned using the effective interest method and recognized in "Net interest income". For further information on expected credit losses, see the section "Impairment model" below.

Cash, due from banks, receivables from securities financing transactions and loans ("amortized cost")
These positions are held to collect contractual cash flows, that are solely payments of principal and interest on the principal amount outstanding. The cash holdings in the balance sheet item "Cash" are recognized at nominal value and other positions are recognized at amortized cost less expected credit losses. Securities received in the context of securities financing transactions are not recognized in the balance sheet, since the risks and rewards of ownership are not transferred to Vontobel.

The change in expected credit losses is shown in "Net interest income". Interest on positions that are not past due is accrued in the period in which it is earned using the effective interest method and recognized in "Net interest income". Negative interest is shown as interest expense. For further information on expected credit losses, see the section "Impairment model" below.

Due to banks, payables from securities financing transactions, due to customers and debt issued ("amortized cost")
These positions are recognized at amortized cost. Interest is accrued in the period in which it is incurred using the effective interest method and recognized in "Net interest income". Negative interest is shown as interest income. Securities that are transferred in the context of securities financing transactions are not derecognized since the risks and rewards of ownership are not transferred. Additional Tier 1 bond positions held due to market making activities are classed as repaid and are offset in the balance sheet item "Debt issued".

Impairment model
At Vontobel, it is mainly financial assets recognized at amortized cost, debt instruments in financial investments and credit risks from off-balance-sheet items that are subject to the IFRS 9 impairment model. Vontobel applies the impairment model individually for all relevant financial instruments.

At Vontobel, a financial instrument is assigned to stage 1 of the impairment model at the time of initial recognition.

Vontobel has elected under IFRS 9 to continue to allocate all financial instruments with an internal or external rating of at least "investment grade" to stage 1 after initial recognition. At Vontobel, this applies to the vast majority of financial instruments. If a financial instrument displays a significantly increased credit risk (risk of default) compared to the time of initial recognition and if any (internal or external) rating no longer corresponds to at least "investment grade", it is transferred to stage 2. The main indicators of a significant increase in credit risk are: a delay in payment and a material deterioration in the rating, credit risk-related market data (e.g. increase in the risk premium) or borrower-related (idiosyncratic) factors. If a payment is more than 30 days past due, a financial instrument is, in principle, always transferred to stage 2. If there is objective evidence of impairment, the financial instrument is transferred to stage 3. Objective evidence of impairment includes missed payments, substantial financial difficulties on the part of the borrower, a material reduction in the market price of a debt instrument due to borrower-specific factors, and a material reduction in the value of the collateral received.

The financial investments held by Vontobel generally consist solely of liquid debt instruments from high-quality borrowers that have been assigned an external rating in the high "investment grade" range by a recognized rating agency. The creditworthiness of the borrowers is monitored continuously based on changes in external ratings, market factors as well as internal assessments. If a debt instrument no longer meets the internal rules governing creditworthiness, it is generally sold within a very short period of time. In exceptional cases where the instrument is not sold, checks are carried out at the next balance sheet date to determine whether there has been a significant increase in the credit risk or whether there is objective evidence of impairment. Since the debt instruments are highly liquid, the market price is a reliable indicator of the financial position of a borrower. In the event of a significant decrease in market price due to company-specific factors, the debt instrument is classed as impaired.

The secured loans provided to investment clients ("lombard lending") and exposures to professional counterparties – with the exception of the financial investments described above – are generally only entered into on a secured basis, with securities serving as easily realizable collateral. Mortgage collateral consists of mortgage certificates, although the corresponding clients generally hold additional assets at Vontobel. Further information about the procedures to ensure that adequate collateral is in place as well the methods and processes used to carefully manage counterparty risks resulting from unsecured exposures is provided in chapter 5 of the notes on risk management and risk control. The management and control of counterparty risks minimizes the probability that a stage 1 exposure will have to be transferred to stages 2 or 3.

The expected credit losses in stage 1 of the impairment model correspond to the present value of expected credit losses resulting from possible default events within 12 months of the balance sheet date ("12-month losses"). The expected credit losses in stages 2 and 3 correspond to the present value of all expected credit losses over the remaining lifetime of the financial instrument ("lifetime losses"). The change in expected credit losses is recognized in "Net interest income".

The expected credit losses on financial instruments with an external or comparable internal rating in stages 1 and 2 are calculated by multiplying the exposure at default (EAD) with the probability of default (PD) and the loss given default (LGD). The interest rate effect is considered if material. The probabilities of default are generally determined using the rating transition matrixes of rating agencies or internal ratings, and the loss given default is determined based on market observations. The forecasts of future events that are incorporated into the calculation of expected credit losses are based, among other things, on market observations and market estimates, early warning signals, and industry and segment analysis. The value of collateral is taken into account when calculating expected credit losses. For this reason, it is usual for only minimal expected credit losses to be reported in particular for lombard loans, – which account for by far the largest proportion of the balance sheet item "Loans" – and receivables from securities financing transactions in stages 1 and 2.

The expected credit losses of financial instruments in stage 3 are calculated after taking account of collateral valued at the liquidation value using an individual assessment of the unsecured portion of the loan. They are generally derecognized at the point in time when a legal title confirms the conclusion of the realization proceedings.

3.4 Other basic principles

Precious metals and cryptocurrencies

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

Own shares and derivatives on own shares

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

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

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

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

Share-based payment

Please refer to note 40 for information on share-based compensation.

Property, equipment and software

Please refer to note 17 for information on property, equipment and software.

Goodwill and other intangible assets

Please refer to note 19 for information on goodwill and other intangible assets.

Leasing

Please refer to note 18 for information on leasing.

Income taxes

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

Deferred tax assets or deferred tax liabilities correspond to the tax effects arising from temporary differences between the carrying amounts of assets and liabilities in Vontobel's balance sheet and their corresponding tax values. They are included in the balance sheet items "Other assets" or "Other liabilities", respectively. Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offset are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realized, or the tax liabilities settled.

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

If there is uncertainty over a tax treatment, Vontobel assesses the probability that the tax authority will accept the treatment applied by Vontobel. It is assumed that the tax authority will examine any amounts reported to it and will have full knowledge of all relevant information when doing so. If the entity concludes that it is not probable that a particular tax treatment will be accepted by the tax authority, the entity has to use the most likely amount or the expected value to take account of the uncertainty over the tax treatment.

Pension plans
Please refer to note 38 for information on pension plans.

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

4. Changes in financial reporting

4.1 Changes in accounting principles

4.1.1 Standards and interpretations that have been implemented

Vontobel applied the following new or revised standards and interpretations for the first time in the financial year 2019:

IFRS 16 – Leases
In January 2016, the IASB published the new standard for the financial reporting of leases. The new standard introduces a new lessee accounting model that eliminates the classification of leases as either finance leases or operating leases. For all leases, the lessee recognizes a leasing liability for its obligation to make future lease payments. At the same time, the lessee capitalizes the right to use the underlying asset, which basically corresponds to the present value of future lease payments plus directly attributable costs. Exemptions apply in the case of short-term leases and low-value lease assets. IFRS 16 replaces IAS 17 and the related interpretations.

When applying IFRS 16 for the first time, Vontobel did not adjust the figures for the prior year and recognized the cumulative impact of the first-time application of IFRS 16 in the opening balance sheet as of January 1, 2019, in accordance with the transitional provisions. The impacts on the consolidated financial statements are shown on pages 135 to 136.

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

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

The first-time application of IFRIC 23 had no impact on the consolidated financial statements.

Other standards and interpretations that have been implemented
The following new or revised standards and interpretations did not have any significant impacts on Vontobel when applied for the first time or were not relevant for Vontobel:
- IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Annual Improvements 2015–2017.

4.1.2 Other changes

None.

4.2 Changes in estimates

In the financial year 2019, the methodology for valuation adjustments used to determine the fair value of financial instruments in level 2 of the fair value hierarchy was refined. The impact on Vontobel's consolidated financial statements was immaterial. In addition, the method used to determine own credit risk was refined in the second half of 2019 (see note 3).

5. Standards and interpretations that have not yet been implemented

Various new and revised standards and interpretations have to be applied with effect from 1 January 2020 or a later date. Vontobel has not made use of the option of applying the following standards and interpretations prior to the effective dates.

IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform
The amendments address uncertainty related to potential effects of IBOR reform (replacement of existing reference rates such as LIBOR and EURIBOR with alternative interest rates) on certain hedge accounting requirements that are based on forward-looking analysis. The corresponding requirements are to be applied as if the reference rate on which hedged cash flows and cash flows from the hedging instrument are based is not altered as a result of interest rate benchmark reform. The amendments are to be applied for the first time for financial years beginning on or after January 1, 2020. Earlier application is permitted. Vontobel does not expect the first-time application of the amendments to have any effects on the consolidated financial statements.

Other new standards and interpretations
Based on initial analyses, the following new and revised standards and interpretations are not expected to have any significant impact on Vontobel's net profit, comprehensive income and shareholders' equity or are not expected to be relevant to Vontobel:
- IAS 1 / IAS 8 – Definition of Material;
- IAS 1 – Classification of Liabilities as Current or Non-current;
- IFRS 3 – Definition of a Business;
- IFRS 17 – Insurance Contracts;
- Conceptual Framework.

Changes due to IFRS 16

Balance sheet adjustments

Following the adoption of IFRS 16, the following changes were made to the opening balance sheet as of January 1, 2019, compared to the balance sheet as of December 31, 2018:

	31.12.2018 CHF MN	ADJUSTMENTS CHF MN	01.01.2019 CHF MN
Property, equipment and software	175.5	180.2	355.7
Right of use assets	*–*	*183.4*	*183.4*
Other property, equipment and software	*175.5*	*–3.2*	*172.3*
Other assets	693.8	–2.9	690.9
Total assets	**26,037.3**	**177.3**	**26,214.6**
Other liabilities	1,134.0	177.3	1,311.3
Leasing liabilities	*–*	*180.2*	*180.2*
Other other liabilities	*1,134.0*	*–2.9*	*1,131.1*
Equity	1,703.5	–	1,703.5
Total liabilities and equity	**26,037.3**	**177.3**	**26,214.6**

As of January 1, 2019, right-of-use assets (leased office space) in the amount of CHF 183.4 mn were recognized in the balance sheet item “Property, equipment and software”. This amount corresponds to the total of the lease liabilities recognized in the balance sheet item “Other liabilities” (CHF 180.2 mn) and the net effect of the reclassification of prepaid lease payments from the balance sheet item “Other assets” (CHF 2.9 mn as of December 31, 2018), the reclassification of deferred lease payments and for onerous contracts from the balance sheet item “Other liabilities” (CHF 2.6 mn and CHF 0.3 mn as of December 31, 2018), as well as the reclassification of capitalized reinstatement obligations within the balance sheet item “Property, equipment and software” (CHF 3.2 mn as of December 31, 2018). The lease liabilities correspond to the present value of the remaining lease payments under application of the relevant incremental borrowing rate as of January 1, 2019. The incremental borrowing rate weighted with lease payments totaled –0.4% for CHF, –0.2% for EUR, 1.2% for GBP and 2.8% for USD. The first-time application of IFRS 16 had no impact on consolidated shareholders’ equity as of January 1, 2019.

When applying IFRS 16 for the first time, Vontobel made use of the following options under the transitional provisions:

- Vontobel applied IFRS 16 to those contracts that fell within the scope of application of the previous leasing regulations in IAS 17 and IFRIC 4.
- For right-of-use assets recognized as of January 1, 2019, the initial direct costs were not included.
- Vontobel did not test right-of-use assets for impairment as of January 1, 2019. The right-of-use assets were adjusted to reflect the accruals for onerous contracts as of December 31, 2018.
- In the case of a remaining lease term of less than 12 months, the recognition exemption for short-term leases was applied.
- The options to extend and rights to terminate leases were assessed as of January 1, 2019.

In the Annual Report 2018, operating lease liabilities of CHF 181.2 mn were disclosed as of December 31, 2018, while recognized lease liabilities totaled CHF 180.2 mn as of January 1, 2019. The CHF 1.0 mn reduction corresponds to the net effect of the following differences:

- Liabilities for operating leases as of December 31, 2018, include lease payments for contracts that were already concluded in the financial year 2018 but whose commencement date falls in the financial year 2019. Under IFRS 16, these lease payments are not included as of January 1, 2019.
- Lease liabilities under IFRS 16 also contain lease payments during a period covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and the period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. However, the liabilities for operating leases as of December 31, 2018, only contain lease payments during the minimum contract term.
- Lease liabilities as of January 1, 2019, do not include leases where the recognition exemption for short-term leases and leases of low-value assets was applied.
- Lease liabilities as of January 1, 2019, reflect the present value of lease payments.

The first-time application of IFRS 16 had no impact on leases where Vontobel acts as lessor.

Risk management and risk control

1. Risk policy

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

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

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

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

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

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

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

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

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

In terms of operational risks in particular, an important role is also played by the Legal, Compliance & Tax unit, which reports to the Head of the Operations division who also works independently from the divisions and is a member of the Executive Board.

The Risk Control unit is primarily responsible for identifying risks related to ongoing business activities, changes in the environment (markets or regulation) or the launch of new activities (new products and services or new markets). Secondly, it records the identified risks using suitable methods and quantifies them using measuring systems as far as possible. These risks are then consolidated, analyzed and monitored. Vontobel employs conventional methods and procedures to achieve this (see the following sections on the individual risk categories). Market, counterparty and credit risks are monitored on a daily basis and compared with the limits that have been set. If any limits are exceeded, this is reported immediately and the position is monitored closely until the additional exposure is reduced. The Risk Control unit's third responsibility is to transparently present the risks that have been assumed.

Adequacy of internal control systems
The management and control of all risks is essentially performed using a holistic approach referred to as the Internal Control System (ICS). In accordance with the FINMA Circular 01 / 17 “Corporate governance – banks”, as well as the provisions governing control processes during the production of financial statements according to the Swiss Code of Obligations, existing control processes are regularly reviewed and further optimized. As well as ensuring compliance with legal and regulatory requirements, the focus is on ensuring the effectiveness, efficiency and reliability of business processes as well as of financial information and risk data.

Transparency regarding the risks taken
Vontobel’s risk policy distinguishes between strategic, market, liquidity, credit, operational and reputational risks. The latter are considered to be of particular and overriding importance. The Board of Directors, Executive Board and employees know that the good reputation of Vontobel and the trust which is placed in it are based on their ability to strike a balance between profit orientation, risk tolerance and compliance with mandatory rules of conduct each day.

The transparent presentation of the risk profile in consolidated form and of the individual risks that have been assumed in detailed form is a core function of the Risk Control team (see above). The front office areas that are responsible for risk management are informed about market and credit risks on a daily basis, mainly via suitable reports. However, reports on operational risks are provided at appropriate intervals rather than on a daily basis.

The Executive Board and the Board of Directors are informed in full about any changes in individual risk factors and the Group’s risk profile via consolidated periodic risk reports. The valuation principles are set out in note 30.

2. Strategic risk

Vontobel defines strategic risk as the risk that the strategic objectives it has set, and the operational objectives derived from them, will not be realized in the course of current business operations due to a failure to adequately adapt to changing operating conditions or as a result of decisions that subsequently prove to be wrong.

Strategic risk is regularly reviewed and assessed as part of Vontobel’s holistic approach to risk monitoring, with a particular focus being placed on the assessment of the environment and of the company’s strategic direction. The Executive Board is informed of the qualitative results of the analysis, which are approved by the Board of Directors. If necessary, risk mitigation measures are defined and implemented. These measures are also taken into account in strategic and operational planning.

3. Market risk

3.1 General information
Market risk refers to the risk of losses as a result of changes in market parameters such as interest rates, credit spreads, foreign exchange rates, stock prices or commodities prices and the corresponding volatilities. Market risks are relevant in various areas, both within and outside Investment Banking.

In Investment Banking, the major proportion of the risk positions originates from the business with proprietary products such as warrants, certificates and structured products, as well as the hedging of these instruments. The Financial Products business unit in Investment Banking is responsible for these positions, as well as for foreign exchange and money market trading, the management of the foreign exchange position and collateral trading (repo transactions and securities lending and borrowing transactions).

Market risks are limited and monitored using a multi-level system of limits. In addition to the Value at Risk limits and stress exposure limits prescribed at a global level and for each trading unit, this system defines a wide range of detailed sensitivity limits and volume limits in order to control and limit risks.

Positions involving market risks are also held outside Investment Banking. Financial investments consist of broadly diversified portfolios of interest rate instruments and some long-term and non-consolidated participations (see note 12). To quantify and limit risk, the same measurement methods – i.e. Value at Risk and stress exposure – are used for these positions at a consolidated level as for the positions held by Investment Banking.

Further information on market risks at overall balance sheet level (interest rate risks and currency risks) can be found in section 3.3 “Market risks related to the balance sheet structure”.

3.2 Market risks related to Investment Banking and other securities holdings

3.2.1 Value at Risk (VaR)

The management and control of market risks for all the positions in Investment Banking as well as for securities holdings outside Investment Banking is based on specific sensitivity and volume limits as well as on Value at Risk and stress exposure measurements, in line with the general market standard.

VaR is measured daily using the historical simulation method. All instruments are revalued based on historical changes to the risk factors. As a result, the historically observed volatility of the individual risk factors and the historically observed correlations between the individual risk factors are imputed directly into the VaR calculations.

The confidence level is 99%, the holding period is set at one day and the historical period of observation to determine the time series relevant to VaR extends over the last four years.

The following table shows the VaR for Vontobel as a whole, as well as for Investment Banking. The average VaR for the year under review totalled CHF 6.2 mn for Vontobel as a whole, of which CHF 5.0 mn related to Investment Banking (2018: average VaR of CHF 6.1 mn for Vontobel and of CHF 5.4 mn for Investment Banking).

The table also shows the relative importance of the VaR of the individual risk factors as a proportion of total VaR. The average VaR figures indicate that in the case of Vontobel, equity and interest rate risks (including issuer-specific credit spread risks) represent the most significant risk factors. Currency and commodities risks are of secondary importance.

Value at Risk (VaR) for Vontobel overall and for Investment Banking [1]

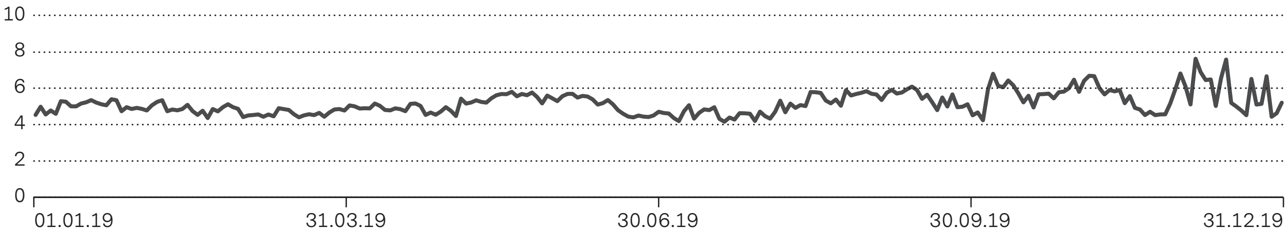
CHF MN	EQUITIES [2]	INTERESTS INCL. CREDIT SPREAD	CURRENCIES [3]	COMMODITIES	DIVERSIFICATION	31.12.2019 TOTAL
Vontobel:	**5.2**	**3.3**	**1.0**	**0.2**	**–3.9**	**5.8**
Average	5.2	3.4	1.8	0.2	–4.4	6.2
Minimum	3.9	2.6	0.6	0.0	n/a [4]	5.0
Maximum	7.7	6.5	6.8	0.9	n/a [4]	8.3
of which Investment Banking:	*4.5*	*0.8*	*0.7*	*0.2*	*–1.2*	*5.0*
Average	*4.6*	*1.1*	*0.7*	*0.2*	*–1.6*	*5.0*
Minimum	*3.3*	*0.8*	*0.2*	*0.0*	*n/a [4]*	*3.9*
Maximum	*7.1*	*1.9*	*6.9*	*0.9*	*n/a [4]*	*7.4*

CHF MN	EQUITIES [2]	INTERESTS INCL. CREDIT SPREAD	CURRENCIES [3]	COMMODITIES	DIVERSIFICATION	31.12.2018 TOTAL
Vontobel:	**4.7**	**3.1**	**1.9**	**0.2**	**–3.7**	**6.2**
Average	4.7	2.9	1.6	1.2	–4.3	6.1
Minimum	1.0	2.1	0.4	0.2	n/a [4]	2.7
Maximum	7.7	4.0	6.3	5.0	n/a [4]	9.4
of which Investment Banking:	*3.6*	*1.7*	*0.6*	*0.2*	*–2.0*	*4.1*
Average	*4.1*	*1.3*	*0.6*	*1.2*	*–1.8*	*5.4*
Minimum	*0.8*	*1.0*	*0.2*	*0.2*	*n/a [4]*	*1.6*
Maximum	*7.1*	*1.9*	*3.0*	*5.0*	*n/a [4]*	*9.5*

1 99% confidence level; 1-day holding period; historical observation period of the last four years. The contributions to the risk factors include both price and volatility risks.
2 Including positions in investment funds and hedge funds
3 Including precious metals
4 The maximum and minimum exposures for the total VaR and component VaR may have arisen on different days. Diversification is therefore not applicable here.

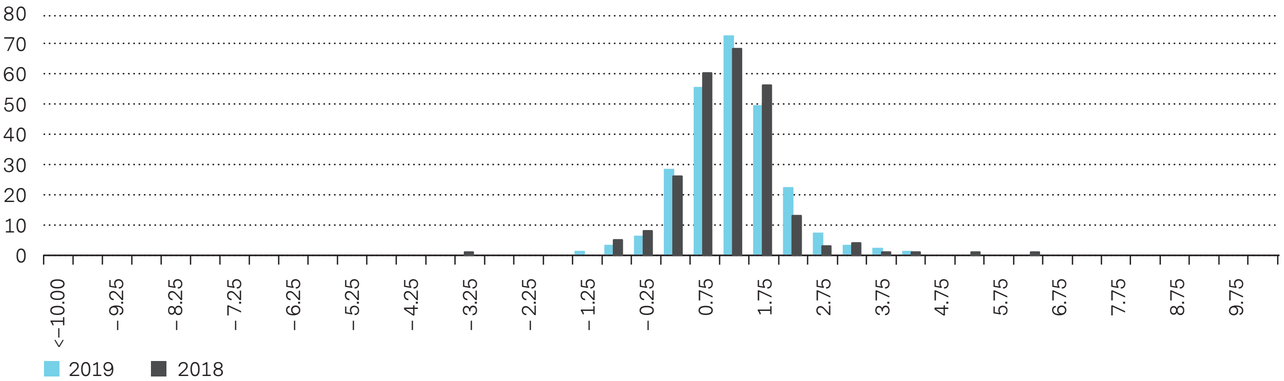
The graph below shows the development over time of 1-day VaR for the positions of Investment Banking / Financial Products at Vontobel. There is also a graph to show the frequency distribution of daily gains and losses for the years 2019 and 2018.

Value at Risk (VaR)[1] for the positions of Investment Banking/Financial Products
CHF MN



1 99% confidence level; 1-day holding period; last four years historical observation period

Frequency distribution of the gains and losses of the positions Investment Banking/Financial Products[1]
number of days



1 The reported gains and losses represent actual income incl. spreads as well as income from intraday trading (in CHF mn).

3.2.2 Stress exposure

In addition to the VaR limits based on a 99% confidence level, stress exposure limits have also been defined. The corresponding stress tests are conducted on a daily basis. All positions held by Investment Banking and all other securities positions are re-evaluated in a variety of stress scenarios (with 1-day to 10-day holding periods) and the scenario with the largest loss is subsequently defined as the stress exposure. The calculations are based on historical and institute-specific stress scenarios. The stress scenarios are reviewed regularly and are supplemented or adapted where necessary based on changes in the market environment and risk positioning.

3.3 Market risks related to the balance sheet structure

The Treasury unit is responsible for managing the balance sheet structure, capital and liquid assets. Interest rate risks and currency risks are monitored and limited as part of the Group's asset and liability management (ALM) activities. Treasury is also responsible for securing refinancing and monitoring liquidity risk on a continuous basis.

3.3.1 Interest rate risk

Interest rate and foreign-exchange risks arise in balance sheet management through differing fixed interest rate periods and foreign currencies on the asset and liability side of the balance sheet and of off-balance-sheet items. These risks are managed and monitored at an aggregated level. The interest rate sensitivities of the market value of shareholders' equity (broken down to show positions within and outside Investment Banking) are presented below. The table shows the gains and losses by currency and maturity range, assuming a + / –100 basis point change in interest rates. Assuming additive aggregation between individual currencies, the sensitivity to a +100 basis points change corresponds to CHF –36.7 mn for the current year and CHF +2.2 mn for the previous year.

Interest rate risk

	INTEREST SENSITIVITY AS OF 31.12.2019					
CHF MN	UP TO 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Interest rate risk						
+100 basis points						
CHF: Vontobel	0.1	0.3	9.6	19.3	–60.5	–31.2
of which IB	*0.0*	*0.1*	*2.9*	*5.9*	*1.0*	*9.9*
of which non-IB	*0.1*	*0.2*	*6.7*	*13.4*	*–61.5*	*–41.1*
USD: Vontobel	0.3	0.1	0.8	2.4	0.3	3.9
of which IB	*0.3*	*–0.1*	*–1.2*	*1.1*	*1.9*	*2.0*
of which non-IB	*0.0*	*0.2*	*2.0*	*1.3*	*–1.6*	*1.9*
EUR: Vontobel	0.0	–0.3	5.4	–6.0	–1.3	–2.2
of which IB	*0.1*	*–0.3*	*3.4*	*–3.4*	*0.7*	*0.5*
of which non-IB	*–0.1*	*0.0*	*2.0*	*–2.6*	*–2.0*	*–2.7*
Others: Vontobel	0.0	–0.5	–0.5	–5.7	–0.5	–7.2
of which IB	*0.0*	*–0.4*	*–0.1*	*–2.2*	*–0.1*	*–2.8*
of which non-IB	*0.0*	*–0.1*	*–0.4*	*–3.5*	*–0.4*	*–4.4*
–100 basis points						
CHF: Vontobel	–0.1	0.1	–10.0	–17.1	68.1	41.0
of which IB	*0.0*	*0.3*	*–3.2*	*–3.5*	*0.9*	*–5.5*
of which non-IB	*–0.1*	*–0.2*	*–6.8*	*–13.6*	*67.2*	*46.5*
USD: Vontobel	–0.3	0.0	–0.4	–2.5	–0.3	–3.5
of which IB	*–0.3*	*0.2*	*1.7*	*–1.2*	*–2.1*	*–1.7*
of which non-IB	*0.0*	*–0.2*	*–2.1*	*–1.3*	*1.8*	*–1.8*
EUR: Vontobel	0.0	0.2	–5.6	6.1	1.5	2.2
of which IB	*–0.1*	*0.2*	*–3.6*	*3.3*	*–0.7*	*–0.9*
of which non-IB	*0.1*	*0.0*	*–2.0*	*2.8*	*2.2*	*3.1*
Others: Vontobel	0.0	0.4	0.5	5.9	0.5	7.3
of which IB	*0.0*	*0.3*	*0.1*	*2.3*	*0.1*	*2.8*
of which non-IB	*0.0*	*0.1*	*0.4*	*3.6*	*0.4*	*4.5*

IB = Investment Banking

Interest rate risk

					INTEREST SENSITIVITY AS OF 31.12.2018	
CHF MN	**UP TO 1 MONTH**	**1 TO 3 MONTHS**	**3 TO 12 MONTHS**	**1 TO 5 YEARS**	**MORE THAN 5 YEARS**	**TOTAL**
Interest rate risk						
+100 basis points						
CHF: Vontobel	0.3	1.8	13.4	41.3	–57.7	–0.9
of which IB	*0.1*	*1.1*	*4.8*	*4.5*	*1.0*	*11.5*
of which non-IB	*0.2*	*0.7*	*8.6*	*36.8*	*–58.7*	*–12.4*
USD: Vontobel	0.1	0.2	4.2	–1.5	–0.7	2.3
of which IB	*0.1*	*0.0*	*2.2*	*1.3*	*–0.5*	*3.1*
of which non-IB	*0.0*	*0.2*	*2.0*	*–2.8*	*–0.2*	*–0.8*
EUR: Vontobel	–0.3	–0.8	6.7	–2.1	1.4	4.9
of which IB	*–0.1*	*–0.8*	*2.9*	*–3.0*	*5.2*	*4.2*
of which non-IB	*–0.2*	*0.0*	*3.8*	*0.9*	*–3.8*	*0.7*
Others: Vontobel	0.0	0.0	–0.5	–3.5	–0.1	–4.1
of which IB	*0.0*	*0.1*	*–0.1*	*–1.7*	*–0.1*	*–1.8*
of which non-IB	*0.0*	*–0.1*	*–0.4*	*–1.8*	*0.0*	*–2.3*
–100 basis points						
CHF: Vontobel	–0.3	–1.0	–14.0	–41.3	64.2	7.6
of which IB	*–0.1*	*–0.3*	*–5.3*	*–2.9*	*0.2*	*–8.4*
of which non-IB	*–0.2*	*–0.7*	*–8.7*	*–38.4*	*64.0*	*16.0*
USD: Vontobel	–0.1	–0.2	–4.3	1.4	0.9	–2.3
of which IB	*–0.1*	*0.0*	*–2.3*	*–1.4*	*0.7*	*–3.1*
of which non-IB	*0.0*	*–0.2*	*–2.0*	*2.8*	*0.2*	*0.8*
EUR: Vontobel	0.3	0.7	–7.5	1.8	–2.1	–6.8
of which IB	*0.1*	*0.7*	*–3.7*	*2.6*	*–6.2*	*–6.5*
of which non-IB	*0.2*	*0.0*	*–3.8*	*–0.8*	*4.1*	*–0.3*
Others: Vontobel	0.0	–0.1	0.5	3.6	0.1	4.1
of which IB	*0.0*	*–0.2*	*0.1*	*1.7*	*0.1*	*1.7*
of which non-IB	*0.0*	*0.1*	*0.4*	*1.9*	*0.0*	*2.4*

IB = Investment Banking

Under IFRS, the market value effect of changes in interest rates in Investment Banking essentially has an impact on the income statement, as well as on shareholders' equity as a result of changes in retained earnings. However, the only impact outside Investment Banking is on interest rate sensitive positions that are assigned to the category "fair value through profit or loss" under IFRS. In the case of interest rate sensitive financial investments, the market value effect of changes in interest rates only has an impact on shareholders' equity.

If interest rates changed by +100 (–100) basis points, the impact on pre-tax profit in Investment Banking would be CHF +9.6 mn as of 31.12.2019 and CHF +17.0 mn as of 31.12.2018 (31.12.2019: CHF –5.3 mn, 31.12.2018: CHF –16.3 mn) and the pre-tax impact on consolidated shareholders' equity would be CHF –42.3 mn as of 31.12.2019 and CHF –59.8 mn as of 31.12.2018 (31.12.2019: CHF +49.0 mn, 31.12.2018: CHF +64.5 mn).

In view of the limited significance of interest income from variable interest-bearing positions or positions which expire in the course of the year, the impact of a change in interest rates on income levels has not been simulated.

3.3.2 Currency risk

As in the case of interest rate risks, currency risks relating to trading positions and the balance sheet structure are kept at a low level. This is achieved primarily through currency-congruent investments and refinancing activities. The following table shows the sensitivities to changes in foreign exchange rates of + / –5 % according to internal reports.

Currency risk

	CURRENCY SENSITIVITY AS OF 31.12.2019					
1,000 CHF	**USD**	**EUR**	**JPY**	**GBP**	**PRECIOUS METALS**	**OTHERS**
+5%						
Vontobel	6,337.9	4,569.8	37.9	2,400.3	–96.9	3,812.2
of which IB	*1,509.0*	*801.0*	*82.4*	*47.3*	*–96.9*	*225.1*
of which non-IB	*4,829.0*	*3,768.8*	*–44.5*	*2,353.0*	*0.0*	*3,587.0*
–5%						
Vontobel	–6,492.0	–3,622.9	–19.9	–2,346.4	–314.8	–3,474.5
of which IB	*–1,663.0*	*145.9*	*–64.4*	*6.5*	*–314.8*	*112.6*
of which non-IB	*–4,829.0*	*–3,768.8*	*44.5*	*–2,353.0*	*0.0*	*–3,587.0*

	CURRENCY SENSITIVITY AS OF 31.12.2018					
1,000 CHF	**USD**	**EUR**	**JPY**	**GBP**	**PRECIOUS METALS**	**OTHERS**
+5%						
Vontobel	4,676.6	8,013.0	–84.4	2,285.0	–226.5	3,421.9
of which IB	*–501.3*	*686.4*	*–41.0*	*–21.5*	*–226.5*	*387.0*
of which non-IB	*5,177.9*	*7,326.6*	*–43.4*	*2,306.5*	*0.0*	*3,034.9*
–5%						
Vontobel	–5,795.0	–7,903.2	66.9	–1,996.9	–228.9	–3,280.2
of which IB	*–617.0*	*–576.6*	*23.5*	*309.6*	*–228.9*	*–245.3*
of which non-IB	*–5,177.9*	*–7,326.6*	*43.4*	*–2,306.5*	*0.0*	*–3,034.9*

IB = Investment Banking

4. Liquidity risk and refinancing

Liquidity risk refers to the risk of being unable to cover short-term funding needs at any time (e.g. due to the impossibility of substituting or renewing deposits, outflows of funds due to drawing on lending commitments or margin calls). Liquidity risk management ensures that Vontobel always has sufficient liquidity to be able to fulfil its payment obligations, even in stress scenarios. The liquidity risk management system therefore comprises functional risk measurement and control systems to ensure its continuous ability to pay its obligations at any time. It also defines strategies and requirements for the management of liquidity risk under stress conditions as part of the defined liquidity risk tolerance. They mainly include risk mitigation measures, the holding of a liquidity buffer comprising highly liquid assets, and a contingency plan to manage any liquidity shortfalls.

The diversification of sources of refinancing and access to the repo market ensure that cash and cash equivalents are rapidly available on a secured basis if required. Liquidity is monitored and assured on a daily basis. The continuous monitoring of the volume and quality of available collateral also ensures that Vontobel always has adequate refinancing capabilities. In the event of an unexpected tightening of liquidity, the Group can also access a portfolio of positions that retain their value and can easily be liquidated.

The maturity structure of assets and liabilities is shown in note 29. Liquidity has to be provided for the daily market making required for the issuing and trading business. Consequently, the balance sheet positions “Trading portfolio assets”, “Positive replacement values”, “Other financial assets at fair value”, “Trading portfolio liabilities”, “Negative replacement values” and “Other financial liabilities at fair value” are not broken down into individual cash flows and divided into different maturity ranges but are, instead, reported at fair value in the “Demand” column. In the case of the other financial balance sheet positions, the book values are reported in the maturity range which represents the earliest point at which payment can be demanded according to the contractual provisions. In view of the predominantly short maturities, the breakdown of these positions into individual cash flows would provide an only marginally different view.

As part of the package of reforms announced by the Basel Committee on Banking Supervision (BCBS) in December 2010, it was decided that two quantitative minimum standards for liquidity management would be introduced: (a) the liquidity coverage ratio (LCR), which took effect on 1 January 2015, and (b) the net stable funding ratio (NSFR), which is planned to be introduced later.

Liquidity Coverage Ratio in accordance with FINMA Circular 15 / 02

AVERAGE	2ND HALF YEAR 2019	4TH QUARTER 2019	3RD QUARTER 2019
Total stock of high quality liquid assets (HQLA) in CHF mn	8,113.2	8,316.3	7,910.0
Total net cash outflows in CHF mn	4,211.2	4,467.0	3,955.3
Liquidity Coverage Ratio LCR in %	192.7	186.2	200.0

The liquidity coverage ratio is disclosed in accordance with the requirements set out in FINMA Circular 16 / 01. The values used to calculate the liquidity coverage ratio are simple monthly averages for the relevant quarter or half-year. The average is calculated based on the values shown in the monthly liquidity status reports submitted to FINMA and the SNB. This results in three data points per quarter.

For 2019, the liquidity coverage ratio had to exceed 100 %. The main factors influencing Vontobel’s liquidity coverage ratio are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows, and reverse-repurchase agreements maturing within 30 calendar days as cash inflows.

5. Credit risk

5.1 General information

Credit risk concerns the risk of losses should a counterparty fail to honour its contractual obligations. In the case of Vontobel, credit risk comprises:

- Default risks from lending against collateral (“lombard lending”) and mortgage-backed loans
- Default risks from bond positions (issuer risk)
- Default risks from money market investments
- Default risks related to securities lending and borrowing, repo transactions, collateral management and derivatives, as well as
- Default risks related to settlement.

In principle, Vontobel does not engage in commercial lending. Mortgages to finance the purchase of real estate and lombard loans are offered to our clients and employees.

5.2 Lending to private and institutional investment clients

In the case of private and institutional investment clients, Vontobel engages primarily in lending against collateral, i.e. the extension of loans is subject to the provision of securities that serve as marketable collateral. As a restriction on lending, limits on “framework credit lines” are set for each client. These limits cover all the exposures assumed in respect of each client. These exposures (including the risk add-ons determined by the type of exposure) must essentially be covered by the lending value of the collateral (securities after haircuts). Exposures that are only secured from a market value perspective but not after the application of collateral add-ons or haircuts, or exposures that are secured by collateral that is not recognized according to the guidelines of the Basel Committee on Banking Supervision, are only assumed in exceptional cases in respect of these clients. The lending value of positions and portfolios is generally determined in accordance with the "comprehensive approach" prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The quality of the collateral (volatility, rating, liquidity and tradability) and the diversification of the portfolio and currency risks are considered in the calculation.

In cases where the exposures are covered by market values but not by collateral values (i.e. after taking account of risk discounts), a risk alert process is initiated with the aim of restoring coverage through the reduction of the exposures, portfolio switches or the provision of additional collateral.

As of 31.12.2019, the credit exposure to private clients and institutional clients amounted to CHF 5,510.6 mn (31.12.2018: CHF 4,985.8 mn). Of these, CHF 1,228.7 mn (31.12.2018: CHF 1,032.1 mn) were covered by mortgages, CHF 3,998.1 mn (31.12.2018 CHF 3,798.6 mn) by other collateral recognized under Basel III (after risk discounts) and CHF 283.8 mn (31.12.2018: CHF 155.1 mn) by non-recognized financial collateral.

Lending to private and institutional investment clients [1]

CHF MN	COVERED BY RECOGNIZED COLLATERAL	NOT COVERED BY RECOGNIZED COLLATERAL	31.12.2019 TOTAL
Lending exposure	5,226.8	283.8	5,510.6

CHF MN	COVERED BY RECOGNIZED COLLATERAL	NOT COVERED BY RECOGNIZED COLLATERAL	31.12.2018 TOTAL
Lending exposure	4,830.7	155.1	4,985.8

1 Comprises not only cash credits but also the total due from private and institutional investment clients.

5.3 Exposures to professional counterparties and issuer risk

Vontobel has both secured and unsecured exposures to professional counterparties.

Secured exposures result from securities lending and borrowing, repo transactions, the collateral management of margin obligations and margin calls, as well as the collateralization of OTC derivatives that are eligible for netting. The **mitigation of credit risks** using securities as easily realizable liquid collateral is of key importance for these types of transactions. The transactions are generally concluded on the basis of collateralized netting agreements with strict requirements regarding eligible collateral, appropriate contractual collateral values and low contractual thresholds and minimum transfer amounts. The daily calculation and comparison of credit exposures and collateral is a core element of the management and monitoring of credit risks. During this process, conservative add-on factors are applied to the credit exposures and conservative haircuts are applied to the collateral in accordance with the "comprehensive approach" prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The different add-ons and haircuts are determined according to the instrument, rating, term to maturity, liquidity and tradability.

Unsecured exposures mainly comprise the **issuer risks in bond portfolios** held in Investment Banking or for the purpose of balance sheet management. They also include exposures relating to money market transactions, accounts, guarantees and contractual independent amounts (threshold values and minimum transfer amounts) that are agreed with counterparties in netting agreements for securities lending and borrowing, repurchase agreements and the collateralization of OTC derivatives.

Settlement risks are reduced through the use of the Continuous Linked Settlement (CLS) system when conducting foreign currency transactions. Vontobel is connected to the CLS system as a third party.

All exposures to professional counterparties and issuers are monitored and restricted using a differentiated system of limits – which is defined in the Credit Regulations and is reviewed annually – for the individual counterparty categories, rating segments, countries and regions.

Vontobel bases the management and limitation of exposures to professional counterparties on internal assessments by the Credit Research unit as well as on the ratings of external agencies recognized by FINMA. It uses the ratings of Fitch, Moody's, S&P and Fedafin (public sector bodies only). If various ratings exist for a specific position, the relevant rating is assigned according to the rules prescribed by the Basel Committee on Banking Supervision.

The requirements regarding **counterparty creditworthiness** are particularly high for unsecured credit risks as well as issuer risks. The breakdown of unsecured counterparty and issuer risks by rating category is shown in the following table and graph. This and the following tables only contain information on current unsecured exposures without potential exposures relating to collateralized positions. The figures including the application of add-ons or haircuts in accordance with capital regulations are presented in the tables in the section on capital.

Breakdown of unsecured counterparty and issuer risks by rating[1]

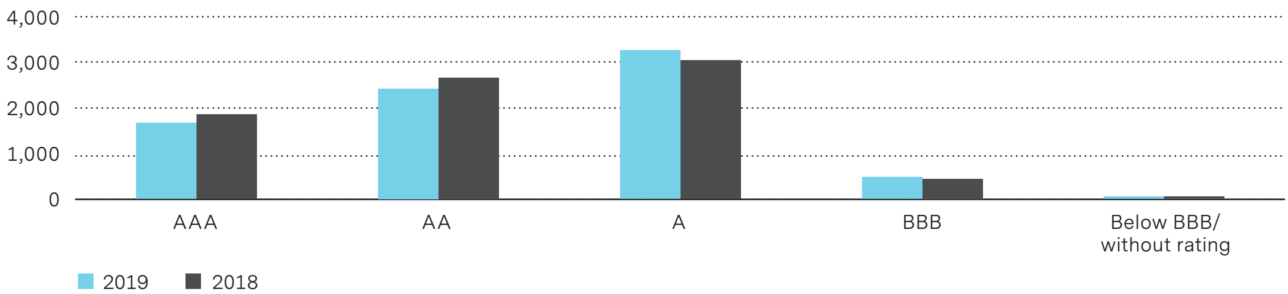
CHF MN	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2019 TOTAL
Issuer risk from debt instruments[2]	1,634.7	2,359.5	3,059.9	508.0	36.5	7,598.6
Money market and accounts[3]	39.8	51.7	123.4	14.8	25.9	255.6
Other financial receivables[4]	30.2	40.6	129.2	4.9	1.4	206.3
Total	**1,704.7**	**2,451.8**	**3,312.5**	**527.7**	**63.8**	**8,060.5**
Share (%)	21.2	30.4	41.1	6.6	0.8	100.0

CHF MN	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2018 TOTAL
Issuer risk from debt instruments[2]	1,781.0	2,574.6	2,724.1	369.5	38.1	7,487.3
Money market and accounts[3]	79.2	62.9	144.0	79.8	22.1	388.0
Other financial receivables[4]	26.5	52.9	185.9	21.4	7.2	293.9
Total	**1,886.7**	**2,690.4**	**3,054.0**	**470.7**	**67.4**	**8,169.2**
Share (%)	23.1	32.9	37.4	5.8	0.8	100.0

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities
2 Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 15.5 mn as of 31.12.2019 or CHF 65.9 mn as of 31.12.2018
3 The cash account of CHF 2,345.7 mn as of 31.12.2019 or CHF 3,533.1 mn as of 31.12.2018 deposited at the SNB has been excluded.
4 Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

Breakdown of uncovered credit risks by rating (CHF mn)

in CHF mn



The exposures mainly relate to the rating categories “AAA” and “AA”, as shown in the previous table and graph: as of 31.12.2019, 52% (31.12.2018: 56%) of the exposures related to these categories of high creditworthiness. 93% of the exposures comprised a rating of “A” or above (31.12.2018: 93%). The proportion of exposures with a rating of less than “BBB” or with no rating was 1% (31.12.2018: 1%).

Breakdown of unsecured counterparty and issuer risks by counterparty type[1]

CHF MN	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2019 TOTAL
Issuer risk from debt instruments[2]	4,061.1	1,516.6	2,020.9	7,598.6
Money market and accounts[3]	197.1	15.4	43.1	255.6
Other financial receivables[4]	80.3	114.5	11.5	206.3
Total	**4,338.5**	**1,646.5**	**2,075.5**	**8,060.5**

CHF MN	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2018 TOTAL
Issuer risk from debt instruments[2]	3,737.6	1,365.2	2,384.5	7,487.3
Money market and accounts[3]	295.5	10.1	82.4	388.0
Other financial receivables[4]	116.6	172.3	5.0	293.9
Total	**4,149.7**	**1,547.6**	**2,471.9**	**8,169.2**

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities
2 Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 15.5 mn as of 31.12.2019 or CHF 65.9 mn as of 31.12.2018
3 The cash account of CHF 2,345.7 mn as of 31.12.2019 or CHF 3,533.1 mn as of 31.12.2018 deposited at the SNB has been excluded.
4 Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

In terms of counterparty type, a large proportion of unsecured counterparty and issuer risks relates to governments and banks, as expected. As of 31.12.2019, governments, including public sector bodies, accounted for CHF 2,075.5 mn (31.12.2018: CHF 2,471.9 mn) of a total of CHF 8,060.5 mn (31.12.2018: CHF 8,169.2 mn) or 26% (31.12.2018: 30%). Banks accounted for CHF 4,338.5 mn (31.12.2018: CHF 4,149.7 mn) of a total of CHF 8,060.5 mn (31.12.2018: CHF 8,169.2 mn) or 54% (31.12.2018: 51%).

When setting limits, considerable importance is assigned to preventing concentration risks relating to individual counterparties, thus ensuring that exposures within counterparty categories are broadly diversified.

Breakdown of unsecured counterparty and issuer risks by region[1]

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2019 TOTAL
Issuer risk from debt instruments[2]	1,004.9	2,923.2	1,638.2	1,942.1	90.2	7,598.6
Money market and accounts[3]	72.8	139.3	39.7	3.4	0.4	255.6
Other financial receivables[4]	91.3	82.8	17.2	15.0	0.0	206.3
Total	**1,169.0**	**3,145.3**	**1,695.1**	**1,960.5**	**90.6**	**8,060.5**

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2018 TOTAL
Issuer risk from debt instruments[2]	1,102.4	3,066.0	1,463.5	1,753.9	101.5	7,487.3
Money market and accounts[3]	91.6	227.3	64.1	4.4	0.6	388.0
Other financial receivables[4]	107.4	156.3	12.4	17.8	0.0	293.9
Total	**1,301.4**	**3,449.6**	**1,540.0**	**1,776.1**	**102.1**	**8,169.2**

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities
2 Incl. positions in credit default swaps (synthetic bond positions) in the amount of CHF 15.5 mn as of 31.12.2019 or CHF 65.9 mn as of 31.12.2018
3 The cash account of CHF 2,345.7 mn as of 31.12.2019 or CHF 3,533.1 mn as of 31.12.2018 deposited at the SNB has been excluded.
4 Securities lending & borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

In geographical terms, the unsecured credit and issuer risks mainly relate to the regions of Europe (excluding Switzerland) and Asia. Exposures in the regions of North America and Switzerland account for a smaller proportion of these risks.

Exposures involving country risks are avoided in principle. Consequently, there are no relevant country risks to report on a consolidated basis.

6. Operational risks

6.1 General information
Operational risks represent the risk of losses resulting from the inadequacy or failure of internal processes, people and systems or from external events.

6.2 Processes and methods
All business activities entail operational risks, which are prevented, mitigated, transferred or even assumed based on cost / benefit considerations. During this process, potential legal, regulatory and compliance-related risks are taken into account, as are follow-on risks in the form of reputational risks.

The Group-wide GRC-Platform (Governance, Risk, Compliance) represents the basis for the management of operational risks. As part of the systematic assessments that are performed annually, the operational risks in all critical processes and process entities are identified and evaluated. In addition, further attention is focused on core security topics such as data protection and business continuity management, which are guaranteed through the use of extra tools.

6.2.1 Qualitative assessment
The qualitative assessment of operational risks is carried out using estimates of the loss potential and possible frequency of these risks. Once these inherent risks have been calculated, existing controls and further risk mitigation measures are taken into account to determine the residual risks. These residual risks are considered in order to determine compliance with pre-defined risk tolerances. If risk tolerances are exceeded, further risk mitigation measures are defined.

6.2.2 Quantitative assessment
In addition to qualitative assessments, quantitative methods are also used to measure and monitor operational risks. They include the monitoring of key risk indicators and the development of those indicators for all divisions. The risks measured in this context are also compared with the relevant pre-defined risk tolerances and if these tolerances are exceeded, further risk mitigation measures are defined.

6.2.3 Internal Control System
All measures to control operational risks form part of the Internal Control System (ICS). Consequently, the ICS encompasses all control elements that ensure the necessary framework for the achievement of strategic business objectives and the orderly running of operations at all levels of the organization. The ICS is reviewed at least once annually and is adapted or strengthened if necessary.

6.3 Legal, regulatory and compliance-related risks
Legal and compliance-related risks are the risk of losses occurring due to non-compliance with or the infringement of applicable laws, internal or external codes of conduct and market practices, as well as contractual obligations. Issues such as these may not only lead to financial losses but can equally result in regulators imposing fines and measures on the organization or can give rise to reputational harm. Regulatory risk is essentially the risk that changes to laws and rules of conduct could impact on Vontobel's activities.

As a market participant in the financial services industry, Vontobel is subject to extensive regulations and requirements defined by government bodies, regulatory authorities and self-regulatory organizations in Switzerland and other countries in which Vontobel operates.

To prevent or mitigate legal, regulatory and compliance-related risks, Vontobel has implemented the relevant structures and processes that are designed to raise employee awareness of or to provide initial or further training for employees about this topic. In addition, Vontobel has an appropriate system of policies and effective control processes in place to ensure compliance with legal and regulatory framework conditions. The corresponding compliance standards are regularly reviewed by Vontobel and adapted to regulatory and legal developments.

6.4 IT & cyber risks
Due to our business model, we operate in a complex technological environment. The protection of confidentiality, integrity and the availability of IT systems is therefore of critical importance for our operations.

IT risk forms part of our operational risks and represents the risk that a technical failure could affect our business activities. These risks are not only inherent in our IT infrastructure but also affect the employees and processes that interact with it. It is essential that the data used to support centralized business processes and reporting is secure, complete, accurate and up to date and that it meets appropriate quality standards.

In addition, our critical IT systems must be secure and resilient and have the necessary ability, capacity and adaptability to meet our current and future business objectives, client needs, and regulatory and legal requirements.

Cyber risk is an integral part of IT risk and involves cases where the functioning of our systems is compromised as a result of cyber attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of services, computer viruses or other security-related events.

To prevent and manage IT and cyber risks, various tools are used as part of our comprehensive IT risk management approach, both at operational level and in terms of business continuity and other crisis and emergency plans.

6.5 Insurance
Vontobel's insurance policy is aligned with the Group's operational risk management and financial risks.

In the first instance, Vontobel strives to prevent or mitigate risks as far as possible in accordance with the Group's risk policy. In a second step, it determines whether Vontobel can and should bear the risks itself. If this is not the case, the risks are covered by insurance policies. In particular, Vontobel insures against risks of a catastrophic nature in order to protect its capital base.

The internal Insurance unit analyses and evaluates the need for insurance measures on an ongoing basis.

Various other factors are taken into account when purchasing insurance. They mainly comprise legal requirements (compulsory insurance). However, a whole series of other business considerations lead to a wide range of risks for which insurance cover is acquired.

7. Reputational risks

A reputational risk is understood to be the risk of events occurring that could cause sustained harm to Vontobel's image. As such, reputational risks often constitute follow-on risks to the other risk categories described above.

Vontobel's ability to conduct its business depends to a significant extent on its reputation, which it has built over the bank's long history. It is therefore of key importance for Vontobel to safeguard its good name and all employees have to assign this matter the highest priority. Consequently, appropriate measures are taken on an ongoing basis to make employees aware of the key importance of Vontobel's reputation.

Capital

The capital base serves primarily as a means of covering inherent business risks. The active management of the volume and structure of capital is therefore of key importance. The monitoring and management of capital adequacy is performed primarily on the basis of the regulations and ratios defined by the Basel Committee on Banking Supervision, as well as other criteria. Compliance with the statutory capital adequacy requirements prescribed by Switzerland and the Swiss Financial Market Supervisory Authority (FINMA) is mandatory. External capital adequacy requirements were met in the year under review and in previous years without exception.

1. Capital management

Capital management is aimed primarily at supporting growth and creating added value for shareholders while complying with regulatory capital requirements. A solid capital position and structure also enable Vontobel to demonstrate its financial strength and creditworthiness to its business partners and clients.

Capital management is performed while taking account of the economic environment and the risk profile of all business activities. Various control options are available to maintain the target level of capital and the desired capital structure or to adapt them in line with changing requirements. These options include flexible dividend payments, the repayment of capital or the procurement of various forms of regulatory capital. During the year under review, there were no significant changes to the objectives, principles of action or processes compared to the previous year.

2. Regulatory requirements

The new capital requirements (Basel III) entered into force on 1 January 2013. They are described in detail in the Swiss Capital Adequacy Ordinance (CAO) and the FINMA circulars that it refers to.

To determine net eligible Common Equity Tier 1 capital under Basel III, additional deductions are made from capital calculated in accordance with IFRS. These items were deducted in full – without the use of the offsetting arrangements permitted during the phase-in period that runs until 2018. In this context, goodwill and intangible assets are most relevant for Vontobel.

Banks can use a number of different approaches to calculate their capital adequacy requirements according to Basel III. Vontobel applies the International Standardized Approach (SA-BIS) for credit risks, the standardized approach for market risks and the basic indicator approach for operational risks. As part of the reduction of credit risks (risk mitigation), the comprehensive approach with standard haircuts defined by the supervisory authorities is applied for the recognition of collateral.

As a result of the recognition of the fair value option by FINMA in accordance with section XVI. of the FINMA Circular 13/1 (Eligible equity capital – banks), unrealized gains and losses are included in the calculation of tier 1 capital. This excludes the valuation adjustments of own liabilities recorded in accordance with IFRS rules due to a change in own creditworthiness. As a result, tier 1 capital totalled CHF 1,397.5 mn and the BIS tier 1 ratio was 19.9%. The BIS tier 1 ratio thus substantially exceeds the minimum capital ratio.

The scope of consolidation used for the calculation of capital was the same in the year under review and the previous year as the scope of consolidation used for accounting purposes. Please refer to the tables “Major subsidiaries and participations” and “Changes in the scope of consolidation” in the Notes to the consolidated financial statements for further details. With the exception of the statutory regulations, no restrictions apply that prevent the transfer of money or capital within the Group.

Eligible and required capital

CHF MN	31.12.2019	31.12.2018
Eligible capital		
Equity according to balance sheet	1,813.3	1,703.5
Paid-in capital	*56.9*	*56.9*
Disclosed reserves	*1,589.6*	*1,524.7*
Net profit for the current financial year	*251.0*	*220.7*
Deduction for treasury shares	*–84.2*	*–98.8*
Deduction for minority interests	0.0	0.0
Deduction for dividends, as proposed by the Board of Directors	–128.0	–119.4
Deduction for goodwill	–487.4	–484.2
Deduction for intangible assets	–85.9	–95.2
Deduction for deferred tax assets	–26.1	–30.2
Deduction (addition) for gains (losses) due to changes in own credit risk	12.5	–4.6
Deduction for unrealised gains related to financial investments	–81.9	–66.7
Deduction for defined benefit pension fund assets (IAS 19)	0.0	–12.3
Other adjustments	–67.1	–55.8
Net eligible BIS common equity tier 1 capital (CET1)	**949.4**	**835.1**
Additional tier 1 capital (AT1)	448.1	447.6
Net eligible BIS tier 1 capital	**1,397.5**	**1,282.7**
Supplementary capital (tier 2)	0.0	0.0
Other deductions from total capital	0.0	0.0
Net eligible regulatory capital (BIS tier 1 + 2)	**1,397.5**	**1,282.7**
Risk-weighted positions		
Credit risks	2,710.1	2,506.1
Receivables	*2,601.7*	*2,345.7*
Price risk relating to equity instruments in the banking book	*108.4*	*160.4*
Non-counterparty related risks	354.4	170.8
Market risks	1,723.8	1,882.1
Interest rates	*1,137.5*	*1,153.2*
Equities	*282.0*	*266.9*
Currencies	*195.6*	*265.9*
Gold	*4.3*	*3.8*
Commodities	*104.4*	*192.3*
Operational risk	2,251.0	2,242.1
Total risk-weighted positions	**7,039.3**	**6,801.1**

Capital ratios in accordance with FINMA Circular 16/01

(AS A PERCENTAGE OF RISK-WEIGHTED POSITIONS)	31.12.2019	31.12.2018
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%)[1]	13.5	12.3
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%)[2]	19.9	18.9
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%)[3]	19.9	18.9
CET1 available to cover BCBS minimum capital and buffer requirements after deduction of AT1 and T2 capital requirements which are filled by CET1[4]	9.0	7.8
CET1 available	13.5	12.3
T1 available	17.5	16.5
Eligible regulatory capital available	19.9	18.9

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%
4 New calculation formula in line with the revised FINMA Circular 16/01

The countercyclical buffer requirement (as a percentage of risk-weighted positions) is 0.1 (31.12.2018: 0.1).
All investments in the financial sector (< 10%) are risk-weighted for CAD calculations (31.12.2019: CHF 17.8 mn / 31.12.2018: CHF 17.8 mn).

Leverage ratio in accordance with FINMA Circular 15/03

	31.12.2019	31.12.2018
Net eligible BIS tier 1 capital in CHF mn	1,397.5	1,282.7
Total leverage ratio exposure in CHF mn	26,669.2	26,393.5
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	5.2	4.9

Vontobel publishes further information in accordance with FINMA Circular 16/01 in a separate disclosure report on www.vontobel.com (Investor Relations).

Details on consolidated income statement

1 Net interest income

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Interest income from banks and customers	63.6	55.4	8.2	15
Interest income from receivables from securities financing transactions	4.5	2.3	2.2	96
Interest income from financial liabilities	5.8	5.3	0.5	9
Total interest income from financial instruments at amortized cost	**73.8**	**63.0**	**10.8**	**17**
Dividend income from equity instruments in financial investments[1]	9.3	3.6	5.7	158
Interest income from debt instruments in financial investments	30.5	32.6	–2.1	–6
Total interest and dividend income from financial investments	**39.8**	**36.1**	**3.7**	**10**
Total interest income	**113.6**	**99.2**	**14.4**	**15**
Interest expense from payables from securities financing transactions	1.8	2.7	–0.9	–33
Interest expense from other financial liabilities at amortized cost	20.0	12.6	7.4	59
Interest expense from financial assets	6.1	9.1	–3.0	–33
Total interest expense from financial instruments at amortized cost	**27.9**	**24.5**	**3.4**	**14**
Credit loss (expense)/recovery on debt instruments in financial investments	0.1	–0.2	0.3	
Other credit loss (expense)/recovery	–1.4	–2.6	1.2	
Total credit loss (expense)/recovery	**–1.3**	**–2.8**	**1.5**	
Total	**84.4**	**71.8**	**12.6**	**18**

1 All income comprises positions that were still held at the end of the reporting period.

2 Net fee and commission income

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Brokerage fees	100.8	97.3	3.5	4
Administration and custody fees	203.7	194.5	9.2	5
Advisory and management fees	774.1	681.6	92.5	14
Issues and corporate finance	6.2	11.6	–5.4	–47
Other commission income from securities and investment transactions	37.4	41.3	–3.9	–9
Total fee and commission income from securities and investment transactions	**1,122.3**	**1,026.2**	**96.1**	**9**
Other fee and commission income	**8.1**	**9.0**	**–0.9**	**–10**
Brokerage fees	25.6	25.9	–0.3	–1
Other commission expense	245.5	223.6	21.9	10
Total commission expense	**271.1**	**249.5**	**21.6**	**9**
Total	**859.2**	**785.7**	**73.5**	**9**

Vontobel offers its clients a broad range of services that represent its main earnings stream. Fee and commission income can be divided into two categories: Fees for services provided over time (e.g. portfolio management and investment advisory in the fund business and Wealth Management), which constitute by far the largest portion of Vontobel's fee and commission income, and fees for services provided at a point in time (e.g. brokerage fees).

Fees for services provided over time are generally determined as a percentage of the average amount of relevant assets under management during the period when the service is rendered and recognized in profit or loss on a proportionate basis over the relevant period. They are invoiced to the client (e.g. private clients or investment funds) at least quarterly and charged to the relevant client assets. In the case of some services, additional performance-based fees may be incurred (e.g. performance fees in the funds business). They are recognized in profit or loss when it is highly probable that they will be collected, which is generally only the case once all performance criteria have been met. The measurement period for performance fees is usually a maximum of one year.

Fees for services provided at a point in time are generally determined as a percentage of the corresponding transaction volume. They are invoiced to the client after the service has been rendered and charged to the corresponding client assets. At the same time, they are recognized in profit or loss.

Based on the nature of Vontobel's commission business, as described above, the related claims, accruals and deferrals at the balance sheet date, and the corresponding impairment loss, are generally immaterial. The deferred commission income as at the balance sheet date is invoiced to the client in the following period. Subsequent changes to income are immaterial in Vontobel's fee and commission business.

3 Trading income

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Securities	526.1	–1,701.3	2,227.4	
Other financial instruments at fair value	–252.0	1,961.2	–2,213.2	–113
Forex and precious metals	36.6	35.2	1.4	4
Total	**310.8**	**295.1**	**15.7**	**5**

Trading income as of 31.12.2019 included income of CHF –18.8 mn (31.12.2018: CHF 5.7 mn) for financial instruments in the balance sheet item "Other financial liabilities at fair value". This income is attributable to changes in fair value due to a change in own credit risk. Of the total impact, CHF –1.7 mn was realized as of 31.12.2019 (31.12.2018: CHF 0.5 mn), while the remaining CHF –17.1 mn (31.12.2018: CHF 5.2 mn) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF –9.8 mn, of which CHF 2.7 mn was realized and CHF –12.5 mn was unrealized. Cumulative unrealized income is shown in the balance sheet item "Other financial liabilities at fair value" and will be completely reversed over the term of the relevant instruments provided they are not redeemed or repurchased prior to their contractual maturity. In the second half of 2019, the method used to calculate own credit risk was refined. Prior to this, own credit risk consisted not only of the credit risk component in the narrower sense but also of a liquidity component. Due to the refinement of the calculation method, the two components will be handled separately in future. Consequently, own credit risk will, in future, solely reflect the credit risk in the narrower sense. Since the retrospective application of the new method was not possible, it is being applied prospectively. At the transition date, this resulted in an effect through profit or loss of minus CHF 8.7 mn for the credit risk component, which is included in the above figures, and an opposite effect through profit or loss of CHF 9.2 mn for the liquidity component.

To determine unrealized income due to a change in own credit risk, the first step is the calculation of the risk premium of the instrument at the balance sheet date. This is the difference between the fair value of the instrument at the balance sheet date and the value that would result without taking account of own credit risk at the balance sheet date. In a second step, the risk premium of the instrument at the time of issue is determined and reduced in relation to the period between the balance sheet date and the time of issue on the one hand, and the total lifetime of the instrument on the other hand ("adjusted risk premium at the time of issue"). In a third step, cumulative unrealized income is calculated as the difference between the risk premium at the balance sheet date and the adjusted risk premium at the time of issue. The unrealized income for the period is the result of the change in cumulative unrealized income during the corresponding period. The realized income due to the change in own credit risk is essentially calculated in the same way and is the result of the difference between the risk premium at the time of redemption of the product and the adjusted risk premium at the time of issue.

Under IFRS 9, the impact of the change in own credit risk of financial liabilities, for which the fair value option is applied, is generally recorded in other comprehensive income. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, the corresponding impact should be recorded in profit or loss. At Vontobel, the fair value option is applied exclusively to issued products (structured products and debt instruments). Issued products are reported in the balance sheet item "Other financial liabilities at fair value". The risks from the interest component of the structured products and debt instruments are hedged with a portfolio of bonds, interest rate swaps and credit default swaps. The risks from the option component of the structured products are hedged with a portfolio of derivatives and the corresponding underlyings. The issued products and the corresponding hedging transactions are managed at portfolio level to achieve the highest possible hedge and consequently the lowest possible fluctuations in value at portfolio level. Market risks in the form of general interest rate risks, currency risks and option risks are subject to low sensitivity and volume limits, resulting in low Value-at-Risk and stress exposure figures. In terms of fluctuations in value due to changes in credit risk premiums, there is a close economic relationship between the assets and liabilities sides in two respects. On the one hand, the Vontobel credit risk premiums included in the issued products (liabilities side) and the issuer's credit risk premiums contained in the hedging positions (assets side) are subject to general market movements (increase or decrease in credit risk premiums). On the other hand, in view of the significant importance of the issuing business for Vontobel, the credit risk premiums on hedging positions observable in the market have an impact on Vontobel's credit risk premium. As of December 31, 2019, the balance sheet item "Other financial liabilities at fair value" corresponded to 41% of total assets and 588% of shareholders' equity. To assess whether the impact of the change in own credit risk ("impact on the liabilities side") should be recognized in profit or loss or in other comprehensive income, Vontobel has, for a longer period of time, compared the income from changes in credit risk premiums on the assets side ("impact on the assets side") with the income from changes in credit risk premiums from the entire issuing business ("net impact" as the total from the impact on the assets side and the impact on the liabilities side). The (absolute) net impact over this period – particularly in times of increased volatility of the credit risk premiums – is significantly lower than the (absolute) impact on the assets side. This means that the impact on the liabilities side has a compensating effect on the impact on the assets side. In addition, the net impact is significantly less volatile than the impact on the assets side. If the impact of a change in own credit risk was recognized in other comprehensive income, net profit over this period would also have been much more volatile. For this reason, Vontobel has concluded that it is appropriate to recognize the impact of the change in own credit risk in profit or loss. As a result, income from issued products is recognized fully in profit or loss and is thus treated in the same way as the corresponding hedging positions.

4 Other income

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Real estate income [1]		1.5	1.9	–0.4	–21
Income from the sale of property and equipment		0.0	0.0	0.0	
Income from the sale of debt instruments in financial investments		3.7	0.1	3.6	
Income from investments in associates	15	0.9	0.8	0.1	13
Other income		1.4	2.4	–1.0	–42
Total		**7.5**	**5.1**	**2.4**	**47**

1 Income from the subleasing of business premises

5 Personnel expense

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Salaries and bonuses	523.2	494.1	29.1	6
Pension and other employee benefit plans [1]	49.4	18.1	31.3	173
Other social contributions	43.4	39.7	3.7	9
Other personnel expense	21.2	18.1	3.1	17
Total	**637.2**	**570.1**	**67.1**	**12**

Personnel expense includes the expense for share-based compensation of CHF 31.0 mn, of which CHF 24.2 mn relates to performance shares and CHF 6.8 mn to the awarding of bonus shares at preferential terms and CHF 0.0 mn to other share-based compensation (previous year: performance shares CHF 26.7 mn, bonus shares CHF 7.3 mn, other CHF 0.0 mn; total CHF 34.0 mn) as well as deferred compensation in cash of CHF 4.8 mn (previous year: CHF 2.3 mn).

1 Financial year 2019: Expense from pension and other employee benefit plans includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 0.5 mn (expense due to changes related to early retirement).
Financial year 2018: Expense from pension and other employee benefit plans includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 7.4 mn (primarily the reduction of conversion rates) as well as the effect related to the integration of Notenstein la Roche Privatbank AG due to employee transfers in the amount of CHF 10.5 mn and plan settlements in the amount of CHF 7.1 mn. All three effects reduced the personnel expense.

6 General expense

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Occupancy expense [1]	11.9	37.3	–25.4	–68
IT, telecommunications and other equipment	87.9	79.6	8.3	10
Travel and representation, public relations, marketing	43.7	43.2	0.5	1
Consulting and audit fees	34.8	42.7	–7.9	–19
Other general expense	37.9	43.9	–6.0	–14
Total	**216.3**	**246.7**	**–30.4**	**–12**

1 The change compared to the previous year is mainly attributable to the new standard for financial reporting for leases (IFRS 16).

7 Depreciation of property, equipment (incl. software) and intangible assets

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Depreciation of property and equipment (incl. software) [1]	82.6	53.7	28.9	54
Amortization of other intangible assets	16.8	14.6	2.2	15
Impairments of property and equipment (incl. software)	0.7	0.4	0.3	75
Total	**100.1**	**68.8**	**31.3**	**45**

1 The change compared to the previous year is mainly attributable to the new standard for financial reporting for leases (IFRS 16).

8 Provisions and losses

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Increase in provisions	2.4	2.3	0.1	4
Release of provisions	–0.7	–10.6	9.9	
Recoveries	0.0	0.1	–0.1	–100
Other	–0.2	4.2	–4.4	–105
Total	**1.6**	**–4.0**	**5.6**	

9 Taxes

Tax expense

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Statement of tax expense				
Explanation of the relationship between tax expense and net profit before taxes:				
Current income taxes	52.1	40.5	11.6	29
Deferred income taxes	–10.5	3.5	–14.0	–400
Total	**41.6**	**44.0**	**–2.4**	**–5**
Profit before taxes	306.7	276.2	30.5	11
Expected income tax rate of 21%[1] (previous year: 21%)	64.4	58.0	6.4	11
Explanations for higher (lower) tax expense:				
Applicable tax rates differing from expected rate	–4.8	0.2	–5.0	
Tax losses not taken into account	1.0	0.8	0.2	25
Appropriation of non-capitalized deferred taxes on loss carryforwards	0.0	–1.8	1.8	
Newly recognized deferred tax assets	–3.8	–2.9	–0.9	
Value adjustments on deferred tax assets	0.1	0.2	–0.1	–50
Deferred income tax as a result of a change in tax rates[2]	–10.3	–0.2	–10.1	
Other income with no impact on taxes	0.6	–1.6	2.2	
Income tax unrelated to accounting period	–2.0	–1.5	–0.4	
Participation relief granted on dividend income	–8.4	–10.8	2.5	
Other impacts	4.8	3.6	1.2	33
Total	**41.6**	**44.0**	**–2.4**	**–5**
Effective tax rate in %	13.6	15.9		

1 The anticipated income tax rate of 21% corresponds to the average tax rate in Switzerland.
2 Tax impact due to the Swiss Federal Act on Tax Reform and AHV Financing 2019 (TRAF)

Deferred taxes

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Value adjustments on credit risks	0.5	0.3	0.3	100
Lease liabilities	31.4		31.4	
Tax loss carryforwards	4.3	11.5	–7.2	–63
Other	21.8	18.4	3.4	18
Total deferred tax assets[1]	**58.1**	**30.2**	**27.9**	**92**
Equipment and software	33.8	0.2	33.6	
Intangible assets	13.0	16.4	–3.4	–21
Investments in associates	0.5	0.2	0.3	150
Other provisions	39.1	55.6	–16.5	–30
Unrealized gains on available-for-sale financial investments	23.3	21.3	2.0	9
Other	3.2	2.3	0.8	35
Total deferred tax liabilities[1]	**112.9**	**96.1**	**16.8**	**17**

1 According to IAS 12, a company may offset deferred tax assets and liabilities with each other, if those assets and liabilities refer to taxes on income levied by the same tax authority. This condition is fulfilled in the case of companies belonging to Vontobel. The deferred tax assets and deferred tax liabilities shown in the balance sheet therefore represent the balance of the gross amounts of such assets and liabilities presented here.

Changes in deferred taxes (net)

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Balance at the beginning of the year	65.9	21.6	44.3	205
Impact of changes to the accounting principles	0.0	12.3	–12.3	–100
Changes affecting the income statement	–14.4	3.7	–18.1	–489
Changes not affecting the income statement	3.6	–8.1	11.7	
Changes from business combinations	–0.5	36.3	–36.8	–101
Translation adjustments	0.2	0.1	0.1	100
Total as at the balance sheet date	**54.8**	**65.9**	**–11.1**	**–17**

Unrecognized tax loss carryforwards expire as follows:

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Within 1 year	0.4	2.9	–2.5	–86
From 1 to 5 years	0.6	0.6	0.0	0
From 5 to 10 years	3.9	0.0	3.9	
After 10 years	0.0	0.0	0.0	
No expiry	44.4	51.1	–6.7	–13
Total	**49.2**	**54.6**	**–5.4**	**–10**

Vontobel Holding AG and its subsidiaries are liable for income tax in most countries. The current tax assets and current tax liabilities reported as of the balance sheet date, as well as the resulting current tax expense for the period under review, are based partly on estimates and assumptions and may therefore differ from the amounts determined by the tax authorities in the future. In certain cases where complex tax questions arise, external tax specialists are consulted or preliminary clarification is obtained from the tax authorities.

In the case of deferred taxes, the level of recognized tax assets depends on assumptions regarding available future taxable profits that are eligible for offset. The determination of deferred tax assets is essentially based on budget figures and mid-term planning. If a company has posted a series of financial losses in the recent past, the deferred tax assets are only recognized to the extent that the company has sufficient taxable temporary differences or has convincing other evidence that sufficient taxable profits will be available in future periods. Recognized deferred tax assets for loss carryforwards eligible for offset amounted to CHF 4.3 mn in the current year respectively CHF 11.5 mn in the previous year. Unrecognized loss carryforwards in the amount of CHF 49.2 mn (prevoius year: CHF 54.6 mn) are subject to tax rates of 16% to 33% (prevoius year: 8% to 33%). If recognized in full, the deferred tax assets for loss carryforwards eligible for offset would total CHF 16.5 mn (prevoius year: CHF 26.1 mn).

10 Tax effects to other comprehensive income

CHF MN	AMOUNT BEFORE TAX	TAX YIELD/ TAX EXPENSE[1]	AMOUNT NET OF TAX
			31.12.2019
Currency translation adjustments during the reporting period	–3.3	0.0	–3.3
Currency translation adjustments transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	23.7	–4.0	19.7
Income from debt instruments in financial investments transferred to the income statement	–0.7	0.1	–0.6
Income from cash flow hedges during the reporting period	1.6	–0.1	1.5
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from equity instruments in financial investments	8.5	1.0	9.5
Income from defined benefit pension plans	–12.3	1.9	–10.4
Total	**17.4**	**–1.0**	**16.4**

1 Including tax impact of CHF 1.5 mn due to the Swiss Federal Act on Tax Reform and AHV Financing 2019 (TRAF)

CHF MN	AMOUNT BEFORE TAX	TAX YIELD/ TAX EXPENSE	AMOUNT NET OF TAX
			31.12.2018
Currency translation adjustments during the reporting period	–3.4	0.0	–3.4
Currency translation adjustments transferred to the income statement	0.0	0.0	0.0
Income from debt instruments in financial investments during the reporting period	–5.8	1.0	–4.8
Income from debt instruments in financial investments transferred to the income statement	0.2	–0.1	0.2
Income from cash flow hedges during the reporting period	0.1	0.0	0.1
Income from cash flow hedges transferred to the income statement	0.0	0.0	0.0
Income from equity instruments in financial investments	38.6	–7.5	31.1
Income from defined benefit pension plans	–69.7	14.7	–55.1
Total	**–40.0**	**8.1**	**–32.0**

11 Earnings per share

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	IN %
Net profit (CHF mn)[1]	251.0	220.7	30.3	14
Weighted average number of shares issued	56,875,000	56,875,000	0	0
Less weighted average number of treasury shares	973,604	1,105,221	–131,617	–12
Weighted average number of shares outstanding (undiluted)	55,901,396	55,769,779	131,617	0
Dilution effect number of shares[2]	1,240,618	1,181,427	59,191	5
Weighted average number of shares outstanding (diluted)	57,142,014	56,951,206	190,808	0
Basic earnings per share (CHF)	4.49	3.96	0.53	13
Diluted earnings per share (CHF)	4.39	3.88	0.51	13

1 The net profit attributable to the shareholders of Vontobel Holding AG constitutes the basis for the calculation of undiluted as well as diluted earnings per share.
2 The dilution effect is primarily the result of employee share-based benefit programs. The dilution effect from shares that will have to be issued if outstanding in-the-money options are exercised is insignificant. Shares that will have to be issued if outstanding out-of-the-money options are exercised do not have any dilution effect in the financial year but could dilute future earnings per share. The potential dilution effect is insignificant.

Details on consolidated balance sheet

12 Financial instruments at fair value through profit and loss

Trading portfolio assets

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Debt instruments				
Listed	223.5	485.0	–261.5	–54
Unlisted	126.8	26.8	100.0	373
Total	**350.3**	**511.8**	**–161.5**	**–32**
Equity instruments				
Listed	2,039.2	1,626.2	413.0	25
Unlisted	0.0	0.1	–0.1	–100
Total	**2,039.2**	**1,626.3**	**412.9**	**25**
Units in investment funds				
Listed	192.7	166.7	26.0	16
Unlisted	0.1	0.1	0.0	0
Total	**192.8**	**166.8**	**26.0**	**16**
Precious metals and cryptocurrencies	**813.3**	**667.1**	**146.2**	**22**
Total	**3,395.6**	**2,972.1**	**423.5**	**14**

Trading portfolio liabilities

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Debt instruments				
Listed	41.5	107.6	–66.1	–61
Unlisted	0.0	0.7	–0.7	–100
Total	**41.5**	**108.3**	**–66.8**	**–62**
Equity instruments				
Listed	57.7	100.1	–42.4	–42
Unlisted	0.0	0.0	0.0	
Total	**57.7**	**100.1**	**–42.4**	**–42**
Total	**99.3**	**208.4**	**–109.1**	**–52**

Open derivative instruments

CHF MN	31.12.2019 POSITIVE REPLACEMENT VALUES	31.12.2019 NEGATIVE REPLACEMENT VALUES	31.12.2019 CONTRACT VOLUME	31.12.2018 POSITIVE REPLACEMENT VALUES	31.12.2018 NEGATIVE REPLACEMENT VALUES	31.12.2018 CONTRACT VOLUME
Debt instruments						
Forward contracts incl. FRAs						
Swaps	9.6	34.2	3,801.2	21.0	30.0	4,230.0
Futures			3.3			5.7
Options (OTC) and warrants	0.1	1.4	1.3	1.0	1.6	2.6
Options (exchange traded)	0.0	0.0	0.3	0.4	0.0	1.6
Total	**9.7**	**35.6**	**3,806.1**	**22.5**	**31.6**	**4,240.0**
Foreign currency						
Forward contracts	8.6	8.6	545.2	8.3	9.5	969.4
Swaps	45.2	55.2	7,696.0	36.4	48.0	6,548.0
Futures			1.3			4.7
Options (OTC) and warrants	6.0	10.6	1,272.0	6.2	11.1	1,042.4
Options (exchange traded)	0.0	0.0	0.4	0.2		1.1
Total	**59.8**	**74.4**	**9,515.0**	**51.0**	**68.6**	**8,565.5**
Precious metals and cryptocurrencies						
Forward contracts	0.9	5.2	161.0	0.3	0.5	38.6
Swaps	5.8	1.2	165.9	3.5	3.2	141.3
Futures			239.9			46.4
Options (OTC) and warrants	6.9	60.3	1,272.8	2.8	34.5	739.4
Options (exchange traded)						
Total	**13.5**	**66.7**	**1,839.7**	**6.6**	**38.3**	**965.8**
Equities / indices						
Forward contracts						
Swaps	12.3	70.5	809.5	6.6	247.5	1,434.8
Futures			373.6			243.5
Options (OTC) and warrants	11.4	293.7	4,384.4	8.7	412.2	4,573.0
Options (exchange traded)	39.5	175.2	9,737.2	33.7	511.3	6,117.7
Total	**63.3**	**539.4**	**15,304.7**	**49.0**	**1,170.9**	**12,369.0**
Credit derivatives						
Credit default swaps	8.8	1.1	373.6	5.7	5.7	492.3
Total	**8.8**	**1.1**	**373.6**	**5.7**	**5.7**	**492.3**
Other						
Forward contracts						
Futures			38.3	0.6	0.4	62.1
Options (OTC) and warrants	0.1	11.1	51.3	0.1	10.2	60.8
Options (exchange traded)	0.0		0.4	0.5		4.9
Total	**0.1**	**11.1**	**89.9**	**1.2**	**10.6**	**127.7**
Total	**155.3**	**728.4**	**30,928.9**	**136.0**	**1,325.7**	**26,760.3**

The positive and negative replacement values relate to trading instruments with the exception of the instruments referred to in note 34 “Hedge accounting”.

Other financial assets at fair value through profit and loss

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Debt instruments				
Listed	4,220.9	3,417.7	803.2	24
Unlisted	860.1	588.9	271.2	46
Total	**5,081.0**	**4,006.7**	**1,074.3**	**27**
Equity instruments				
Listed	0.0	0.0	0.0	#DIV/0!
Unlisted	1.8	1.9	–0.1	–5
Total	**1.8**	**1.9**	**–0.1**	**–5**
Units in investment funds				
Listed	0.0	0.0	0.0	
Unlisted	43.7	89.0	–45.3	–51
Total	**43.7**	**89.0**	**–45.3**	**–51**
Structured products	**68.7**	**45.6**	**23.1**	**51**
Total	**5,195.2**	**4,143.2**	**1,052.0**	**25**

Other financial liabilities at fair value through profit and loss

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Structured products				
Listed	4,785.7	4,261.0	524.7	12
Unlisted	4,374.0	3,530.6	843.4	24
Total	**9,159.8**	**7,791.6**	**1,368.2**	**18**
Debt instruments				
Listed	0.0	0.0	0.0	
Unlisted	1,503.8	44.6	1,459.2	
Total	**1,503.8**	**44.6**	**1,459.2**	
Total	**10,663.6**	**7,836.2**	**2,827.4**	**36**

Since the redemption amount of structured products depends on changes in the market prices of the underlyings (e.g. shares, precious metals and currencies) until maturity, the difference between the redemption amount and the carrying amount cannot be determined. In the case of debt instruments, the difference between the redemption amount and the carrying amount is insignificant.

13 Loans

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Mortgages	1,228.7	1,032.1	196.6	19
Other accounts receivable	3,840.9	3,905.6	–64.7	–2
Less expected credit losses	–23.4	–33.1	9.7	
Total	**5,046.2**	**4,904.6**	**141.6**	**3**

14 Financial investments

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Debt instruments [1]				
Listed	2,523.7	3,168.2	–644.5	–20
Unlisted	0.0	0.0	0.0	
Total	**2,523.7**	**3,168.2**	**–644.5**	**–20**
Equity instruments [2]				
Listed	0.0	0.0	0.0	
Unlisted	118.1	108.2	9.9	9
Total	**118.1**	**108.2**	**9.9**	**9**
Total financial investments	**2,641.8**	**3,276.4**	**–634.6**	**–19**

1 For information on expected credit losses on debt instruments, please refer to note 31 “Credit risks and impairment model”.
2 Participation in the SIX Group AG: CHF 100.3 mn (previous year CHF 90.8 mn); other participations: CHF 17.8 mn (previous year CHF 17.4 mn).

15 Investments in associates

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Balance at the beginning of the year	0.9	0.9	0.0	0
Equity income	0.9	0.8	0.1	13
Dividends paid	–0.7	–0.8	0.1	
Translation differences	0.0	0.0	0.0	
Total as at the balance sheet date	**1.0**	**0.9**	**0.1**	**11**

16 Minority interests

The only minority interests originate from the acquisition of TwentyFour Asset Management LLP. These minority interests are held by several partners in TwentyFour Asset Management LLP. Under the terms of the agreement, Vontobel can acquire further interests in TwentyFour Asset Management LLP from partners that are willing to sell their interests or from parties that cease to be partners of TwentyFour Asset Management LLP. Vontobel will acquire the then remaining minority interests in two half tranches in 2021 and 2023, whereby Vontobel has the right to already acquire the second tranche in 2021. In terms of the acquisition of minority interests, Vontobel recognizes a liability corresponding to the estimated acquisition price as a charge against minority interests and (if the liability exceeds the minority interests) as a charge against capital reserves. As of 31.12.2019 and 31.12.2018, the liability totalled CHF 114.2 mn and CHF 70.9 mn (please refer to note 30 “Fair value of financial instruments” for information on the measurement of the liability). Changes in the liability are recognized in shareholders’ equity with the exception of a minor compensation component. A share of profits or losses continues to be allocated to minority interests in the income statement and the statement of comprehensive income.

The following tables provide a summary of key financial information and the impacts of TwentyFour Asset Management on the consolidated financial statements:

Balance sheet

CHF MN	31.12.2019	31.12.2018
Assets		
Goodwill	67.1	65.6
Client relationships	1.2	4.6
Brand	0.0	0.2
Other assets	25.8	32.4
Total assets	**94.1**	**102.8**
Liabilities		
Liabilities	17.5	15.6
Equity	76.5	87.2
of which minority interests [1]	*3.8*	*8.8*
Total liabilities	**94.1**	**102.8**

1 In the consolidated balance sheet, shareholders’ equity attributable to minority interests is derecognized due to the obligation to acquire the minority interests.

Comprehensive income

CHF MN	31.12.2019	31.12.2018
Operating income	67.0	56.5
Profit, net of tax	30.2	24.5
of which minority interests	*14.1*	*11.5*
Comprehensive income	30.5	23.4
of which minority interests	*14.2*	*11.1*

Further financial information

CHF MN	31.12.2019	31.12.2018
Cash flow from operating activities	41.0	31.3
Dividends paid to holders of minority interests	19.4	11.6
Minority interest in%	40	40

17 Property, equipment and software

CHF MN	RIGHT-OF-USE ASSETS	LEASEHOLD IMPROVEMENTS	HARDWARE	OTHER FIXED ASSETS	SOFTWARE[1]	TOTAL
Acquisition cost						
Balance as of 01.01.2018	0.0	84.4	24.2	10.3	245.7	364.7
Additions	0.0	8.9	5.4	4.4	48.0	66.7
Disposals	0.0	–22.2	–1.5	–0.2	–28.8	–52.7
Change in scope of consolidation	0.0	0.2	0.0	0.2	2.8	3.2
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	–0.1	0.0	0.0	0.0	–0.2
Balance as of 31.12.2018	0.0	71.2	28.2	14.7	267.6	381.9
Changes to the accounting principles	183.4	0.0	0.0	–3.2	0.0	180.2
Additions	21.5	13.5	3.0	2.8	41.7	82.5
Disposals	–0.1	–2.5	–6.2	–2.2	–144.7	–155.7
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	–0.5	–0.1	–0.1	–0.1	–0.1	–0.9
Balance as of 31.12.2019	**204.3**	**82.2**	**24.9**	**12.0**	**164.5**	**488.0**
Cumulative depreciation						
Balance as of 01.01.2018	0.0	–44.8	–11.2	–5.4	–143.6	–205.0
Depreciation	0.0	–8.0	–6.9	–1.3	–37.5	–53.7
Impairment losses	0.0	0.0	0.0	–0.1	–0.3	–0.4
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	22.2	1.5	0.2	28.7	52.7
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.1	0.0	0.1
Balance as of 31.12.2018	0.0	–30.6	–16.6	–6.6	–152.6	–206.3
Depreciation	–30.4	–9.0	–7.4	–0.9	–34.9	–82.6
Impairment losses	–0.6	–0.0	0.0	0.0	–0.1	–0.7
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	2.5	6.2	2.2	144.7	155.6
Change in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.1	0.1	0.1	0.1	0.0	0.4
Balance as of 31.12.2019	**–30.9**	**–37.0**	**–17.7**	**–5.3**	**–42.8**	**–133.5**
Net carrying values 31.12.2018	0.0	40.7	11.6	8.1	114.9	175.5
Net carrying values 31.12.2019	**173.4**	**45.1**	**7.3**	**6.7**	**121.8**	**354.4**

1 Of the net carrying amount, CHF 121.8 mn (previous year CHF 113.1 mn) was attributable to purchased software and CHF 0.0 mn (previous year CHF 1.9 mn) to internally developed software.

The presentation was changed in the current year due to the introduction of IFRS 16. The figures for the previous year were adjusted to reflect the new presentation.

Property, equipment and software include right-of-use assets (see note 18 “Leasing”), leasehold improvements, hardware, other fixed assets (e.g. bank buildings and furniture) and software. The acquisition or production costs of property, equipment and software are capitalized if Vontobel is to obtain future economic benefits from them and the costs can be both identified and reliably determined. From the date on which they become available, these assets are depreciated on a straight-line basis over their estimated useful life or rental lease term, as follows:

IN YEARS	
Right-of-use assets	Lease term
Leasehold improvements	Lease term, max. 10
Hardware	3
Bank buildings	max. 40
Other fixed assets	3–5
Software	max. 10

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

18 Leasing

Vontobel as a lessee
Vontobel mainly acts as a lessee in the context of the leasing of business premises (including parking spaces). At the lease commencement date, a lease liability corresponding to the present value of lease payments over the lease term is recognized. The lease payments are usually index linked and, under certain conditions, are adjusted to the respective index level automatically, or periodically at the initiative of a contracting party. Apart from this indexation, there are no variable lease payments. The lease term basically corresponds to the non-cancellable period during which Vontobel has the right to use the business premises but it also takes account of the period covered by an option to extend the lease if Vontobel is reasonably certain to exercise that option, and the period covered by an option to terminate the lease if Vontobel is reasonably certain not to exercise that option. Vontobel’s incremental borrowing rate is applied when calculating the present value of lease payments. It corresponds to the interest rate that Vontobel would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset. At the same time as the lease liability is recognized, a right to use the underlying asset, which corresponds to the lease liability plus prepaid lease payments, directly attributable costs and any reinstatement obligations.

After initial recognition, the interest component on the lease liability is accrued in the period in which it is incurred using the effective interest method and is recognized in “Net interest income”. Negative interest is shown as interest income. The lease liability is adjusted to reflect interest recognized and lease payments made. The right-of-use asset is depreciated on a straight-line basis over the lease term. The depreciation charge and any impairment charge are recognized in the income statement in “Depreciation of property, equipment (incl. software) and intangible assets”.

If there is any change to the lease term or if lease payments are adjusted to an index, the lease liability is remeasured. In the first case, the current incremental borrowing rate is used to calculate the present value; in the second case, the original incremental borrowing rate is used. The amount of the remeasurement of the lease liability is recognized as an adjustment to the right-of-use asset.

Right-of-use assets (leased office space) are recognized in the balance sheet item “Property, equipment and software”. The carrying amount of the right-of-use assets and changes in that value are shown in note 17.

Lease liabilities related to leased office space are recognized in the balance sheet item "Other liabilities". The carrying amount of the lease liabilities and changes in that value can be seen from the following table:

Lease liabilities

CHF MN	31.12.2019
Balance at the beginning of the year	0.0
Impact of changes to the accounting principles	180.2
Additions	21.3
Disposals	–0.1
Interest expense (+) / interest income (-)	–0.1
Lease payments	–27.9
Change in scope of consolidation	0.0
Translation adjustments	–0.3
Total as at the balance sheet date	**173.2**

The lease payments included in the above lease liabilities have the following terms:

Due dates of lease payments

CHF MN	31.12.2019
Due within 1 year	29.7
Due within 1 to 2 years	29.2
Due within 2 to 3 years	24.1
Due within 3 to 4 years	22.2
Due within 4 to 5 years	17.4
Due within 5 to 7 years	34.2
Due in more than 7 years	15.8
Total as at the balance sheet date	**172.6**

Vontobel applies the recognition exemption for short-term leases and leases of low-value assets. Neither a lease liability nor a right-of-use asset is recognized for these leases. In the year under review, operating expense included a charge of CHF 2.3 mn for short-term leases and of CHF 0.5 mn for leases of low-value assets.

Vontobel as a lessor

Vontobel currently acts as a lessor exclusively in the context of operating leases. The corresponding income is recognized in the income statement positions "Net fee and commission income" (leasing of safety deposit boxes) and "Other income" (subleasing of office space and parking spaces) in the period in which it is generated. Vontobel, as lessor, generated income of CHF 1.9 mn (CHF 1.7 mn) in the year under review (previous year).

19 Goodwill and other intangible assets

Goodwill and other intangible assets

CHF MN	GOODWILL	CLIENT RELATIONSSHIPS	BRANDS & COOPERATION AGREEMENT	TOTAL
Acquisition cost				
Balance as of 01.01.2018	226.8	70.0	29.8	326.7
Additions	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Change in scope of consolidation	260.6	45.8	0.0	306.4
Translation differences	–3.2	–0.9	0.0	–4.2
Balance as of 31.12.2018	484.2	114.9	29.8	628.9
Additions	1.7	8.9	0.0	10.6
Disposals	0.0	–27.4	–0.4	–27.7
Change in scope of consolidation	0.0	0.0	0.0	0.0
Translation differences	1.4	0.4	0.0	1.8
Balance as of 31.12.2019	**487.4**	**96.8**	**29.5**	**613.6**
Cumulative depreciation				
Balance as of 01.01.2018	0.0	–33.4	–2.2	–35.6
Amortization		–11.6	–3.0	–14.6
Impairment losses	0.0	0.0	0.0	0.0
Reversals		0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0
Change in scope of consolidation	0.0	0.0	0.0	0.0
Translation differences	0.0	0.6	0.0	0.6
Balance as of 31.12.2018	0.0	–44.4	–5.2	–49.7
Amortization		–13.8	–3.0	–16.8
Impairment losses	0.0	0.0	0.0	0.0
Reversals		0.0	0.0	0.0
Disposals	0.0	26.0	0.4	26.4
Change in scope of consolidation	0.0	0.0	0.0	0.0
Translation differences	0.0	–0.3	0.0	–0.3
Balance as of 31.12.2019	**0.0**	**–32.4**	**–7.9**	**–40.3**
Net carrying values 31.12.2018	484.2	70.5	24.7	579.3
Net carrying values 31.12.2019	**487.4**	**64.4**	**21.5**	**573.3**

The presentation was expanded in the current year. The figures for the previous year were adjusted to reflect the new presentation.

Goodwill

The goodwill resulting from a business combination is recognized as an asset in the balance sheet and assigned to one or more cash-generating units. The following organizational units represent the lowest level at which the goodwill allocated to them is monitored for internal management purposes:

Goodwill positions of each organizational unit

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Wealth Management division	308.0	306.3	1.7	1
Western Switzerland & Middle East business unit	15.6	15.6	0.0	0
South Switzerland & Italy business unit	6.2	6.2	0.0	0
Asset Management division	63.3	63.2	0.1	0
Fixed Income business unit	59.3	57.9	1.4	2
Multi Asset business unit	35.0	26.3	8.7	33
Vescore business unit [1]	n/a	8.7	–8.7	–100
Total	**487.4**	**484.2**	**3.2**	**1**

1 The Vescore business unit was integrated into the Multi Asset business unit in 2019.

The above goodwill positions are subject to an annual impairment test, which is conducted in the third quarter of each year. If events or a change of circumstances indicate a possible impairment, the test is carried out more frequently to determine whether the book value of the relevant organizational unit exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the book value of the organizational unit exceeds the recoverable amount, a goodwill impairment is recorded. Reversals of impairments are not recorded.

When conducting an impairment test, Vontobel begins by comparing the book value of the organizational unit with its fair value less costs to sell. Assets under management are a key factor that is considered in the case of all the organizational units that are assessed because it has a significant impact on their future earnings potential. The implicit multiplier for assets under management is calculated on the basis of the market capitalization of companies engaging in similar business activities, less reported shareholders' equity. This implicit multiplier is adjusted to take account of the difference between the gross margins of the organizational unit under review and the peer group as well as other factors that are relevant for the impairment test. If the book value of the organizational unit exceeds the fair value calculated using the adjusted multiplier less costs to sell, the book value is subsequently compared with the value in use of the organizational unit.

Multiplier

IN %	31.12.2019	31.12.2018
Wealth Management division	1.3	2.4
Western Switzerland & Middle East business unit	1.8	3.4
South Switzerland & Italy business unit	1.6	2.9
Asset Management division	1.1	1.1
Fixed Income business unit	0.9	0.8
Multi Asset business unit	0.8	0.7
Vescore business unit [1]	n/a	0.7

1 The Vescore business unit was integrated into the Multi Asset business unit in 2019.

The fair value calculated using these multipliers less costs to sell exceeded the book value of all organizational units both in the year under review and in the previous year. Management determined that no reasonably possible change in the assumptions would have resulted in the book value of an organizational unit significantly exceeding its recoverable amount. All the input parameters that are relevant for the valuation can be observed.

Other intangible assets
Other intangible assets comprise client relationships and brands acquired in the course of business combinations, as well as the cooperation agreement with Raiffeisen. They are depreciated on a straight-line basis over the useful life of five to ten years. The other intangible assets are tested for impairment if events or circumstances indicate that the book value may be impaired. If the book value exceeds the recoverable amount, an impairment loss is recorded. Any reversals of impairments at a later date will be recognized

in the income statement. No other intangible assets with an indefinite useful life are capitalized in Vontobel's balance sheet.

20 Other assets

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Accrued income and prepaid expenses		176.6	156.1	20.5	13
Current tax assets		23.3	23.5	–0.2	–1
Deferred tax assets	9	26.1	30.2	–4.1	–14
Value-added tax and other tax receivables		297.5	158.2	139.3	88
Defined benefit pension asset	38	0.0	12.3	–12.3	–100
Settlement and clearing accounts		0.1	0.3	–0.2	–67
Open settlement positions		189.5	275.4	–85.9	–31
Other		53.0	37.7	15.3	41
Total		**766.2**	**693.8**	**72.4**	**10**

21 Securities financing transactions

	31.12.2019 CASH COLLATERAL FOR		31.12.2018 CASH COLLATERAL FOR	
CHF MN	SECURITIES BORROWING AGREEMENTS	REVERSE-REPURCHASE AGREEMENTS	SECURITIES BORROWING AGREEMENTS	REVERSE-REPURCHASE AGREEMENTS
Securities financing transactions due from banks	23.1	332.0	5.5	759.5
Securities financing transactions due from customers	0.0	0.0	0.0	0.0
Total receivables from securities financing transactions	**23.1**	**332.0**	**5.5**	**759.5**

	31.12.2019 CASH COLLATERAL FROM		31.12.2018 CASH COLLATERAL FROM	
CHF MN	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS
Securities financing transactions due to banks	0.7	218.0	0.0	34.5
Securities financing transactions due to customers	0.0	0.0	0.0	0.0
Total payables from securities financing transactions	**0.7**	**218.0**	**0.0**	**34.5**

22 Transferred and pledged assets

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Securities financing transactions[1]	573.1	470.5	102.6	22
Trading portfolio assets	*221.5*	*92.0*	*129.5*	*141*
Other financial assets at fair value	*144.0*	*378.6*	*–234.6*	*–62*
Financial investments	*207.6*	*0.0*	*207.6*	
Other transactions	523.2	908.5	–385.3	–42
Total transferred assets	**1,096.3**	**1,379.0**	**–282.7**	**–21**
Trading portfolio assets	244.2	92.0	152.2	165
Debt instruments	*28.1*	*22.0*	*6.1*	*28*
Equity instruments	*215.2*	*70.0*	*145.2*	*207*
Other	*0.9*	*0.0*	*0.9*	
Other financial assets at fair value	626.6	1,287.1	–660.5	–51
Debt instruments	*606.9*	*1,287.1*	*–680.2*	*–53*
Equity instruments	*16.1*	*0.0*	*16.1*	
Other	*3.6*	*0.0*	*3.6*	
Financial investments	207.6	0.0	207.6	
Other assets	17.9	0.0	17.9	
Total transferred assets	**1,096.3**	**1,379.0**	**–282.7**	**–21**
of which those where the right to sell or repledge the assets has been assigned without restriction	*573.1*	*470.5*	*102.6*	*22*
Pledged assets	326.9	352.4	–25.5	–7
Total pledged assets	**326.9**	**352.4**	**–25.5**	**–7**

The transferred or pledged assets mainly serve the contracting partners as collateral against Vontobel liabilities arising from securities borrowing, securities lending and repurchase transactions, or as collateral for settlement limits and margin accounts with central banks, clearing centres and stock exchanges, as well as for OTC contracts, collateral secured instruments (COSI) and due to customers. These assets remain on Vontobel's balance sheet because Vontobel retains the associated risks and rewards.

1 Including securities transferred as collateral in the context of securities borrowing transactions

23 Saleable or pledgeable securities not recorded in the balance sheet

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Securities financing transactions[1]	941.3	1,324.3	–383.0	–29
Other transactions	56.0	54.7	1.3	2
Total fair value of securities received that can be sold or repledged	**997.3**	**1,379.0**	**–381.7**	**–28**
of which securities sold or repledged	327.0	899.2	–572.2	–64

The table contains the fair value of the securities received, where the counterparty has assigned Vontobel the unrestricted right to sell or repledge them, and the fair value of those securities for which Vontobel has made use of this right.

1 Including securities received as collateral in the context of securities lending transactions

24 Debt issued

	INTEREST RATE IN %	31.12.2019 CHF MN	31.12.2018 CHF MN
Vontobel Holding AG			
Additional Tier 1 (AT1) bond	2.625	448.1	447.6
Total		**448.1**	**447.6**

In connection with the acquisition of Notenstein La Roche Privatbank AG, Vontobel Holding AG issued an Additional Tier 1 bond (AT1 bond) with a nominal value of CHF 450 mn in June 2018. The AT1 bond is unsecured, subordinated and paid in full. It does not grant any voting rights and, in principle, has a perpetual term but it may be redeemed by Vontobel Holding AG for the first time on October 31, 2023, and thereafter annually on October 31. The AT1 bond has an annual coupon of 2.625% until the first possible redemption date. If Vontobel Holding AG does not redeem the bond on October 31, 2023, the annual coupon for the next five years will be newly defined as the total of the CHF mid-market swap rate for five years that is applicable at the time (but at least 0%) and a margin of 2.605%. Interest payments cannot be made if the Swiss Financial Market Supervisory Authority (FINMA) issues an instruction to this effect or if Vontobel Holding AG does not have the necessary profit distribution reserves to finance the interest payments for the AT1 bond and to make distributions that were already planned for the previous financial year. Cancelled interest payments will not be paid at a later point in time (non-cumulative). If interest payments are cancelled, the Board of Directors is not permitted to propose the distribution of dividends to the General Meeting of Shareholders of Vontobel Holding AG until interest payments on the AT1 bond resume.

If a viability event occurs – i.e. if there is an imminent risk of insolvency as defined by Art. 29 of the Swiss Capital Adequacy Ordinance (CAO) issued by FINMA – an automatic debt waiver will take effect and the AT1 bond will be written down to zero. If the Vontobel Group's Common Equity Tier 1 (CET1) ratio falls below the threshold of 7%, the AT1 bond will be written down to the extent required in order for the threshold of 7% to be reached once again or exceeded. After a partial or complete writedown of the AT1 bond, a future reversal of the writedown is neither planned nor permitted.

25 Provisions

CHF MN	PROVISIONS FOR LITIGATION RISKS	PROVISIONS FOR REINSTATEMENT OBLIGATIONS	OTHER	2019 TOTAL	2018 TOTAL
Balance at the beginning of the year	13.9	3.4	1.2	18.5	40.6
Impact of changes to the accounting principles	0.0	0.0	0.0	0.0	0.1
Utilization in conformity with designated purpose	–0.6	0.0	–0.4	–0.9	–18.5
Increase in provisions recognized in the income statement	1.7	0.0	0.7	2.4	2.3
Release of provisions recognized in the income statement	–0.4	–0.1	–0.2	–0.7	–10.6
Increase in provisions not recognized in the income statement	0.0	0.1	0.0	0.1	3.4
Recoveries	0.1	0.0	0.0	0.1	0.0
Change in scope of consolidation	0.0	0.0	0.0	0.0	1.1
Translation differences	0.0	0.0	0.0	0.0	0.0
Provisions as at the balance sheet date	**14.6**	**3.3**	**1.4**	**19.4**	**18.5**

Other provisions consist of provisions for expected credit losses of off-balance positions and other liabilities.

A provision is recorded if, as a result of a past event, the Group has a current liability as of the balance sheet date that will probably lead to an outflow of funds, the level of which can be reliably estimated. When determining whether a provision should be recorded and whether the amount of the provision is appropriate, the best possible estimates and assumptions as of the balance sheet date are used; these estimates and assumptions may be adapted at a later date if necessary, based on new findings and circumstances.

Vontobel is involved in various legal proceedings in the course of its normal business operations. A provision is recorded in respect of current and potential legal proceedings if the above recognition criteria are met. In certain cases, external legal specialists are consulted to determine whether this is the case.

26 Other liabilities

	NOTE	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Accrued expenses and deferred income		350.6	346.5	4.1	1
Current tax liabilities		31.1	18.8	12.3	65
Deferred tax liabilities	9	80.9	96.1	–15.2	–16
Defined benefit pension liabilities	38	35.8	31.0	4.8	15
Value-added tax and other tax liabilities		15.8	8.8	7.0	80
Settlement and clearing accounts		8.6	0.7	7.9	
Open settlement positions		332.6	503.0	–170.4	–34
Liability to purchase minority interests		114.2	70.9	43.3	61
Lease liabilities	18	173.2			
Others		56.1	58.3	–2.2	–4
Total		**1,199.0**	**1,134.0**	**65.0**	**6**

27 Share capital

Share capital

	SHARE CAPITAL		AUTHORIZED CAPITAL		
	NUMBER OF SHARES	PAR VALUE CHF MN	NUMBER OF SHARES	PAR VALUE CHF MN	NUMBER OF OUTSTANDING SHARES[1]
Balance as of 01.01.2017	56,875,000	56.9	0	0.0	54,768,633
Balance as of 31.12.2017	56,875,000	56.9	0	0.0	55,286,663
Balance as of 31.12.2018	56,875,000	56.9	0	0.0	55,284,456
Balance as of 31.12.2019	**56,875,000**	**56.9**	**0**	**0.0**	**55,433,353**

The share capital is fully paid in.

1 Share capital excluding treasury shares

Treasury shares

	NUMBER	CHF MN
Balance as of 01.01.2018	1,588,337	79.6
Purchases	1,458,724	94.4
Decreases	–1,456,517	–75.2
Balance as of 31.12.2018	1,590,544	98.8
Purchases	1,292,251	73.6
Decreases	–1,441,148	–88.2
Balance as of 31.12.2019	**1,441,647**	**84.2**

As of 31.12.2019 Vontobel held 5,083 (previous year 12,052) treasury shares to secure options and structured products. Own shares were offset against shareholders' equity in accordance with IAS 32.

Authorized capital

In the financial years 2019 and 2018 the Board of Directors did not apply for the creation of authorized capital.

Contingent share capital

There is no contingent share capital.

28 Unrealized gains and losses on financial investments

	31.12.2019		31.12.2018	
CHF MN	UNREALIZED GAINS	UNREALIZED LOSSES	UNREALIZED GAINS	UNREALIZED LOSSES
Debt instruments[1]	15.5	–2.0	7.3	–16.8
Equity instruments[2]	85.3	–0.3	76.5	0.0
Total before taxes	**100.8**	**–2.3**	**83.9**	**–16.8**
Taxes	–18.9	0.4	–17.2	3.4
Total net of tax[3]	**81.9**	**–1.9**	**66.7**	**–13.4**

1 Unrealized gains and losses are included in the balance sheet position "Other components of shareholders' equity".
2 Unrealized gains and losses are included in the balance sheet position "Retained earnings".
3 The total amount net of tax includes exchange differences in the amount of CHF –0.4 mn (previous year CHF –0.5 mn).

Risk related to balance sheet positions

29 Liquidity risk

CHF MN	DEMAND	DUE WITHIN 3 MONTHS	DUE WITHIN 3 TO 12 MONTHS	DUE WITHIN 1 TO 5 YEARS	DUE AFTER 5 YEARS	31.12.2019 TOTAL
Maturity structure of assets and liabilities						
Assets						
Cash	7,133.6					7,133.6
Due from banks	614.9	7.5			0.2	622.6
Receivables from securities financing transactions		355.1				355.1
Trading portfolio assets	3,395.6					3,395.6
Positive replacement values	155.3					155.3
Other financial assets at fair value	5,195.2					5,195.2
Loans	176.0	2,086.6	977.7	908.0	897.9	5,046.2
Financial investments	118.1	155.0	385.5	1,909.7	73.6	2,641.8
Investments in associates[1]					1.0	1.0
Property, equipment and software[1]					354.4	354.4
Goodwill and other intangible assets[1]					573.3	573.3
Other assets	766.2					766.2
Total assets	**17,554.9**	**2,604.2**	**1,363.2**	**2,817.7**	**1,900.4**	**26,240.3**
Liabilities						
Due to banks	537.6	6.6				544.2
Payables from securities financing transactions		218.7				218.7
Trading portfolio liabilities	99.3					99.3
Negative replacement values	728.4					728.4
Other financial liabilities at fair value	10,663.6					10,663.6
Due to customers	10,506.4					10,506.4
Debt issued				448.1		448.1
Provisions		0.1	0.8	17.0	1.6	19.4
Other liabilities	911.6	6.4	22.1	208.7	50.2	1,199.0
Total liabilities	**23,446.9**	**231.7**	**22.9**	**673.8**	**51.7**	**24,427.0**
Off-balance sheet						
Contingent liabilities and irrevocable commitments	47.4	717.6		4.9	0.4	770.3

1 Immobilized

Further information on liquidity risks can be found in section 4 of the notes on risk management and risk control.

CHF MN	DEMAND	DUE WITHIN 3 MONTHS	DUE WITHIN 3 TO 12 MONTHS	DUE WITHIN 1 TO 5 YEARS	DUE AFTER 5 YEARS	31.12.2018 TOTAL
Maturity structure of assets and liabilities						
Assets						
Cash	7,229.4					7,229.4
Due from banks	1,133.2	28.0				1,161.2
Receivables from securities financing transactions		765.0				765.0
Trading portfolio assets	2,972.1					2,972.1
Positive replacement values	136.0					136.0
Other financial assets at fair value	4,143.2					4,143.2
Loans	0.5	2,527.0	685.1	993.0	699.0	4,904.6
Financial investments	108.2	152.5	440.3	2,190.5	384.9	3,276.4
Investments in associates [1]					0.9	0.9
Property, equipment and software [1]					175.5	175.5
Goodwill and other intangible assets [1]					579.3	579.3
Other assets	693.8					693.8
Total assets	**16,416.3**	**3,472.5**	**1,125.4**	**3,183.4**	**1,839.6**	**26,037.3**
Liabilities						
Due to banks	651.7	28.1				679.8
Payables from securities financing transactions		34.5				34.5
Trading portfolio liabilities	208.4					208.4
Negative replacement values	1,325.7					1,325.7
Other financial liabilities at fair value	7,836.2					7,836.2
Due to customers	12,649.2					12,649.2
Debt issued				447.6		447.6
Provisions			1.2	15.9	1.3	18.5
Other liabilities	1,063.1			70.9		1,134.0
Total liabilities	**23,734.2**	**62.6**	**1.2**	**534.4**	**1.3**	**24,333.8**
Off-balance sheet						
Contingent liabilities and irrevocable commitments	59.4	614.4	0.1	10.0	0.4	684.3

1 Immobilized

30 Fair value of financial instruments

a) Financial instruments measured at fair value
The following table shows the assignment to the fair value hierarchy of those financial instruments that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value

CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2019 TOTAL
Assets				
Trading portfolio assets	3,221.5	173.9	0.1	3,395.6
Debt instruments	*176.3*	*173.9*	-	*350.3*
Equity instruments	*2,039.2*	-	*0.0*	*2,039.2*
Units in investment funds	*192.7*	*0.0*	*0.1*	*192.8*
Precious metals and cryptocurrencies	*813.3*	-	-	*813.3*
Positive replacement values	39.6	115.7	0.0	155.3
Other financial assets at fair value	4,019.6	1,170.2	5.5	5,195.2
Debt instruments [1]	*3,980.1*	*1,100.9*	-	*5,081.0*
Equity instruments	*0.0*	-	*1.8*	*1.8*
Units in investment funds	*39.5*	*0.6*	*3.7*	*43.7*
Structured products	-	*68.7*	-	*68.7*
Financial investments	2,449.7	74.0	118.1	2,641.8
Debt instruments	*2,449.7*	*74.0*	-	*2,523.7*
Equity instruments	*0.0*	-	*118.1*	*118.1*
Other assets	0.0	0.0	0.0	0.0
Total financial assets at fair value	**9,730.4**	**1,533.8**	**123.7**	**11,387.9**
Liabilities				
Trading portfolio liabilities	92.4	6.8	0.0	99.3
Debt instruments	*34.7*	*6.8*	-	*41.5*
Equity instruments	*57.7*	-	*0.0*	*57.7*
Negative replacement values	175.2	553.2	-	728.4
Other financial liabilities at fair value [2]	-	10,663.6	-	10,663.6
Structured products	-	*9,159.8*	-	*9,159.8*
Debt instruments	-	*1,503.8*	-	*1,503.8*
Other liabilities	-	0.0	117.2	117.2
Total financial liabilities at fair value	**267.6**	**11,223.6**	**117.2**	**11,608.4**

1 In the case of debt instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 48.7 mn.
2 Level 2 of the balance sheet item “Other financial liabilities at fair value” contains listed issued products with a fair value of CHF 4,785.7 mn.

CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2018 TOTAL
Assets				
Trading portfolio assets	2,852.1	119.8	0.1	2,972.1
Debt instruments	*392.0*	*119.8*	-	*511.8*
Equity instruments	*1,626.3*	-	*0.0*	*1,626.3*
Units in investment funds	*166.7*	*0.0*	*0.1*	*166.8*
Precious metals and cryptocurrencies	*667.1*	-	-	*667.1*
Positive replacement values	35.3	100.7	0.0	136.0
Other financial assets at fair value	3,270.0	867.5	5.7	4,143.2
Debt instruments [1]	*3,190.4*	*816.3*	-	*4,006.7*
Equity instruments	*0.0*	-	*1.9*	*1.9*
Units in investment funds	*79.6*	*5.6*	*3.8*	*89.0*
Structured products	-	*45.6*	-	*45.6*
Financial investments	3,014.0	154.2	108.2	3,276.4
Debt instruments	*3,014.0*	*154.2*	-	*3,168.2*
Equity instruments	*0.0*	-	*108.2*	*108.2*
Other assets	0.0	0.0	1.1	1.1
Total financial assets at fair value	**9,171.4**	**1,242.2**	**115.0**	**10,528.6**
Liabilities				
Trading portfolio liabilities	197.5	10.9	0.0	208.4
Debt instruments	*97.4*	*10.9*	-	*108.3*
Equity instruments	*100.1*	-	*0.0*	*100.1*
Negative replacement values	511.7	814.0	-	1,325.7
Other financial liabilities at fair value [2]	-	7,836.2	-	7,836.2
Structured products	-	*7,791.6*	-	*7,791.6*
Debt instruments	-	*44.6*	-	*44.6*
Other liabilities	-	0.0	70.9	70.9
Total financial liabilities at fair value	**709.2**	**8,661.1**	**70.9**	**9,441.2**

1 In the case of debt instruments measured at fair value through profit and loss, the difference between the book value (fair value) and the contractually agreed redemption amount at maturity was CHF 7.7 mn.
2 Level 2 of the balance sheet item “Other financial liabilities at fair value” contains listed issued products with a fair value of CHF 4,261.0 mn.

Level 1 instruments

In the fair value hierarchy defined in IFRS 13, level 1 instruments are those financial instruments whose fair value is based on quoted prices in active markets. This category essentially comprises almost all equity instruments and government bonds, liquid interest rate instruments issued by public sector entities and companies, investment funds for which a binding net asset value is published at least daily, exchange-traded derivatives, precious metals and cryptocurrencies.

Mid-market prices are used for the valuation of interest rate instruments in the trading book provided the market price risks from these positions are offset fully or to a significant extent by other positions in the trading book. For the valuation of other interest rate instruments, bid prices are used in the case of long positions and ask prices are used in the case of short positions. For equity instruments, listed investment funds and exchange-traded derivatives, the closing or settlement prices of the relevant markets are used. Published net asset values are used in the case of unlisted investment funds. In the case of foreign currencies, precious metals and cryptocurrencies, generally accepted prices are applied.

No valuation adjustments are made in the case of level 1 instruments.

Level 2 instruments

Level 2 instruments are financial instruments whose fair value is based on quoted prices in markets that are not active or on a valuation method where significant input parameters can be observed directly or indirectly. They mainly comprise products issued by Vontobel, interest rate instruments issued by public sector entities and companies with reduced market liquidity and OTC derivatives, as well as investment funds for which a binding net asset value is published at least quarterly.

Since there is no active market pursuant to the definition of IFRS 13 for the products issued by Vontobel, their fair value is determined using valuation methods. In the case of issued options (warrants) and option components of structured products, generally recognized option pricing models and quoted prices in markets that are not active are used to determine their fair value, while the present value method is used to determine the fair value of the interest rate components of issued products. To measure the fair value of interest rate instruments where quoted prices are available but the low trading volume means there is no active market, the same rules apply to the use of mid-market prices and bid or ask prices as for the corresponding level 1 instruments. The valuation of interest rate instruments for which no quoted prices are available is carried out using generally recognized methods. For the valuation of OTC derivatives, generally recognized valuation models and quoted prices in markets that are not active are used. Published net asset values are used in the case of investment funds.

The valuation models take account of the relevant parameters such as contract specifications, the market prices of the underlying assets, foreign exchange rates, market interest rates or funding rates, default risks, volatilities and correlations. Vontobel's credit risk is only taken into account when determining the fair value of financial liabilities if market participants would consider it when calculating prices. OTC derivatives are traded only on a collateralized basis, which is why own credit risk (as well as third-party credit risk in the case of receivables) is not included in the valuation

Level 3 instruments

Level 3 instruments are financial instruments whose fair value is based on a valuation method that uses at least one significant input parameter that cannot be observed directly or indirectly in the market. They include primarily the liability to acquire the minority interests in TwentyFour Asset Management LLP and several unlisted equity instruments in financial investmens.

The fair value of the liability to acquire minority interests in TwentyFour Asset Management LLP is calculated using a discounted cash flow analysis in which expected future cash flows based on internal business plans are discounted. This involves various input parameters that cannot be observed such as the future development of assets under management, their profitability, the cost / income ratio and long-term growth.

The fair value of unlisted equity securities is based on the proportionate share of the net asset value, taking account of any further measurement-relevant factors.

The following table shows the change in level 3 financial instruments in Vontobel's balance sheet and the income on the positions as of the balance sheet date.

Level 3 financial instruments

CHF MN	FAIR VALUE FINANCIAL INSTRUMENTS	FINANCIAL INVESTMENTS	OTHER ASSETS	31.12.2019 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[1]	31.12.2019 TOTAL FINANCIAL LIABILITIES
Balance sheet						
Holdings at the beginning of the year	5.8	108.2	1.1	115.0	–70.9	–70.9
Additions in scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Disposals from scope of consolidation	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	–3.5	–3.5
Disposals	–0.1	0.0	0.0	–0.1	0.0	0.0
Redemptions	0.0	0.0	–0.2	–0.2	0.5	0.5
Net gains/(losses) recognized in the income statement	–0.2	0.0	–0.9	–1.0	–0.8	–0.8
Net gains/(losses) recognized in other comprehensive income	0.0	9.9	0.0	9.9	0.0	0.0
Change recognized in shareholders’ equity	0.0	0.0	0.0	0.0	–41.0	–41.0
Reclassifications to level 3	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications from level 3	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0	–1.5	–1.5
Total book value at balance sheet date	**5.6**	**118.1**	**0.0**	**123.7**	**–117.2**	**–117.2**
Income in the financial year on holdings on balance sheet date						
Net gains/(losses) recognized in the income statement	–0.2	0.0	0.0	–0.2	–0.8	–0.8
Net gains/(losses) recognized in other comprehensive income	0.0	9.9	0.0	9.9	0.0	0.0

1 This item contains the liability to acquire the minority interests in TwentyFour Asset Management LLP (31.12.2019: CHF 114.2 mn; 31.12.2018: CHF 70.9 mn) and the liability from an earn-out-agreement relating to the acquisition of the US-based private clients portfolio from Lombard Odier (31.12.2019: CHF 3.0 mn; 31.12.2018: n/a)

CHF MN	FAIR VALUE FINANCIAL INSTRUMENTS	FINANCIAL INVESTMENTS	OTHER ASSETS	31.12.2018 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES[1]	31.12.2018 TOTAL FINANCIAL LIABILITIES
Balance sheet						
Holdings at the beginning of the year	5.8	14.8	0.0	20.6	–74.4	–74.4
Impact of changes to the accounting principles	2.2	54.9	0.0	57.1	0.0	0.0
Additions in scope of consolidation	0.2	0.0	38.1	38.3	12.9	12.9
Disposals from scope of consolidation	0.0	0.0	1.1	1.1	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	–0.7	0.0	–38.1	–38.8	0.0	0.0
Redemptions	0.0	0.0	0.0	0.0	2.3	2.3
Net gains / (losses) recognized in the income statement	–1.7	0.0	0.0	–1.7	–0.8	–0.8
Net gains / (losses) recognized in other comprehensive income	0.0	38.6	0.0	38.6	0.0	0.0
Change recognized in shareholders' equity	0.0	0.0	0.0	0.0	–15.4	–15.4
Reclassifications to level 3	0.0	0.0	0.0	0.0	0.0	0.0
Reclassifications from level 3	0.0	0.0	0.0	0.0	1.7	1.7
Translation differences	0.0	0.0	0.0	0.0	2.7	2.7
Total book value at balance sheet date	**5.8**	**108.2**	**1.1**	**115.0**	**–70.9**	**–70.9**
Income in the financial year on holdings on balance sheet date						
Net gains / (losses) recognized in the income statement	–2.1	0.0	0.0	–2.1	–0.8	–0.8
Net gains / (losses) recognized in other comprehensive income	0.0	38.6	0.0	38.6	0.0	0.0

1 This item contains the liability to acquire the minority interests in TwentyFour Asset Management LLP (31.12.2018: CHF 70.9 mn; 31.12.2017: CHF 57.4 mn) and the liability from an earn-out-agreement relating to the acquisition of the Eastern European client portfolio of Notenstein La Roche Privatbank AG (31.12.2018: n / a; 31.12.2017: CHF 17.0 mn), which was derecognized due to the acquisition of Notenstein La Roche Privatbank AG in the second half of 2018.

Valuation adjustments

The fair value of level 2 and level 3 instruments is always an estimate or an approximation of a value that cannot be determined with absolute certainty. In addition, the valuation methods used do not always reflect all the factors that are relevant when determining fair value. To ensure appropriate valuations in the case of products issued by Vontobel and OTC contracts, further factors such as model uncertainties and liquidity risks are taken into account where this is deemed necessary. Adjustments made due to model uncertainties reflect the limits of the valuation model used. Adjustments made due to liquidity risks take account of pricing risks related to hedging positions. Management believes it is necessary and appropriate to take these factors into account in order to correctly determine the fair value.

The appropriateness of the valuation of financial instruments that are not traded in an active market is ensured through the application of clearly defined methods and processes as well as independent controls. The control processes comprise the analysis and approval of new instruments, the regular analysis of risks as well as gains and losses, the verification of prices and the examination of the models on which the estimates of the fair value of financial instruments are based. These controls are conducted by units that possess the relevant specialist knowledge and operate independently from the trading and investment functions.

Sensitivity of fair values of level 3 instruments

Key assumptions for the measurement of the liability to acquire minority interests in TwentyFour Asset Management LLP are the discount rate (31.12.2019: 12.0%; 31.12.2018: 12.0%) that will be used to discount future cash flows, as well as the long-term growth of these cash flows (31.12.2019: 1.0%; 31.12.2018: 1.0%). The following table shows how the measurement is affected by changes in these two assumptions.

Key assumptions

	VARIATION OF THE KEY ASSUMPTION	CHANGE IN THE FAIR VALUE AS OF 31.12.2019 CHF MN	CHANGE IN THE FAIR VALUE AS OF 31.12.2018 CHF MN
Discount rate	+1 percentage point	–9.7	–5.0
Discount rate	–1 percentage point	11.7	6.0
Long-term growth	+1 percentage point	6.0	2.4
Long-term growth	–1 percentage point	–5.0	–1.6

A change in the net asset value of unquoted equity securities leads to a proportional change in fair value. A reasonably realistic change in input parameters has no significant impact on Vontobel's consolidated financial statements.

Day 1 profit

When a financial instrument is recognized for the first time, the transaction price provides the best indication of the fair value unless the fair value of this financial instrument can be evidenced by comparison with other observable current market transactions involving the same instrument (level 1 instrument) or is based on a valuation method that uses market data (level 2 instrument). If this is the case, the difference between the transaction price and the fair value – referred to as "day 1 profit" – is recorded in "Trading income" in the case of trading portfolio assets and liabilities, other financial instruments at fair value and derivative financial instruments and is recorded in "Other comprehensive income" in the case of financial investments.

In the case of level 3 instruments, the "day 1 profit" is deferred and only recognized in "Trading income" or "Other comprehensive income" when the prices of equivalent financial instruments or the underlying inputs become observable or when "day 1 profit" is realized. During the financial year and the previous year, no positions with deferred day 1 profit were recorded.

Reclassifications within the fair value hierarchy

In 2019 (previous year), positions with a fair value of CHF 168.3 mn (CHF 102.4 mn) were reclassified from level 1 to level 2 and positions with a fair value of CHF 310.0 mn (CHF 57.2 mn) were reclassified from level 2 to level 1. In the event of changes in the availability of market prices (market liquidity) or of binding net asset values of investment funds, reclassifications are made at the end of the period under review.

b) Financial instruments measured at amortized cost
The following table shows the book value, the estimated fair value and the assignment to the fair value hierarchy of those financial instruments that are measured at amortized cost.

Financial instruments measured at amortized cost

					31.12.2019		31.12.2018
CHF MN	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE TOTAL	BOOK VALUE TOTAL	FAIR VALUE TOTAL	BOOK VALUE TOTAL
Assets							
Cash	7,133.6	-	-	7,133.6	7,133.6	7,229.4	7,229.4
Due from banks	-	622.6	-	622.6	622.6	1,161.2	1,161.2
Receivables from securities financing transactions	-	355.1	-	355.1	355.1	765.0	765.0
Loans	-	5,192.2	-	5,192.2	5,046.2	5,009.5	4,904.6
Other assets [1]	41.1	378.2	-	419.3	419.3	468.5	468.5
Total	**7,174.7**	**6,548.1**	**0.0**	**13,722.8**	**13,576.8**	**14,633.6**	**14,528.7**
Liabilities							
Due to banks	-	544.2	-	544.2	544.2	679.8	679.8
Payables from securities financing transactions	-	218.7	-	218.7	218.7	34.5	34.5
Due to customers	-	10,506.4	-	10,506.4	10,506.4	12,649.2	12,649.2
Debt issued	461.3	-	-	461.3	448.1	457.4	447.6
Other liabilities [1]	0.1	744.8	-	744.9	744.9	908.5	908.5
Total	**461.4**	**12,014.1**	**0.0**	**12,475.5**	**12,462.3**	**14,729.4**	**14,719.6**

1 The position mainly includes the accrued interest as well as open settlement positions.

Short-term financial instruments at amortized cost or par value
This includes due from/to banks, loans and due to customers, as well as receivables/payables from securities financing transactions that have a maturity or a refinancing profile of a maximum of one year, the balance sheet item "cash", as well as financial instruments included in other assets/liabilities. In the case of short-term financial instruments, it is assumed that the book value is close enough to the fair value.

Long-term financial instruments at amortized cost
This includes due from/to banks, loans and due to customers as well as receivables/payables from securities financing transactions that have a maturity or a refinancing profile of over one year as well as debt issued. Fair value is determined using the present value method. For the valuation of debt issued the ask price is used.

31 Credit risks and impairment model

General information on the risk policy and credit risks

Please refer to sections 1 and 5 of the information about risk management and risk control.

Maximum credit risk before and after credit risk mitigation

The following table shows the maximum credit risk from all balance sheet and off-balance sheet positions and the available credit risk mitigation methods.

CHF MN	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION[1]	31.12.2019 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash[2]	7,133.6	0.0	7,133.6
Due from banks	622.6	293.6	329.0
Receivables from securities financing transactions	355.1	353.9	1.2
Trading portfolio assets (debt instruments)	350.3	0.0	350.3
Positive replacement values	155.3	149.7	5.6
Other financial assets at fair value (debt instruments)	5,081.0	0.0	5,081.0
Loans	5,046.2	4,574.9	471.3
Financial investments (debt instruments)	2,523.7	0.0	2,523.7
Other assets	419.3	189.5	229.8
Exposure from credit default swaps[3]	278.0	0.0	278.0
Off-balance-sheet positions	715.3	691.8	23.5
Total	**22,680.4**	**6,253.5**	**16,426.9**

CHF MN	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION[1]	31.12.2018 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash[2]	7,229.4	0.0	7,229.4
Due from banks	1,161.2	797.4	363.7
Receivables from securities financing transactions	765.0	764.3	0.7
Trading portfolio assets (debt instruments)	511.8	0.0	511.8
Positive replacement values	136.0	132.8	3.2
Other financial assets at fair value (debt instruments)	4,006.7	0.0	4,006.7
Loans	4,904.6	4,564.3	340.2
Financial investments (debt instruments)	3,168.2	0.0	3,168.2
Other assets	469.5	274.2	195.3
Exposure from credit default swaps[3]	407.6	0.0	407.6
Off-balance-sheet positions	674.1	629.4	44.7
Total	**23,434.0**	**7,162.5**	**16,271.5**

1 Credit risk mitigation is presented on the basis of Basel III regulations and encompasses netting agreements, securities collateral, cash collateral and mortgage collateral.
2 Bank notes and coins are included in the disclosure.
3 Default risks relating to the reference entities of credit default swaps where Vontobel acts as the protection seller. Any credit risk vis-à-vis the counterparty of the credit default swap is included in the balance sheet position "Positive replacement values".

Impairment model
From the credit risks shown in the above table, those that fall within the scope of the IFRS 9 impairment model at Vontobel are mainly: financial assets recognized at amortized cost, debt instruments in financial investments, and credit risks from off-balance sheet positions.

a) Credit risks by region
The following table shows the credit risks that fall within the scope of the impairment model, broken down by region. The domicile of the counterparty or issuer generally serves as the basis for the geographical assignment of risks.

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2019 TOTAL
Cash	6,761.5	371.5	0.6	0.0	0.0	7,133.6
Due from banks	350.7	198.8	54.4	10.8	7.9	622.6
Receivables from securities financing transactions	8.0	197.0	150.1	0.0	0.0	355.1
Loans	2,667.6	1,240.3	497.8	200.5	440.0	5,046.2
Financial investments (debt instruments)	519.6	1,051.2	540.6	271.5	140.8	2,523.7
Other assets	369.8	30.6	15.1	1.4	2.4	419.3
Off-balance sheet	389.3	185.4	15.0	21.9	103.7	715.3
Total	**11,066.5**	**3,274.8**	**1,273.6**	**506.1**	**694.8**	**16,815.8**

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2018 TOTAL
Cash	7,092.7	136.7	0.0	0.0	0.0	7,229.4
Due from banks	419.3	615.4	101.0	22.2	3.3	1,161.2
Receivables from securities financing transactions	426.9	338.1	0.0	0.0	0.0	765.0
Loans	2,106.8	1,450.9	146.6	219.2	981.0	4,904.6
Financial investments (debt instruments)	631.7	1,392.9	741.0	247.7	155.0	3,168.2
Other assets	179.8	228.9	34.5	21.0	5.2	469.5
Off-balance sheet	262.8	393.7	4.6	2.7	10.4	674.1
Total	**11,120.1**	**4,556.6**	**1,027.7**	**512.8**	**1,154.9**	**18,372.0**

b) Credit risks by counterparty type or industry

The following table shows the credit risks that fall within the scope of the impairment model, broken down by counterparty type or industry.

CHF MN	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL COUNTERPARTIES	OTHERS	31.12.2019 TOTAL
Cash	7,133.6	0.0	0.0	0.0	0.0	7,133.6
Due from banks	0.0	622.6			0.0	622.6
Receivables from securities financing transactions	0.0	355.1	0.0	0.0	0.0	355.1
Loans	0.0	0.0	0.0	5,046.2	0.0	5,046.2
Financial investments (debt instruments)	271.2	520.7	757.1	0.0	974.7	2,523.7
Other assets	0.0	25.7	0.0	168.7	224.9	419.3
Off-balance sheet	0.0	36.2	31.7	604.7	42.7	715.3
Total	**7,404.8**	**1,560.3**	**788.8**	**5,819.6**	**1,242.3**	**16,815.8**

CHF MN	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL COUNTERPARTIES	OTHERS	31.12.2018 TOTAL
Cash	7,229.4	0.0	0.0	0.0	0.0	7,229.4
Due from banks	0.0	1,161.2			0.0	1,161.2
Receivables from securities financing transactions	5.5	492.3	0.0	0.0	267.2	765.0
Loans	0.0	0.0	0.0	4,639.9	264.6	4,904.6
Financial investments (debt instruments)	159.6	1,442.0	340.8	31.7	1,194.1	3,168.2
Other assets	0.0	131.8	1.8	63.1	272.8	469.5
Off-balance sheet	0.0	80.5	0.0	268.8	324.8	674.1
Total	**7,394.5**	**3,307.9**	**342.7**	**5,003.5**	**2,323.5**	**18,372.0**

c) Expected credit losses

The following table shows the expected credit losses for those credit risks that fall within the scope of the impairment model.

			31.12.2019			31.12.2018
CHF MN	12-MONTH LOSSES	LIFETIME LOSSES	TOTAL	12-MONTH LOSSES	LIFETIME LOSSES	TOTAL
Cash [1]	-	-	-	-	-	-
Due from banks [1]	0.1	0.0	0.2	0.1	0.1	0.2
Receivables from securities financing transactions [1]	-	-	-	-	-	-
Loans [1]	0.8	22.6	23.4	0.8	32.3	33.1
Financial investments (debt instruments) [2]	0.5	0.0	0.5	0.6	0.0	0.6
Other assets [1]	-	5.1	5.1	-	5.1	5.1
Off-balance sheet [3]	0.1	-	0.1	0.1	-	0.1
Total	**1.6**	**27.7**	**29.3**	**1.7**	**37.5**	**39.2**

1 Expected losses were deducted from the balance sheet position.
2 Expected losses were recognized in other comprehensive income.
3 Expected losses were recognized as a provision.

Due to the very good creditworthiness of the counterparties, the daily monitoring of credit positions (exception: mortgages), the short maturity of many interest rate instruments and the prudent lending rates of the collateral received, expected credit losses in stages 1 and 2 are very low.

Financial instruments in stage 3 of the impairment model represent impaired loans. In the year under review and the previous year, they were contained in the balance sheet positions “Loans” and “Other assets”. The following table shows the development of expected credit losses from impaired loans and the stage of impaired loans before and after collateral is considered.

			CHANGE TO 31.12.2018	
EXPECTED CREDIT LOSSES FROM IMPAIRED LOANS	31.12.2019 CHF MN	31.12.2018 CHF MN	CHF MN	IN %
Balance at the beginning of the year	37.4	18.5	18.9	102
Utilization in conformity with designated purpose	–11.1	0.0	–11.1	
Doubtful interest income [1]	0.5	1.7	–1.2	–71
Recoveries	0.0	0.0	0.0	
Increase / (decrease) recognized in the income statement, net	–0.7	1.4	–2.1	–150
Change in scope of consolidation	0.0	15.8	–15.8	–100
Reclassification	0.0	0.0	0.0	
Currency translation adjustments	0.0	0.0	0.0	
Allowances as at the balance sheet date	**26.1**	**37.4**	**–11.3**	**–30**
IMPAIRED LOANS				
Impaired loans	26.1	37.4	–11.2	–30
Estimated proceeds of liquidating collateral	0.0	0.0	0.0	
Impaired loans, net	**26.1**	**37.4**	**–11.2**	**–30**

1 Interest of CHF 0.5 mn (previous year CHF 1.7 mn) on non-performing loans that had not yet been received was capitalized.

Depending on the specific case, receivables with evidence of impairment (or the collateral received) are sold or held until the insolvency or legal proceedings have been concluded and then derecognized.

d) Credit risks by rating classes

The following tables show credit risks that fall within the scope of the impairment model, broken down by rating classes to the extent that the internal or external rating of the borrower or of any guarantor represents a relevant criterion at the time of lending or when the purchase decision was made. For remaining credit risks, the collateral received is the primary or sole factor considered when granting the loan or reaching a purchase decision (especially receivables from securities financing transactions and lombard loans), which is why they are not included in the following tables. For "Due from banks", only the carrying amounts of unsecured exposures are shown. For loans, the carrying amounts of mortgages and of receivables guaranteed by a third party with an external rating are shown.

Due from banks (unsecured exposures)

			31.12.2019			31.12.2018
CHF MN	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**
AAA-AA	50.8	-	50.8	92.7	-	92.7
A	272.9	-	272.9	253.2	-	253.2
BBB-BB	2.5	0.5	3.0	7.2	0.5	7.8
B	-	-	-	-	-	-
CCC-CC	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	-	-	-	-
without rating	-	2.3	2.3	-	10.0	10.0
Total	**326.2**	**2.8**	**329.0**	**353.2**	**10.5**	**363.7**

Loans (mortgages)

			31.12.2019			31.12.2018
CHF MN	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**	**STAGE 1**	**STAGE 2 & 3**	**TOTAL**
Internal rating 1–2	904.5	-	904.5	673.2	-	673.2
Internal rating 3–4	281.5	-	281.5	307.5	-	307.5
Internal rating 5–6	38.0	-	38.0	51.4	-	51.4
Internal rating 7–8	-	4.7	4.7	-	-	-
Total	**1,224.0**	**4.7**	**1,228.7**	**1,032.1**	**0.0**	**1,032.1**

Loans (rating of third-party guarantor)

CHF MN	STAGE 1	STAGE 2 & 3	31.12.2019 TOTAL	STAGE 1	STAGE 2 & 3	31.12.2018 TOTAL
AAA-AA	25.7	-	25.7	29.0	-	29.0
A	105.5	-	105.5	144.6	-	144.6
BBB-BB	0.0	-	0.0	0.5	-	0.5
B	-	-	-	-	-	-
CCC-CC	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	-	-	-	-
without rating	-	-	-	-	-	-
Total	**131.3**	**0.0**	**131.3**	**174.1**	**0.0**	**174.1**

Financial investments (debt instruments)

CHF MN	STAGE 1	STAGE 2 & 3	31.12.2019 TOTAL	STAGE 1	STAGE 2 & 3	31.12.2018 TOTAL
AAA-AA	1,821.7	-	1,821.7	2,451.9	-	2,451.9
A	627.9	-	627.9	594.8	-	594.8
BBB-BB	71.1	0.6	71.7	118.2	1.6	119.8
B	-	-	-	-	-	-
CCC-CC	-	-	-	-	-	-
C	-	-	-	-	-	-
D	-	-	-	-	-	-
without rating	-	2.4	2.4	-	1.7	1.7
Total	**2,520.7**	**3.0**	**2,523.7**	**3,164.9**	**3.3**	**3,168.2**

32 Netting agreements

To reduce credit risks related to derivative contracts and securities financing transactions Vontobel enters into master netting agreements or similar netting arrangements with its counterparties. These netting agreements include ISDA Master Netting Agreements, Global Master Securities Lending Agreements (GMSLA), Global Master Repo Agreements (GMRA) and derivatives market rules.

These netting agreements enable Vontobel to protect itself against loss in the event of a possible insolvency or other circumstances that result in a counterparty being unable to meet its obligations. In such cases, the netting agreements provide for the immediate net settlement of all financial instruments covered by the agreement. The right of set-off essentially only becomes enforceable following a default event or other circumstances not expected to arise in the normal course of business. The financial instruments covered by a netting agreement do therefore not meet the requirements for balance sheet offsetting, which is why the book values of the corresponding financial instruments are not offset on the balance sheet.

Financial assets

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL RECEIVED	UNSECURED AMOUNT
Positive replacement values	155.3	0.0	155.3	80.8	68.9	5.6
Receivables from securities financing transactions	355.1	0.0	355.1	0.0	353.9	1.2
Total 31.12.2019	**510.4**	**0.0**	**510.4**	**80.8**	**422.8**	**6.8**

Financial liabilities

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL PROVIDED	UNSECURED AMOUNT
Negative replacement values [1]	400.9	0.0	400.9	80.8	302.9	17.2
Payables from securities financing transactions	218.7	0.0	218.7	0.0	218.7	0.0
Total 31.12.2019	**619.6**	**0.0**	**619.6**	**80.8**	**521.6**	**17.2**

1 Negative replacement values in the amount of CHF 327.5 mn are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Financial assets

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL RECEIVED	UNSECURED AMOUNT
Positive replacement values	136.0	0.0	136.0	69.9	62.9	3.2
Receivables from securities financing transactions	765.0	0.0	765.0	0.0	764.3	0.7
Total 31.12.2018	**901.0**	**0.0**	**901.0**	**69.9**	**827.2**	**3.9**

Financial liabilities

CHF MN	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL PROVIDED	UNSECURED AMOUNT
Negative replacement values[1]	1,119.2	0.0	1,119.2	69.9	1,029.4	19.9
Payables from securities financing transactions	34.5	0.0	34.5	0.0	34.5	0.0
Total 31.12.2018	**1,153.7**	**0.0**	**1,153.7**	**69.9**	**1,063.9**	**19.9**

1 Negative replacement values in the amount of CHF 206.5 mn are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Off-balance sheet and other information

33 Off-balance sheet information

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Contingent liabilities				
Credit guarantees	337.2	339.2	–2.0	–1
Performance guarantees	7.2	7.7	–0.5	–6
Other contingent liabilities	95.2	113.0	–17.8	–16
Total	**439.6**	**459.9**	**–20.3**	**–4**
Irrevocable commitments				
Undrawn irrevocable credit facilities	330.7	224.4	106.3	47
of which payment obligation to client deposit protection	*22.2*	*22.4*	*–0.2*	*–1*

Of the aggregate sum of CHF 770.3 mn (previous year CHF 684.3 mn) comprising contingent liabilities and irrevocable commitments, a total of CHF 702.9 mn (previous year CHF 616.1 mn) is secured by recognized collateral and CHF 67.4 mn (previous year CHF 68.2 mn) are unsecured.

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Fiduciary transactions				
Other fiduciary placements	2,572.4	2,859.8	–287.4	–10
Total	**2,572.4**	**2,859.8**	**–287.4**	**–10**

Litigation

In connection with the fraud committed by Bernard Madoff, the liquidators of investment vehicles that invested directly or indirectly in Madoff funds have filed lawsuits with various courts against more than 100 banks and custodians. The litigation is targeted at investors who redeemed their investments in these vehicles between 2004 and 2008. The liquidators are demanding that the investors repay the sums involved because they consider them to have been obtained unjustly as a result of the redemptions. Since the liquidators often only know the names of the investors' custodian banks, they have filed the lawsuits against them. Several legal entities of Vontobel are or may be affected directly or indirectly by the litigation in their capacity as a bank or custodian. The claims filed against Vontobel since 2010 concern the redemption of investments. Taking into account the rights and obligations transferred to Vontobel as a result of the merger by absorption of Notenstein La Roche Privatbank AG, the litigation amounts total around USD 44.1 mn. However, based on the information currently available to it, Vontobel believes the probability of a lawsuit resulting in an outflow of funds is low and has therefore decided not to set aside any provisions for such a lawsuit, but rather to disclose the amount under contingent liabilities.

34 Hedge accounting

Cash flow hedges
Vontobel is exposed to volatility in future interest income (or cash flows) on secured loans (lombard loans), the majority of which bear short-term interest and are likely to be reinvested. Vontobel hedges part of this interest income using multi-year receiver interest rate swaps. The amount and the timing of future interest income is forecast, taking account of the contractual terms of the secured loans and other relevant factors. Hedges are limited to the interest rate that corresponds to the interest rate adjustment period for the variable side of interest rate swaps (LIBOR). The client-related risk premium is therefore not part of the hedge. The effectiveness of the hedge is tested prospectively using various interest rate scenarios. Hedge ineffectiveness can arise primarily due to differences between the term of the lombard loans and the interest rate adjustment periods for the variable side of the interest rate swaps. Interest rate swaps are only entered into on a collateralized basis, which is why changes in the creditworthiness of the counterparty do not, in principle, have any impact on the valuation of the hedging instruments.

The change in fair value of the effective portion of the interest rate swaps is recognized in other comprehensive income and is shown in the statement of equity in the column "Cash flow hedges", while the change in fair value of the ineffective portion of the interest rate swaps is recognized in trading income. When the hedged interest income affects profit or loss, the related income from hedges is transferred from shareholders' equity to net interest income.

Fair value hedges
Vontobel hedges part of the long-term mortgages against general interest rate risks using payer interest rate swaps with maturities that match the terms of the hedged mortgages as far as possible. The client-related risk premium is therefore not part of the hedge. The effectiveness of the hedge is tested prospectively using various interest rate scenarios. Hedge ineffectiveness can arise primarily due to any differences between the term of the hedged mortgages and the maturities of the hedging instruments on the one hand, and changes in the fair value of the variable side of the interest rates swaps on the other. Interest rate swaps are only entered into on a collateralized basis, which is why changes in the creditworthiness of the counterparty do not, in principle, have any impact on the valuation of the hedging instruments.

The change in the fair value of interest rate swaps is recognized in trading income. The change in the fair value of the hedged mortgages that is attributable to the hedged risk leads to an adjustment of the carrying amount of the corresponding mortgages and is also recognized in trading income. In the case of early termination of the hedge, the cumulative adjustment of the carrying amount of the corresponding mortgages is recognized in net interest income over their remaining term.

Hedges of net investments in foreign operations
Vontobel hedges part of the foreign currency risks related to its net investments in foreign operations. The spot components of foreign currency forwards with short maturities and the foreign currency components of due to customers on demand in the corresponding currency serve as hedging instruments in this context. In principle, there is no ineffectiveness since, on the one hand, the foreign exchange rate used for the currency translation of the net investments and for the valuation of hedging instruments is identical and, on the other hand, the foreign currency forwards are only entered into on a collateralized basis, which is why changes in the creditworthiness of the counterparty do not, in principle, have any impact on the valuation of the hedging instruments.

The change in fair value of the effective portion of the forwards and of the foreign currency components of financial liabilities is recognized in other comprehensive income and is shown in the statement of equity in the column "Currency translation adjustments", while the change in fair value of the ineffective and / or non-designated portion (interest component) of the forwards is recognized in trading income. If a realization event occurs (e.g. when control over a Group company is lost), the related income from hedges is transferred from shareholders' equity to the item "Other income" in the income statement.

Information on hedging instruments

CHF MN	31.12.2019	31.12.2018
Cash flow hedges		
Positive replacement values of interest rate swaps	0.4	0.0
Negative replacement values of interest rate swaps	0.0	1.5
Nominal value of interest rate swaps	135.6	216.9
Nominal value-weighted residual term of interest rate swaps (in years)	0.6	1.2
Fair value hedges		
Positive replacement values of interest rate swaps	-	-
Negative replacement values of interest rate swaps	5.6	1.2
Nominal value of interest rate swaps	88.3	88.3
Nominal value-weighted residual term of interest rate swaps (in years)	10.6	11.6
Hedges of net investments in foreign operations		
Positive replacement values of forwards	0.6	0.2
Negative replacement values of forwards	-	-
Nominal value of forwards	76.1	78.9
Due to customers	42.3	41.4

Effect of hedge accounting on the components of shareholders' equity "Cash flow hedges" and "Currency translation adjustments" (before taxes)[1]

	CASH FLOW HEDGES		CURRENCY TRANSLATION ADJUSTMENTS	
CHF MN	2019	2018	2019	2018
Balance at the beginning of the year	–1.5	–1.6	3.1	–1.2
Income during the reporting period	1.9	0.1	1.7	4.3
Gains and losses transferred to the income statement	0.0	0.0	0.0	0.0
As at the balance sheet date	**0.4**	**–1.5**	**4.8**	**3.1**

1 The two components of shareholders' equity are reported in the balance sheet item "Other components of shareholders' equity".

Effect of fair value hedge accounting on the carrying amount of mortgages

CHF MN	31.12.2019	31.12.2018
Cumulative adjustments	4.7	0.8

Ineffectiveness

CHF MN	2019	2018
Cash flow hedges	0.0	0.0
Fair value hedges	–0.5	–0.4
Hedges of net investments in foreign operations	-	-

35 Client assets

Client assets is a broader term than assets under management and comprises all bankable assets that are managed by or deposited with Vontobel, including assets that are held solely for transaction or custody purposes and for which further services are provided, as well as investment products offered by Financial Products to give private and institutional clients access to all asset classes and markets.

Client assets

	31.12.2019 CHF BN	31.12.2018 CHF BN	CHANGE TO 31.12.2018 CHF BN	IN %
Assets under management	198.9	171.1	27.8	16
Other advised client assets	16.5	13.5	3.0	22
Structured products and debt instruments outstanding	10.7	7.9	2.8	35
Total advised client assets	**226.1**	**192.6**	**33.5**	**17**
Custody assets	62.3	54.7	7.6	14
Total client assets	**288.4**	**247.3**	**41.1**	**17**

Assets under management

	31.12.2019 CHF BN	31.12.2018 CHF BN	CHANGE TO 31.12.2018 CHF BN	IN %
Assets in self-managed collective investment instruments	59.6	48.9	10.7	22
Assets with management mandate	71.0	63.2	7.8	12
Other assets under management	68.2	59.1	9.1	15
Total assets under management (including double counts)	**198.9**	**171.1**	**27.8**	**16**
of which double counts	*5.1*	*4.5*	*0.6*	*13*

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

Development of assets under management

CHF BN	31.12.2019	31.12.2018
Total assets under management (incl. double counts) at the beginning of the year	171.1	165.3
Change attributable to net new money	11.7	5.0
Change attributable to market valuation	20.5	–13.7
Change attributable to other effects [1]	–4.5	14.5
Total assets under management (incl. double counts) at the balance sheet date	**198.9**	**171.1**

1 Financial year 2019: Reclassification of all private label funds without an asset management agreement as other advised client assets, buy-out Real Estate, sale of Fund of Hedge Fund business and acquisition of US-based private clients portfolio from Lombard Odier in April 2019
Financial year 2018: Acquisition of Notenstein La Roche Privatbank AG in July 2018 and sale of the Liechtenstein operation in February 2018 as well reclassification of certain assets (CHF 0.2 bn) that are now held for investment purposes.

Assets under management and net inflows / outflows of new money

Assets under management are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA) concerning accounting standards for financial institutions (FINMA Circular 15/01). Assets under management comprise all of the assets managed or held for investment purposes of private, corporate and institutional clients. This includes all amounts due to customers on savings and deposit accounts, fixed-term and fiduciary deposits, and all valued assets. Assets under management that are deposited with third parties are included to the extent that they are managed by a Vontobel company. Assets under management only include those assets on which Vontobel generates considerably higher income than on assets that are held solely for custody purposes or the execution of transactions. These types of custody assets are reported separately. Assets that are counted more than once, i. e. in several categories of assets under management to be disclosed, are shown under double counts. They primarily include shares in self-managed collective investment instruments in client portfolios.

Net inflows or outflows of assets under management during the reporting period consist of the acquisition of new clients, the departure of clients as well as inflows and outflows of assets from existing clients. This also includes the borrowing and the repayment of loans, as well as the distribution of collective capital investments. The calculation of the net inflow or outflow of new money is performed at the level "total assets under management" excl. double counts. If there is a change in the service provided, resulting in the reclassification of assets under management as assets held for custody purposes or vice versa, this is recorded as an outflow of new money or an inflow of new money, respectively. Securities-related and currency-related changes in market value, interest income and dividends, fee charges, loan interest paid and the impacts of acquisitions and disposals in Vontobel's subsidiaries or businesses do not constitute inflows or outflows of assets.

In the case of assets under discretionary management, the client delegates portfolio investment activities to a Vontobel company. Assets under discretionary management comprise client assets where Vontobel decides how the funds are to be invested based on a prior structured analysis of the client's risk appetite and risk capacity. The information relates to assets deposited with Group companies as well as with third parties for which Vontobel exercises a management mandate.

With assets under non-discretionary management with account and portfolio management, it is assumed that the client himself follows developments in the international capital markets and takes investment decisions. The client requires an account for the settlement of transactions and a custody account for the safekeeping of securities. The client is not actively offered advice.

Other advised client assets

Other advised client assets include the assets of clients with special relationships that cannot be reported either as assets under management or custody assets. In addition, assets in self-managed collective investment vehicles without discretionary portfolio management or without individual sales are also classed as other client assets.

36 Collective investment instruments

As an active asset manager, Vontobel manages a wide range of collective investment instruments. Vontobel's investment funds are classed as structured entities according to IFRS 12. Since Vontobel – as agent – acts primarily in the interests of investors, the investment funds are not consolidated. Shares of its proprietary investment funds are treated as financial instruments. There are no contractual or constructive obligations to provide financial or other forms of support for the investment funds.

Under the terms of the relevant investment regulations, Vontobel manages the fund assets on behalf of the investors who invested capital in the respective investment funds. Vontobel also performs various administrative functions for the investment funds. Vontobel receives fees for providing these services; the level of fees is in line with normal market rates. As of December 31, 2019, the volume of assets in Vontobel investment funds totalled CHF 57.2 bn (previous year CHF 43.9 bn). In the financial year 2019, Vontobel generated gross income of CHF 420.0 mn (previous year CHF 372.9 mn) from the provision of services to these investment funds.

The following table shows the book value of the shares of these investment funds held by Vontobel. The book value corresponds to the maximum potential loss.

CHF MN	TRADING PORTFOLIO ASSETS	OTHER FINANCIAL ASSETS AT FAIR VALUE	TOTAL
Book value as of 31.12.2018	0.9	73.2	74.1
Book value as of 31.12.2019	**3.9**	**23.2**	**27.1**

37 Acquisition of the US-based private clients portfolio from Lombard Odier

The acquisition of the US-based private clients portfolio from Lombard Odier closed on April 1, 2019. With this acquisition, Vontobel complemented its organic growth in Wealth Management and in the business with US clients. A total of more than CHF 730 mn of assets under management was transferred to Vontobel as a result of the transaction. In addition to wealth management clients, Vontobel took over all of the brokerage private clients of Lombard Odier who switched to an advisory or wealth management relationship as part of the transaction.

The assets and liabilities of the US-based private clients portfolio of Lombard Odier were included in Vontobel's consolidated financial statements as follows:

Balance sheet

CHF MN	01.04.2019
Assets	
Cash	98.6
Loans	1.4
Intangible assets (excluding goodwill)	8.9
Goodwill	1.7
Other assets	0.5
Total assets	**111.1**
Liabilities	
Due to customers	100.0
Equity	11.1
Total liabilities	**111.1**
Acquisition costs	11.1
of which paid at the acquisition date	*7.6*
of which recognized as a liability	*3.5*
Acquired cash and cash equivalents	98.6
Net inflow of cash and cash equivalents	**91.0**

The earn-out payments recognized as a liability were estimated at CHF 3.5 mn and correspond to a percentage of the income generated from the acquired clients in the first three years.

Intangible assets (excluding goodwill) comprise client relationships. Their fair value was calculated using the multi-period excess earnings method. This is a level 3 valuation in the fair value hierarchy since various unobservable input parameters were used (e.g. future income and costs based on the business plan, attrition rate of acquired clients). Client relationships are amortized over 10 years. With the exception of goodwill (residual amount), all other assets and liabilities consist of level 1 or level 2 valuations in the fair value hierarchy.

Goodwill was allocated to the Wealth Management division and an impairment test was carried out for the first time in the second half of 2019 (see note 19 "Goodwill and other intangible assets" for details).

The inclusion of the US-based private clients portfolio of Lombard Odier in Vontobel's consolidated accounts – taking account of the amortization of client relationships and excluding the below transaction cost and integration costs – resulted in an increase in operating income of CHF 2.9 mn and in net profit of CHF 1.3 mn in the financial year 2019. If the transaction had been completed on January 1, 2019, this would – all other things being equal – have resulted in operating income of CHF 1,263.1 mn and net profit of CHF 265.7 mn in the financial year 2019. In the financial year 2019, costs of CHF 0.7 mn were charged to the income statement for the integration of the US-based private clients portfolio of Lombard Odier (first half: CHF 0.7 mn, second half: CHF 0.0 mn).

38 Employee benefit plans

In Switzerland, Vontobel insures its employees against the financial consequences of old age, disability and death primarily through two autonomous occupational pension funds (basic fund and supplementary fund). It also operates an employee welfare fund.

The Board of Trustees is the most senior governing body of the pension funds and is composed of employee and employer representatives. Pension benefits are funded through employer and employee contributions, which amount to between 3% and 18.5% or between 1.5% and 16.0% of the insured salary, depending on the age group. Upon reaching the ordinary retirement age of 64 years for women or 65 years for men, the pension funds give the insured the choice between receiving a lifelong pension and drawing part or all of their pension benefits in the form of a lump-sum payment. The annual pension is calculated on the basis of the pension assets available at the retirement date, multiplied by the applicable conversion rate. Depending on the year in which the insured was born and on the pension fund, the conversion rate at the ordinary retirement age is between 5.5% and 6.3%. The insured can take early retirement from the age of 58. Disability pensions and pensions for surviving spouses are defined as a percentage of the insured salary. The benefits and contributions are set out in the pension fund regulations, with the minimum benefits being prescribed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). In the event of a funding deficit according to the BVG, the employer can be required to pay contributions towards the restructuring of the pension fund. At the end of 2019, both pension funds had a funded status – as defined by the BVG – of over 100%.

The Board of Trustees of each pension fund is responsible for investing its assets. The investment strategy is defined in such a way as to enable pension benefits to be paid when they fall due.

The Swiss pension funds were set up according to the Swiss method of defined contributions but are classed as defined benefit plans under IAS 19 because both the actuarial risks and the investment risks are borne not only by the insured but also by the company.

In the case of defined benefit plans, the pension obligations and expenses are determined by actuarial appraisals prepared by outside experts according to the projected unit credit method. The appropriate calculations are performed on an annual basis. The net amount recognized in the balance sheet corresponds to the funding surplus or funding deficit of the defined benefit pension plans, taking account of any possible restrictions on the amount of a surplus that can be recognized as an asset (asset ceiling). The net interest based on the net liability or net asset of the defined benefit pension plans, the current and (due to plan amendments or plan curtailments) past service costs, the administration costs (excluding asset management costs) and the gains and losses arising from plan settlements are recorded in personnel expense. Actuarial gains and losses on pension liabilities as well as the return on plan assets and changes due to the asset ceiling (following the deduction of the sums recorded in net interest) are recognized in other comprehensive income.

The most recent actuarial calculation according to IAS 19 was carried out for these pension plans by independent experts as of 1 May 2019. Past service costs in the year under review include the impact of changes to pension fund regulations in Switzerland concerning early retirement, effective January 1, 2020, in the amount of CHF 0.5 mn. There were no plan settlements and plan curtailments in the year under review. Past service costs in the previous year include the impact of changes to pension fund regulations in Switzerland, effective January 1, 2019, in the amount of CHF 7.4 mn (primarily a reduction of conversion rates), as well as the effect of employee transfers from Notenstein La Roche Privatbank AG to Vontobel's pension plans in the amount of CHF 10.5 mn. The gain from the plan settlement of CHF 7.1 mn in the previous year is attributable to the reduction of headcount in connection with the integration of Notenstein La Roche Privatbank AG. There were no plan curtailments in the previous year.

Vontobel has foreign pension plans in the UK, Italy, Hong Kong, Luxembourg, Singapore, Spain, Dubai, Australia and the US that are classed as defined contribution plans under IAS 19. Vontobel has individual pension commitments in Germany, for which the corresponding provisions have been recognized.

No actuarial calculations are required in order to record defined contribution plans in the balance sheet. The contributions to these types of pension plans are recorded in the income statement when the employees render the corresponding services, which is generally in the year in which the contributions are paid.

Defined benefit pension plans in Switzerland

CHF MN	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2019	**–1,268.7**	**1,250.0**	**0.0**	**–18.7**
Current service cost	–44.0			–44.0
Past service cost	–0.5			–0.5
Gain / losses on settlement	0.0	0.0		0.0
Interest income / (interest expense)	–2.9	3.1	-	0.2
Administration cost	–0.5			–0.5
Others	0.0	0.0		0.0
Total cost recognized in personnel expense	**–48.0**	**3.1**	**-**	**–44.9**
Actuarial gains / losses on obligations				
of which changes in financial assumptions	–117.2			–117.2
of which changes in demographic assumptions	0.0			0.0
of which experience adjustments	–19.6			–19.6
Return on plan assets excluding interest income		125.1		125.1
Change in effect of asset ceiling excluding interest			-	-
Total cost recognized in other comprehensive income	**–136.8**	**125.1**	**-**	**–11.7**
Employee contributions	–27.1	27.1		-
Employer contributions		39.6		39.6
Benefits paid resp. deposited	105.1	–105.1		-
Business combination	0.0	0.0		0.0
Others	0.0	0.0		0.0
Total at 31.12.2019	**–1,375.5**	**1,339.8**	**0.0**	**–35.8**
of which active members	*–1,027.4*			
of which pensioners	*–348.1*			
of which reported in Other assets				*0.0*
of which reported in Other liabilities				*–35.8*

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 49.4 mn, consisting of CHF 44.9 mn for defined benefit pension plans and CHF 4.5 mn for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

CHF MN	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2018	**–974.0**	**1,003.9**	**0.0**	**29.9**
Current service cost	–38.4			–38.4
Past service cost	18.0			18.0
Gain / losses on settlement	7.1	0.0		7.1
Interest income / (interest expense)	–4.7	4.8	-	0.1
Administration cost	–0.5			–0.5
Others	0.0	0.0		0.0
Total cost recognized in personnel expense	**–18.5**	**4.8**	**-**	**–13.7**
Actuarial gains / losses on obligations				
of which changes in financial assumptions	–57.3			–57.3
of which changes in demographic assumptions	26.7			26.7
of which experience adjustments	–13.3			–13.3
Return on plan assets excluding interest income		–26.0		–26.0
Change in effect of asset ceiling excluding interest			-	-
Total cost recognized in other comprehensive income	**–43.9**	**–26.0**	**-**	**–69.9**
Employee contributions	–23.2	23.2		-
Employer contributions		33.8		33.8
Benefits paid resp. deposited	4.8	–4.8		-
Business combination	–213.9	215.1		1.2
Others	0.0	0.0		0.0
Total at 31.12.2018	**–1,268.7**	**1,250.0**	**0.0**	**–18.7**
of which active members	*–944.7*			
of which pensioners	*–324.0*			
of which reported in Other assets				*12.3*
of which reported in Other liabilities				*–31.0*

The component of personnel expense comprising pension and other employee benefit plans totalled CHF 18.1 mn, consisting of CHF 13.7 mn for defined benefit pension plans and CHF 4.4 mn for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

Composition of plan assets

CHF MN	31.12.2019	31.12.2018
Quoted market price		
Cash and cash equivalents	45.1	107.8
Equity instruments	546.5	428.6
Debt instruments	453.1	386.4
Real estate	140.8	94.2
Derivatives	0.5	0.0
Commodities	62.8	46.6
Others	0.0	101.6
Total fair value	**1,248.7**	**1,165.2**
Non-quoted market price		
Debt instruments	9.8	9.1
Real estate	54.6	50.9
Others	26.6	24.8
Total fair value	**91.0**	**84.8**
Total plan assets at fair value	**1,339.7**	**1,250.0**
of which registered shares of Vontobel Holding AG	*0.0*	*0.0*
of which debt instruments of Vontobel	*0.0*	*0.0*
of which credit balances with Vontobel companies	*44.4*	*63.3*
of which securities lent to Vontobel	*0.0*	*0.0*

Maturity profile of defined benefit obligation

IN YEARS	31.12.2019	31.12.2018
Weighted average duration of defined benefit obligation	12.8	11.3

Actuarial assumptions

Demographic assumptions (e.g. probability of death, disability or termination) are based on the BVG 2015 actuarial tables (cohort life tables), which draw on observations of large insurance portfolios in Switzerland over a period of several years, and are adapted to reflect conditions specific to Vontobel or empirical values where necessary. The increase in mortality is calculated using the CMI Model.

The discount rate is used to determine the present value of pension obligations and is based on the yields on high-quality corporate bonds in Swiss francs. A yield curve is calculated using the yields on this type of corporate bond. The individual pension obligations are discounted using the interest rate on the yield curve that applies to their duration.

In the following table, the item “Discount rate” shows the constant interest rate that would result in the same present value of pension obligations as if a discount were applied using the interest rates on the yield curve. The plan-specific sensitivities are related to this interest rate (see below). The item “Interest rate used to determine net interest income” shows the interest rate that will be used in the following year to determine the interest income on plan assets and the interest expense on pension obligations. This interest rate corresponds to the interest rates on the yield curve weighted with the individual discounted pension obligations.

Actuarial assumptions

IN %	31.12.2019	31.12.2018
Discount rate	0.2	1.0
Interest rate used to determine net interest income	0.0	0.4
Expected rate of salary increases	1.0	1.0
Expected rate of pension increases	0.0	0.0

Estimated contributions to defined benefit pension plans in the following year

CHF MN	31.12.2019	31.12.2018
Employer contributions	35.3	34.3
Employee contributions	24.8	22.7

Plan-specific sensitivities
The following overview shows the impacts of an isolated change in the main actuarial assumptions on the present value of pension obligations as of December 31, 2019 and December 31, 2018. The discount rate was reduced/increased by 0.25 percentage points and the expected rate of salary increases was reduced/increased by 0.5 percentage points. The sensitivity relating to mortality was calculated using a method where mortality was reduced or increased by a set factor so that life expectancy for most age categories was increased or reduced by approximately one year. The sensitivity analyses were produced in the same way as in the previous year.

Plan-specific sensitivities

CHF MN	DEFINED BENEFIT OBLIGATION 31.12.2019	DEFINED BENEFIT OBLIGATION 31.12.2018
Current actuarial assumptions	1,375.5	1,268.7
Discount rate		
Reduction of 25 basis points	1,421.7	1,306.1
Increase of 25 basis points	1,332.2	1,233.6
Salary increases		
Reduction of 50 basis points	1,365.1	1,259.9
Increase of 50 basis points	1,385.8	1,277.3
Life expectancy		
Reduction in longevity by one year	1,346.8	1,248.5
Increase in longevity by one additional year	1,403.8	1,288.6

39 Other employee benefits payable in the long term

Other employee benefits payable in the long term exist in the form of long service awards and sabbatical leaves. Analogously to the defined benefit pension plans, actuarial calculations have been performed and an accrued expense recognized for these benefits.

CHF MN	31.12.2019	31.12.2018
Accrued expense for long service awards and sabbatical leaves	2.2	1.6

40 Employee share-based benefit program and other deferred compensation

Under the current share participation plan, which was introduced in spring 2004, employees can opt to receive 25% of their bonus in the form of bonus shares of Vontobel Holding AG at preferential terms. For bonus amounts exceeding CHF 100,000, it is mandatory for employees to take 25% of the bonus in the form of shares. Employees who exercise roles that are defined by the Board of Directors as special positions are required to take 33% of their bonus in the form of shares. In the case of members of the Executive Board, this mandatory portion increases to 50% of their total bonus. These shares are awarded at a price corresponding to 80% of the relevant market price. The relevant market price is the average of the closing prices in the month of December of the year for which the bonus is paid. The bonus shares are blocked for three years and cannot be disposed of during that period. The fair value of bonus shares at grant date is charged as personnel expense. Employees who receive bonus shares automatically participate in the performance shares program. The right to receive performance shares depends on the performance of the business over the last three years, hence the name “performance shares”, as well as on the number of bonus shares received.

The company’s average return on equity (ROE) and the average risk profile (BIS total capital ratio) are taken into account when determining its performance. A third requirement when receiving performance shares is that they are only paid to employees who remain in an employment relationship on which notice has not been served three years after they received the bonus shares. On the balance sheet date, the expense relating to the performance share program is estimated for the entire vesting period and charged to personnel expense on a pro rata temporis basis. When determining the expense, the estimates for the return on equity, the BIS total capital ratio and the probability that employees will leave the company are updated, while the relevant share price is fixed at the time when the rights to receive performance shares are granted and is not adjusted during the vesting period. It corresponds to the fair value of the Vontobel Holding AG share at this time, less the present value of the dividends expected during the vesting period.

Blocked shares

	EMPLOYEES		MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD	
NUMBER	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Holdings of blocked shares at the beginning of the year	1,045,660	1,131,370	498,315	508,097
Allotted shares and transfers (addition)	448,299	400,471	171,643	153,175
Shares for which the holding period has lapsed	–317,992	–392,729	–181,526	–159,363
Shares of employees / members who have left the Group and transfers (reduction)	–98,571	–93,452	–338	–3,594
Holdings of blocked shares as at the balance sheet date	**1,077,396**	**1,045,660**	**488,094**	**498,315**
Charged as personnel expense in the year under review (CHF mn)	0.5	0.6	0.2	0.3
Charged as personnel expense in the preceding year (CHF mn)	24.2	24.1	9.2	9.2
Average price of shares upon allotment (CHF)	55.20	61.80	54.79	62.40
Fair value of blocked shares as at the balance sheet date (CHF mn)	74.5	52.7	33.8	25.1

Deferred compensation outstanding

Right to receive performance shares

Vontobel's compensation concept focuses on the achievement of sustained success. The awarding of performance shares is a long-term component of this compensation system. The number of shares allocated in the year under review is calculated on the basis of the number of bonus shares received for the financial year 2015 as well as the performance of the business in the years 2016 to 2018, measured in terms of the average return on equity (ROE) and the average risk profile (BIS total capital ratio). The cost per allocated share recorded as share-based compensation was CHF 39.65. The market price was CHF 55.20 on the allocation date in March 2019 and was CHF 69.15 as at the balance sheet date.

In view of expectations regarding the performance of the business (ROE and BIS total capital ratio), the calculation of the number of rights is based on the assumption that between 111% and 115% (previous year between 116% and 127%) of the original number of bonus shares will be allocated as performance shares to eligible employees in connection with the individual programs.

If the ROE in 2020 and 2021 is 3 percentage points higher (lower) than expected due to an improvement (deterioration) in the performance of the business, between 111% and 132% (98% and 115%) of the original number of bonus shares will be granted as performance shares to eligible employees in connection with the individual programs. If the BIS total capital ratio in 2020 and 2021 is 2 percentage points higher (lower) than expected, these factors would be between 111% and 138% (111% and 115%). Further information is available at: www.vontobel.com/compensation-report. As a result, a reasonably possible deviation from the expected values would not have a significant impact on Vontobel's future personnel expense.

Performance shares

	EMPLOYEES		CHAIRMAN OF THE BOARD OF DIRECTORS AND MEMBERS OF THE EXECUTIVE BOARD	
NUMBER	**31.12.2019**	**31.12.2018**	**31.12.2019**	**31.12.2018**
Holdings of rights at the beginning of the year	1,265,004	1,321,283	470,864	493,880
Allotted rights and transfers (addition)	448,299	400,471	133,498	118,902
Recorded performance shares	–396,716	–506,808	–179,887	–184,534
Forfeited rights and transfers (reduction)	–118,019	–92,343	0	0
Change of rights due to modified parameters	18,781	142,401	4,118	42,616
Holdings of rights as at the balance sheet date	**1,217,349**	**1,265,004**	**428,593**	**470,864**
CHF MN				
Personnel expense recorded over the vesting period for recorded performance shares	15.7	18.5	7.1	6.7
Market value of recorded performance shares on the allocation date	21.9	31.3	9.9	11.4
Charged as personnel expense in the year under review	17.0	18.4	7.3	7.5
Cumulative charge to personnel expense for outstanding rights to performance shares as at the balance sheet date	32.9	31.6	12.2	12.4
Estimated personnel expense for the remaining vesting periods including future terminations	22.4	22.7	7.4	7.6
Estimated personnel expense for the remaining vesting periods excluding future terminations	26.0	26.4	8.6	8.8
Other deferred compensation as at the balance sheet date				
In cash	8.0	4.0	0.0	0.0
Share-based compensation benefits	0.0	0.0	0.0	0.0

41 Compensation of governing bodies

The governing bodies of Vontobel comprise the members of the Board of Directors of Vontobel Holding AG and the members of the Executive Board. Additional information about the current members of governing bodies can be found in the Corporate Governance section of this annual report. The compensation paid to this group of people is listed below. Further information can be found in the Vontobel Compensation Report commencing on page 59.

Compensation is recognized in the financial year in which it is accrued. It is thus reported according to the accrual principle, irrespective of cash flows. This does not include expense related to performance shares and other deferred compensation, which is recorded during the vesting period. However, once the vesting conditions have been met, the allocation of shares is shown at the point in time when the performance shares are transferred to employees.

Compensation of the members of the Board of Directors of Vontobel Holding AG and Bank Vontobel AG for the financial year

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	
	CHF MN	CHF MN	CHF MN	IN %
Short-term employee benefits	2.6	2.5	0.1	4
Post-employment benefits	0.1	0.1	0.0	0
Other long-term benefits	0.0	0.0	0.0	
Termination benefits	0.0	0.0	0.0	
Equity compensation benefits [1,2]	1.7	1.7	0.0	0
Total mandate-related compensation for the financial year [3]	**4.4**	**4.3**	**0.1**	**2**
Compensation for additional services	0.0	0.0	0.0	
Total compensation for the financial year [4]	**4.4**	**4.3**	**0.1**	**2**

1 The members of the Board of Directors received a total of 32,222 (previous year 38,145 shares of Vontobel Holding AG as part of their compensation for the year under review. None of those shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
2 The cost of the performance shares is not included in the calculation of share-based compensation during the vesting period of the shares.
3 Excluding flat rate compensation for expenses and employer contribution to AHV / IV / ALV
4 The expense relating to performance shares is not included in “Total compensation for the financial year”. The allocation of performance shares is shown separately in the following table “Allocation of shares from the long-term employee share-based benefit program”.

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

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	
	NUMBER	NUMBER	NUMBER	IN %
Number of performance shares allotted to Herbert J. Scheidt [1]	9,304	26,954	–17,650	–65

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table “Compensation for the financial year”. Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 0.4 mn (previous year CHF 1.0 mn) and was included on a pro rata basis over the vesting period.

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

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Base salary	4.3	3.7	0.6	16
Other short-term employee benefits [1]	0.0	0.0	0.0	
Cash component of bonus [2]	6.9	5.8	1.1	19
Post-employment benefits	0.8	0.7	0.1	14
Other long-term benefits	0.0	0.0	0.0	
Termination benefits	0.0	0.0	0.0	
Equity compensation benefits bonus shares [2,3]	5.1	5.8	–0.7	–12
Total contract-related compensation for the financial year [4]	**17.1**	**16.0**	**1.1**	**7**
Compensation for additional services	0.0	0.0	0.0	
Total compensation for the financial year [5]	**17.1**	**16.0**	**1.1**	**7**
Number of persons receiving compensation	6	6	0	0

1 Other short-term employee benefits comprise family allowance payments and preferential interest rates for mortgages.
2 Financial year 2019: Subject to the approval of the General Meeting of Shareholders 2020; Performance-related Compensation for one Member of the Executive Board entirely in cash.
3 A total of 96,555 (previous year 133,498 Vontobel Holding AG shares were allocated to members of the Executive Board. These bonus shares entail a conditional right to receive performance shares following the expiry of a three-year vesting period.
4 Excluding flat rate compensation for expenses and employer contribution to AHV / IV / ALV.
5 The expense relating to performance shares is not included in "Total compensation for the financial year". The allocation of performance shares is shown separately in the "Allocation of shares from the long-term employee share-based benefit program" table below.

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

	31.12.2019 CHF MN OR NUMBER	31.12.2018 CHF MN OR NUMBER	CHANGE TO 31.12.2018 CHF MN OR NUMBER	IN %
Market value of performance shares at the date on which they were allotted in CHF mn [1]	9.1	9.7	–0.6	–6
Number of performance shares allotted	164,919	157,582	7,337	5
Number of persons receiving compensation	6	6	0	0

The allocated performance shares are a long-term component of the compensation system and, as such, are not included in the previous table "Compensation for the financial year". Instead, they are shown separately in this table.
1 In accordance with the relevant IFRS rules the cost recorded as equity compensation benefits was CHF 6.5 mn (previous year CHF 5,8 mn) and was included on a pro rata basis over the vesting period.

42 Loans to members of governing bodies, major shareholders and related parties

Loans to members of Vontobel's governing bodies and to significant shareholders and the persons and companies related to them may only be granted in accordance with the generally recognized principles of the banking industry. Governing body members are generally treated like employees, and that particularly in regard to lending terms. Governing body loans must be approved by the Board of Directors of Vontobel Holding AG in addition to the levels of authority applicable to employees.

As of December 31, 2019, margin calls fully secured against collateral, guarantees, loans and credits to and the promis of payment in favour of the members of Vontobel's governing bodies or related parties and significant shareholders totalled CHF 5.3 mn (previous year CHF 9.1 mn) were outstanding. No loans to former members of the Board of Directors or the members of the Executive Board were outstanding that were not granted according to standard terms and conditions.

Vontobel has granted mortgage loans to members of its governing bodies and to employees since 1 October 2016. It provides mortgage loans to them at a preferential interest rate of up to 1% below the usual interest rate up to a maximum loan amount of CHF 1 million per borrower. In addition, as part of a transitional arrangement, Vontobel provides the same terms and conditions in the case of existing mortgage loans of members of its governing bodies and employees from selected third-party banks until maturity. Vontobel does not assume any credit risks or other obligations in this context.

The members of the Board of Directors and the Executive Board conduct usual banking transactions with Vontobel at the same conditions as employees.

43 Transactions with related persons

Companies and persons are deemed related if one side is able to control the other or exert a substantial influence on the other's financial or operational decisions.

Transactions with related companies and persons

	31.12.2019	31.12.2018	CHANGE TO 31.12.2018	
	CHF MN	CHF MN	CHF MN	IN %
Receivables	2.0	3.6	–1.6	–44
Liabilities	177.2	358.7	–181.5	–51

Reported liabilities consist of current account balances of related companies / persons as well as liabilities from financial hedging transactions.

Vontobel Foundation and other members of the shareholder pool
The Vontobel Foundation conducts business with Bank Vontobel AG at preferential terms.

Pension funds of Vontobel
The assets of these pension funds are managed by Vontobel Asset Management AG.

44 Significant foreign currency rates

For the significant currencies, the following rates were used:

	YEAR END RATES		AVERAGE RATES	
	31.12.2019	31.12.2018	2019	2018
1 EUR	1.08697	1.12692	1.11229	1.15213
1 GBP	1.28282	1.25551	1.27067	1.30104
1 USD	0.96835	0.98580	0.99238	0.97674

45 "One Vontobel"

On December 9, 2019, Vontobel announced that it is evolving into an internationally active, focused investment manager. Further information can be found on pages 23 to 25.

46 Events after the balance sheet date

No events have occurred since the balance sheet date that affect the relevance of the information provided in the year 2019 financial statements and would therefore need to be disclosed.

47 Dividend payment

The Board of Directors will propose the payment of a dividend of CHF 2.25 per registered share with a par value of CHF 1.00 to the General Meeting of Shareholders of Vontobel Holding AG on March 30, 2020. This corresponds to a total payment of CHF 126.5 mn.[1]

1 Shares entitled to a dividend as of 31.12.2019

48 Authorization of the consolidated accounts

The Board of Directors discussed and approved the present annual report during the board meeting on 5 February 2020. It will be submitted for approval at the General Meeting on March 30, 2020.

Segment reporting

49 Segment reporting principles

External segment reporting reflects the organizational structure of Vontobel as well as internal management reporting, which forms the basis for the assessment of the financial performance of the segments and the allocation of resources to the segments.

Vontobel comprises the following divisions, which represent the operating and reportable segments according to IFRS 8. They provide the following services to clients:

Wealth Management
Wealth Management encompasses holistic wealth management portfolio management services for private clients, investment advisory, custodian services, financial advisory services relating to legal, inheritance and tax matters, lending against collateral, mortgage loans, pension advice and wealth consolidation services.

Asset Management
Asset Management specializes in active asset management, and is positioned as a multi-boutique provider. Its products are distributed to institutional clients, indirectly through wholesale channels and also by cooperation partners.

Investment Banking
Investment Banking focuses on the structured products and derivatives business, services for external asset managers, brokerage, corporate finance, securities and foreign exchange trading, and securities services supplied by Transaction Banking.

Corporate Center
The Corporate Center provides core services for the divisions, and comprises the support units Operations, Finance & Risk, Corporate Services and the Board of Directors support units.

Income, expenses, assets and liabilities are allocated to the divisions on the basis of client responsibility or according to the principle of origination. Items that cannot be allocated directly to the divisions are reported in the Corporate Center accounts. The Corporate Center also includes consolidating entries.

The costs of the services supplied internally are reported in the item “Services from / to other segment(s)” as a reduction in costs for the service provider and as an increase in costs for the recipient, based on agreements that are renegotiated periodically according to the same principle as if they were concluded between independent third parties (“at arm’s length”).

Income taxes are managed on a cross-business basis at Group level and are therefore not assigned to the segments.

Segment reporting

CHF MN	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2019 TOTAL
Net interest income after credit losses	65.9	0.9	15.6	2.0	84.4
Net fee and commission income	330.3	507.1	58.9	–37.1	859.2
Trading income and other operating income	22.4	3.3	243.5	49.1	318.3
Total operating income	**418.6**	**511.3**	**317.9**	**14.0**	**1,261.9**
Personnel expense[1]	166.5	201.9	119.1	149.6	637.2
General expense	22.1	56.4	60.3	77.5	216.3
Services from / to other segment(s)	103.4	44.6	49.6	–197.7	0.0
Depreciation of property, equipment (incl. software) and intangible assets	8.7	9.8	10.1	71.5	100.1
Provisions and losses	0.7	0.3	1.3	–0.7	1.6
Total operating expense	**301.5**	**313.1**	**240.4**	**100.2**	**955.2**
Segment profit before taxes	**117.2**	**198.3**	**77.5**	**–86.2**	**306.7**
Taxes					41.6
Net profit					**265.1**
of which minority interests					*14.1*
Additional information					
Segment assets	4,882.2	358.2	10,201.9	10,797.9	26,240.3
Segment liabilities	8,039.7	990.0	14,659.8	737.5	24,427.0
Allocated equity according to BIS[2]	529.5	258.2	220.5	115.7	1,123.9
Client assets (CHF bn)[3]	62.6	137.7	90.7	–2.6	288.4
Net new money (CHF bn)[3]	0.1	11.0	0.6	–0.1	11.7
Additions to property, equipment (incl. software) and intangible assets[4]	10.7	1.4	8.4	72.7	93.1
Employees (full-time equivalents)	579.1	433.8	420.7	548.0	1,981.6

1 Personnel expense includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 0.5 mn (expense due to changes related to early retirement)
2 The allocation of the regulatory capital required in accordance with BIS standards to the individual segments is based on the principle of origination. With regard to capital requirements for credit risks related to balance sheet assets, allocation is based on guidelines analogous to those used for reporting segmental assets. The prescribed deduction of CHF 573.3 mn from core capital for intangible assets has been included in the above figures of the corresponding segments. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 84.2 mn from core capital for treasury shares is not included in the figures above.
3 Definition see note 35
4 Including additions due to changes in the scope of consolidation. The figures for the financial year 2018 have been adjusted accordingly.

Information on regions[1]

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES[2]	CONSOLIDA-TION	31.12.2019 TOTAL
Operating income related to external customers	696.0	327.1	108.4	130.4		1,261.9
Assets	16,054.6	2,683.6	119.0	10,487.4	–3,104.3	26,240.3
Property, equipment and intangible assets	828.3	86.2	8.5	4.6		927.6
Additions to property, equipment (incl. software) and intangible assets[3]	84.7	4.1	0.4	3.9		93.1

1 Reporting is based on operating locations.
2 Mainly U.A.E.
3 Including additions due to changes in the scope of consolidation. The figures for the financial year 2018 have been adjusted accordingly.

Segment reporting

CHF MN	WEALTH MANAGEMENT	ASSET MANAGEMENT	INVESTMENT BANKING	CORPORATE CENTER	31.12.2018 TOTAL
Net interest income after credit losses	56.0	0.7	13.5	1.7	71.8
Net fee and commission income	273.8	464.1	78.3	–30.5	785.7
Trading income and other operating income	21.4	–0.1	241.4	37.5	300.2
Total operating income	**351.2**	**464.7**	**333.2**	**8.7**	**1,157.8**
Personnel expense [1]	142.7	175.8	118.2	133.3	570.1
General expense	18.3	55.7	66.3	106.4	246.7
Services from / to other segment(s)	93.4	43.1	49.2	–185.6	0.0
Depreciation of property, equipment (incl. software) and intangible assets	6.8	9.4	7.0	45.5	68.8
Provisions and losses	–3.0	0.4	0.8	–2.2	–4.0
Total operating expense	**258.2**	**284.4**	**241.5**	**97.4**	**881.6**
Segment profit before taxes	**93.0**	**180.3**	**91.7**	**–88.7**	**276.2**
Taxes					44.0
Net profit					**232.2**
of which minority interests					*11.5*
Additional information					
Segment assets	4,429.0	520.1	8,924.2	12,164.0	26,037.3
Segment liabilities	9,927.6	1,003.1	12,919.7	483.5	24,333.8
Allocated equity according to BIS [2]	510.5	266.1	220.6	130.8	1,128.0
Client assets (CHF bn) [3]	55.3	117.5	77.6	–3.2	247.3
Net new money (CHF bn) [3]	1.6	3.1	0.3	0.1	5.0
Additions to property, equipment (incl. software) and intangible assets [4]	301.1	2.0	14.2	59.0	376.3
Employees (full-time equivalents)	574.6	432.0	421.4	567.7	1,995.7

1 Personnel expense includes the impacts of changes to Swiss pension fund regulations in the amount of CHF 7.4 mn (primarily the reduction of conversion rates), as well as the effect related to the integration of Notenstein la Roche Privatbank AG due to employee transfers in the amount of CHF 10.5 mn and CHF 7.1 mn from plan settlements. This positive impact was allocated to the divisions as follows: Wealth Management CHF 2.0 mn; Asset Management CHF 1.5 mn; Investment Banking CHF 1.7 mn; Corporate Center CHF 19.8 mn.

2 The allocation of the regulatory capital required in accordance with BIS standards to the individual segments is based on the principle of origination. With regard to capital requirements for credit risks related to balance sheet assets, allocation is based on guidelines analogous to those used for reporting segmental assets. The prescribed deduction of CHF 579.4 mn from core capital for intangible assets has been included in the above figures of the corresponding segments. The valuation adjustments of own liabilities are assigned to the Investment Banking division. The deduction of CHF 98.8 mn from core capital for treasury shares is not included in the figures above.

3 Definition see note 35

4 Including additions due to changes in the scope of consolidation.

Information on regions [1]

CHF MN	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES [2]	CONSOLIDA-TION	31.12.2018 TOTAL
Operating income related to external customers	667.8	276.4	119.8	93.8		1,157.8
Assets	18,423.7	2,505.3	119.4	8,490.8	–3,501.9	26,037.3
Property, equipment and intangible assets	677.3	73.9	2.2	1.4		754.8
Additions to property, equipment (incl. software) and intangible assets [3]	373.3	2.0	0.5	0.5		376.3

1 Reporting is based on operating locations.

2 Mainly U.A.E.

3 Including additions due to changes in the scope of consolidation.

Subsidiaries and participations

Major fully consolidated companies

	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL MN	SHARE OF VOTES AND CAPITAL IN %
Vontobel Holding AG	Zurich	Holding	CHF	56.9	Parent company
Vontobel Beteiligungen AG	Zurich	Holding	CHF	10.0	100
Bank Vontobel AG	Zurich	Bank	CHF	149.0	100
Bank Vontobel Europe AG	Munich	Bank	EUR	40.5	100
Vontobel Swiss Wealth Advisors AG	Zurich	Wealth management	CHF	0.5	100
Vontobel Wealth Management (Hong Kong) Ltd.	Hong Kong	Wealth management	HKD	280.0	100
Vontobel Wealth Management Società di Intermediazione Mobiliare S.p.A.	Milan	Wealth management	EUR	1.5	100
Vontobel Fonds Services AG	Zurich	Fund management	CHF	4.0	100
Vontobel Asset Management AG	Zurich	Portfolio management	CHF	20.0	100
Vontobel Asset Management S.A.	Luxembourg	Fund & Portfolio management	EUR	2.6	100
Vontobel Asset Management UK Holdings Ltd.	London	Holding	GBP	26.0	100
TwentyFour Asset Management LLP	London	Portfolio management	GBP	2.5	60
Vontobel Asset Management, Inc.	New York	Portfolio management	USD	6.5	100
Vontobel AM Fixed Income US, Inc.	New York	Portfolio management	USD	0.3	100
Vontobel Asset Management Asia Pacific Limited	Hong Kong	Financial Advisor	HKD	7.0	100
Vontobel Asset Management Pte. Ltd.	Singapore	Holding	SGD	0.3	100
Vontobel Asset Management Australia Pty. Ltd.	Sydney	Portfolio management	AUD	1.0	100
Vontobel Securities AG	Zurich	Brokerage	CHF	2.0	100
Vontobel Financial Products GmbH	Frankfurt	Issues	EUR	0.05	100
Vontobel Financial Products Ltd.	Dubai	Issues	USD	2.0	100
Vontobel Pte. Ltd.	Singapore	Services for EAMs/Distribution deritrade®	SGD	0.3	100
Vontobel Limited	Hong Kong	Brokerage	HKD	25.0	100

The share of voting rights held corresponds to the equity interest held.
Only the shares of Vontobel Holding AG are listed on the Swiss Exchange (SIX). Please see pages 8 and 245 for more detailed information.
In the case of regulated subsidiaries, part of the capital is not available for dividends or transfers due to regulatory requirements (e.g. Basel III). These restrictions do not have any material impact on Vontobel's activities.

Associated companies

	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL MN	SHARE OF VOTES AND CAPITAL IN %
Deutsche Börse Commodities GmbH	Frankfurt	Issues	EUR	1.0	16.2

Changes in the scope of consolidation

Companies fully consolidated for the first time

COMPANY	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL MN	SHARE OF VOTES AND CAPITAL IN %
Vontobel Wealth Management Società di Intermediazione Mobiliare S.p.A.	Milan	Wealth management	EUR	1.5	100
Vontobel Asset Management Pte. Ltd.	Singapore	Holding	SGD	0.3	100

Statutory Banking Regulations

Vontobel's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The most significant differences between IFRS and Swiss GAAP (Banking Ordinance and FINMA Circular 15/01) that are of relevance to Vontobel are as follows:

Financial investments
The financial instruments included in financial investments are carried at fair value under IFRS. In the case of equity instruments, dividends are recognized in the income statement and all other income components are recognized through other comprehensive income. Realized gains are not transferred to the income statement. In the case of interest rate instruments, changes in fair value are recognized through other comprehensive income. The change in expected credit losses is shown in the income statement, with the offsetting entry made in other comprehensive income. If an interest rate instrument is sold, the expected credit losses and cumulative changes in fair value are transferred from other comprehensive income to the income statement. Interest is accrued in the period in which it is earned using the effective interest method and recognized in the income statement. Under Swiss GAAP, equity instruments are classed as participations and are recognized at cost less economically necessary valuation adjustments. Debt instruments are valued according to the lower of cost or market principle. Interest income and dividend income, changes in the carrying amount and realized gains and losses are recognized through profit or loss.

Expected credit losses
Under IFRS, expected credit losses are to be recognized through profit or loss for all financial instruments that fall within the three-level IFRS 9 impairment model (primarily debt instruments recognized at amortized cost or at fair value through other comprehensive income (FVOCI). Under Swiss GAAP, expected credit losses are only recognized for receivables with evidence of impairment (receivables with evidence of impairment correspond to level 3 of the impairment model under IFRS).

Other financial liabilities measured at fair value through profit and loss (Fair Value Option)
Under IFRS, Vontobel applies the fair value option for issued products. They are carried at fair value in the balance sheet, and income is recognized in the income statement on an ongoing basis. The impact of the change in own credit risk of financial liabilities, for which the fair value option is applied, is generally recorded in other comprehensive income. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, the corresponding impact is recorded in profit or loss. This is the case at Vontobel. Under Swiss GAAP, the fair value option can also be applied for these positions. Under Swiss GAAP, changes in fair value due to a change in the Group's own credit risk are not recorded in the income statement.

Goodwill
IFRS stipulates that goodwill cannot be amortized and must, instead, be tested for impairment at least once annually. Under Swiss GAAP, goodwill is amortized on a straight-line basis over five years. In justified cases, the amortization period can be a maximum of 10 years.

Cash flow hedges
Vontobel uses interest rate swaps to hedge cash flows from lombard loans (see note 34). Under IFRS, the change in fair value of the effective portion of interest rate swaps is recognized in other comprehensive income. As soon as the hedged cash flows occur, the related income is transferred to the income statement. Under Swiss GAAP, the change in fair value of the effective portion of interest rate swaps is recognized in the compensation account. As soon as the hedged cash flows occur, the related income is transferred to the income statement.

Fair value hedges
Vontobel uses interest rate swaps to hedge the fair value of mortgages (see note 34). Under IFRS, the change in fair value of interest rate swaps is recognized in the income statement. The change in the fair value of hedged mortgages due to the hedged risk leads to an adjustment in the carrying amount of the corresponding mortgages and is also recognized in the income statement. Under Swiss GAAP, the change in fair value of the effective portion of interest rate swaps is recognized in the compensation account. The carrying amount of the hedged mortgages is not adjusted.

Leases
Under IFRS, at the lease commencement date, Vontobel, as lessee, recognizes a lease liability corresponding to the present value of lease payments over the lease term. At the same time, a right to use the underlying asset, which corresponds to the lease liability plus prepaid lease payments, directly attributable costs and costs for any reinstatement obligations, is capitalized.

After initial recognition, the interest component on the lease liability is accrued in the period in which it is incurred using the effective interest method. The lease liability is adjusted to reflect interest recognized and lease payments made. The right-of-use asset is depreciated on a straight-line basis over the lease term.

Under Swiss GAAP, operating lease expenses are charged to the income statement in the period in which they are incurred.

Pension funds
In principle, Swiss GAAP allows the relevant IFRS standard (IAS 19) to be applied. Unlike IAS 19, however, Swiss GAAP disallows entries not affecting the income statement.

Extraordinary profit
Under IFRS, all items of income and expense are allocated to ordinary operating activities. Under Swiss GAAP, items of income and expense are classified as extraordinary if they are not recurring and are not related to operating activities.

Other differences in presentation
Under IFRS, the consolidated financial statements comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of equity, the statement of cash flows and the notes. Under Swiss GAAP, there is no requirement to present a statement of comprehensive income. In addition, numerous other differences in presentation exist.

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To the General Meeting of
Vontobel Holding AG, Zürich

Zurich, 7 Februar 2020

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Vontobel Holding AG and its subsidiaries (the Group), which comprise the income statement, statement of comprehensive income, balance sheet, statement of equity, cash flow statement and notes (pages 128 to 217) for the year then ended at 31 December 2019, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 120 to 217) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Fair value of financial instruments

Area of focus	Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values can be based on quoted prices in active markets (level 1) or on a valuation model where significant input parameters can be observed directly or indirectly in the market (level 2), or on a valuation model where significant input parameters cannot be observed in the market (level 3). The use of valuation models is influenced to a significant extent by the assumptions applied, including interest rates, forward rates and swap rates, spread curves, volatility and estimates of future cash flows. The determination of these assumptions involves the exercise of significant judgment. In its consolidated balance sheet as of 31 December 2019, Vontobel Holding AG reports total financial assets at fair value of CHF 11.4 bn and financial liabilities at fair value of CHF 11.6 bn. In view of the inherent exercise of judgment and the significance of these balance sheet items in the financial statements of Vontobel Holding AG, their valuation is of particular importance from an audit perspective. The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 129 to 130 and 178 to 184 of the Annual Report. Please also refer to notes 12, 14 and 30 of the Notes to the consolidated financial statements.
Our audit response	Our audit procedures included an evaluation of the design and the operational effectiveness of relevant key controls. In particular, they comprised the approval processes for products and valuation models, as well as the independent price verification. Furthermore, we performed procedures to evaluate the assumptions used and tested the valuation of financial instruments using independent valuation models. Based on a sample and using comparisons with third-party sources, we tested the fair values that were used and that were directly available in an active market. Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.

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Goodwill and other intangible assets

Area of focus	Vontobel Holding AG accounts for the acquisition of subsidiaries using the acquisition method, whereby the acquisition costs are measured at the fair value of the consideration at the acquisition date. If the fair value of the consideration exceeds the fair value of the net assets acquired, goodwill is recognized and assigned to one or more cash-generating units. Goodwill is subject to an annual impairment test. The valuation of net assets acquired that is carried out in connection with the acquisition of a subsidiary, the allocation of goodwill acquired to cash-generating units, and the recoverable value that is determined as part of the impairment test, are influenced to a significant extent by the assumptions that are used, the determination of which involves the exercise of significant judgment. The client relationships and brands acquired during business combinations are recognized as other intangible assets and depreciated over their estimated useful life. If events or circumstances indicate that the carrying amount may be impaired, an impairment test is carried out. The fair values of these intangible assets are determined on the basis of valuation methods that use various input parameters that cannot be observed. The determination of these input parameters and the estimation of useful life involve the exercise of significant judgment. In its consolidated balance sheet as of 31 December 2019, Vontobel Holding AG reports goodwill totaling CHF 487.4 mn and other intangible assets totaling CHF 85.9 mn. In the financial year 2019, two subsidiaries of Vontobel Holding AG acquired the US-based private clients portfolio from Lombard Odier. Due to the acquisition and the inherent exercise of judgment, the identification and the valuations of goodwill and other intangible assets are of particular importance from an audit perspective. The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 128, 129 and 132 of the Annual Report. Please also refer to notes 19 and 37 of the Notes to the consolidated financial statements.
Our audit response	In the course of our audit, we examined the valuation models used as well as significant assumptions. In particular, they comprised valuation multipliers related to assets under management, gross margins, cash flow projections, discount rates, useful life, etc. We assessed these assumptions on the basis of current market conditions. With regard to the acquisition of the US-based private clients portfolio from Lombard Odier, we examined the reported amount and the valuations of the identified intangible assets and goodwill. In addition, we assessed the disclosure of the acquisition in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the recognition and measurement of goodwill and other intangible assets.

Other information in the annual report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

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

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Andreas Blumer (Qualified Signature)

Prof. Dr. Andreas Blumer
Licensed audit expert
(Auditor in charge)

Philipp Müller (Qualified Signature)

Philipp Müller
Licensed audit expert

Vontobel Holding AG

Additional information

Review of business activities

Vontobel Holding AG, which is headquartered in Zurich, generated a net profit of CHF 112.3 million in the financial year 2019, compared to CHF 177.6 million in the previous year. This strong decrease (37%) was mainly attributable to lower dividend income from participations, which declined by 20% from CHF 182.8 million in 2018 to CHF 147.1 million. The holding company's income mainly stems from prior-year profits, i.e. dividends distributed by its operational subsidiaries in Switzerland and abroad.

Operating income subsequently declined by 22% to CHF 174.8 million. Several subsidiaries paid higher dividends to Vontobel Holding AG in the year under review. However, two major operational subsidiaries withdrew their dividends in order to strengthen their equity position.

Personnel expense and general expense rose by 11% to CHF 38.0 million in the year under review. Depreciation and valuation adjustments increased from CHF 3.7 million to CHF 8.9 million due to adjustments to the portfolio of participations.

In June 2018, Vontobel Holding AG issued a CHF 450 million Additional Tier 1 bond with a coupon of 2.625% to partially finance the acquisition of Notenstein La Roche Privatbank AG. Financial expense rose from CHF 7.0 million to CHF 13.1 million because the interest charges from this bond were, for the first time, incurred for a full year (2018: six months).

The Board of Directors of Vontobel Holding AG will propose the distribution of a dividend of CHF 2.25 (2018 CHF 2.10) per registered share to the General Meeting of Shareholders of March 30, 2020. As of December 31, 2019, the company's share capital totaled CHF 56.875 million, consisting of 56,875,000 registered shares with a par value of CHF 1.00 each. Of this total, 56,209,037 shares were entitled to a dividend as of the balance sheet date.

Key figures

Key figures

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Net profit	112.3	177.6	–65.3	–37
Net profit per registered share in CHF[1]	2.00	3.17	–1.17	–37
Dividend in percent of share capital[2]	225	210		
Dividend per registered share in CHF[2]	2.25	2.10	0.15	7
Shareholders' equity (before distribution of profits)	1,075.9	1,073.4	2.5	0
Shareholders' equity per registered share in CHF[1]	19.14	19.15	–0.01	0
Operating income	174.8	223.1	–48.3	–22
Dividend income from participations	147.1	182.8	–35.7	–20
Personnel and general expense	38.0	34.1	3.9	11
Depreciation and valuation adjustments	8.9	3.7	5.2	141
Financial expense	13.1	7.0	6.1	87
Operating income before taxes	115.5	181.9	–66.4	–37
Total assets	1,798.5	1,772.3	26.2	1
Share capital	56.9	56.9	0.0	0
Debt issued	450.0	450.0	0.0	0
Participations	1,719.3	1,711.3	8.0	0
Average return on equity in %	11.1	17.9		

1 Basis: dividend-bearing shares as per end of year
2 Financial year 2019: As per the proposal submitted to the General Meeting

Income statement

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Dividend income from participations	147.1	182.8	–35.7	–20
Securities income, fee and commission income and trading income	27.6	25.6	2.0	8
Other ordinary income	0.1	0.1	0.0	0
Gains on the sale of financial investments	0.0	14.6	–14.6	–100
Operating income	**174.8**	**223.1**	**–48.3**	**–22**
Securities and fee and commission expense	0.2	0.3	–0.1	–33
Other ordinary expense	3.2	0.1	3.1	
Operating expense	**3.4**	**0.4**	**3.0**	**750**
Net operating income	**171.4**	**222.7**	**–51.3**	**–23**
Personnel costs	7.1	6.8	0.3	4
Employee benefits and pension fund	0.8	0.7	0.1	14
Personnel expense	**7.9**	**7.5**	**0.4**	**5**
Occupancy expense, furniture and equipment	0.3	0.3	0.0	0
PR, marketing, annual report, consulting and audit fees	28.2	24.9	3.3	13
Other business and office expenses	1.6	1.4	0.2	14
General expense	**30.1**	**26.6**	**3.5**	**13**
Operating income before financial income, taxes, depreciation and valuation adjustments	**133.4**	**188.6**	**–55.2**	**–29**
Depreciation of property and equipment	0.6	0.6	0.0	0
Impairments on participations	7.4	3.4	4.0	118
Reversal of impairments on participations	0.0	–0.3	0.3	
Impairments, other	0.9	0.0	0.9	
Depreciation and valuation adjustments	**8.9**	**3.7**	**5.2**	**141**
Operating income before financial income and taxes	**124.5**	**184.9**	**–60.4**	**–33**

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Operating income before financial income and taxes	**124.5**	**184.9**	**–60.4**	**–33**
Interest income	1.6	1.4	0.2	14
Interest income, Group companies	*1.5*	*1.4*	*0.1*	*7*
Foreign exchange income	2.5	2.6	–0.1	–4
Financial income	**4.1**	**4.0**	**0.1**	**3**
Interest expense	13.1	7.0	6.1	87
Interest expense, Group companies	*1.3*	*1.1*	*0.2*	*18*
Interest expense, debt issued	*11.8*	*5.9*	*5.9*	*100*
Financial expense	**13.1**	**7.0**	**6.1**	**87**
Operating income before taxes	**115.5**	**181.9**	**–66.4**	**–37**
Ordinary income before taxes	**115.5**	**181.9**	**–66.4**	**–37**
Extraordinary / one-off expense or expense unrelated to the reporting period	0.1	0.1	0.0	0
Extraordinary / one-off income or income unrelated to the reporting period	0.2	0.0	0.2	
Extraordinary / one-off income and income unrelated to the reporting period	**0.1**	**–0.1**	**0.2**	
Net profit for the year before taxes	**115.6**	**181.8**	**–66.2**	**–36**
Direct taxes	**3.3**	**4.2**	**–0.9**	**–21**
Net profit for the year	**112.3**	**177.6**	**–65.3**	**–37**

Balance sheet

Assets

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Current assets				
Total cash and short-term holdings of assets with a market price	1.4	1.1	0.3	27
Current accounts banks, Group companies	*1.4*	*1.1*	*0.3*	*27*
Other short-term receivables	23.5	8.3	15.2	183
Due from Group companies, other	*0.1*	*0.2*	*–0.1*	*–50*
Other short-term receivables	*23.4*	*8.1*	*15.3*	*189*
Accrued income and prepaid expenses	3.2	3.8	–0.6	–16
Total current assets	**28.1**	**13.2**	**14.9**	**113**
Non-current assets				
Financial assets, Group companies	49.3	45.4	3.9	9
Participations	1,719.3	1,711.3	8.0	0
Total fixed assets	1.8	2.4	–0.6	–25
Total intangible assets	0.0	0.0	0.0	
Total non-current assets	**1,770.4**	**1,759.1**	**11.3**	**1**
Total assets	**1,798.5**	**1,772.3**	**26.2**	**1**
of which subordinated assets due from Group companies	*4.0*	*4.0*	*0.0*	*0*

Liabilities and Shareholders' equity

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Liabilities				
Current liabilities				
Short-term interest-bearing liabilities	240.8	215.9	24.9	12
Due to banks, Group companies	*240.8*	*208.4*	*32.4*	*16*
Due to banks	*0.0*	*7.5*	*–7.5*	*–100*
Other short-term liabilities	4.4	5.4	–1.0	–19
Accrued expenses and deferred income	2.4	2.6	–0.2	–8
Total current liabilities	**247.6**	**223.9**	**23.7**	**11**
Long-term liabilities				
Long-term interest-bearing liabilities	450.0	450.0	0.0	0
Debt issued	*450.0*	*450.0*	*0.0*	*0*
Provisions	25.0	25.0	0.0	0
Total long-term liabilities	**475.0**	**475.0**	**0.0**	**0**
Total liabilities	**722.6**	**698.9**	**23.7**	**3**
Shareholders' equity				
Share capital	56.9	56.9	0.0	0
Statutory capital reserve	0.8	0.8	0.0	0
Reserves from capital contributions	*0.8*	*0.8*	*0.0*	*0*
Statutory retained earnings	74.6	80.4	–5.8	–7
General statutory retained earnings	*32.2*	*32.2*	*0.0*	*0*
Reserves for treasury shares	*42.4*	*48.2*	*–5.8*	*–12*
Voluntary retained earnings	985.7	986.2	–0.5	–0
Retained earnings approved by resolution	*7.6*	*1.8*	*5.8*	*322*
Retained earnings brought forward	*865.8*	*806.8*	*59.0*	*7*
Net profit for the year	*112.3*	*177.6*	*–65.3*	*–37*
Own shares of capital	–42.1	–50.9	8.8	
Total shareholders' equity	**1,075.9**	**1,073.4**	**2.5**	**0**
Total liabilities and shareholders' equity	**1,798.5**	**1,772.3**	**26.2**	**1**

Notes to the financial statements

Name, legal form and domicile of the company
Vontobel Holding AG, Zurich

The nominal capital amounts to CHF 56.875 mn, consisting of 56.875 mn registered shares with a par value of CHF 1.00 each (previous year: nominal capital of CHF 56.875 mn, 56.875 mn registered shares).

Easing of requirements for the notes to the separate financial statements of Vontobel Holding AG
Vontobel prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). Consequently, Vontobel Holding AG is exempt from numerous disclosure requirements in the statutory separate financial statements.

Applied accounting principles

General principles
The accounting principles are based on the requirements set out in the Swiss Code of Obligations.

Transactions concluded as of the balance sheet date are recorded on a daily basis. Spot transactions concluded but not yet settled as of the balance sheet date are recognized according to the trade date principle. To ensure that the principle of substance over form is applied, all expenses and income are recognized on an accrual basis up to the balance sheet date.

In valuations, the more prudent of two available values is always taken into account. Valuations are performed based on the assumption that the company will continue to operate as a going concern.

In principle, the offsetting of assets and liabilities or of expense and income is not carried out (except in the case of transactions of the same type with the same counterparty, the same maturity and the same currency that cannot lead to a counterparty risk).

Foreign currency transactions during the year are converted at the applicable exchange rate on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the closing exchange rates, and unrealized exchange differences are recognized in the income statement. Non-monetary items carried at historical cost in a foreign currency are translated at the historical exchange rate.

Other principles
Securities in current assets are valued at the current market value.

The item “Other short-term receivables” includes all receivables from Vontobel companies and third parties. It is valued at nominal value less any valuation adjustments for identified risks.

The item “Non-current assets” includes all participations, property and equipment, and intangible assets, as well as financial assets with a residual term of over one year. Property and equipment as well as intangible assets are valued at acquisition costs less any depreciation. They are depreciated on a straight-line basis over their estimated useful life. Financial assets are valued at nominal value less any valuation adjustments for identified risks. Participations are valued according to the individual valuation principle. The value of participations is determined based in particular on calculations of the net asset value and income value, while also taking account of fluctuations in exchange rates. If the calculated value is lower than the previously stated value, an impairment is recognized in the income statement. A reversal of the impairment up to the acquisition cost is also recognized in the income statement.

The item “Short-term liabilities” includes all liabilities on demand and fixed-term liabilities at Swiss and foreign banks and non-banks. The items “Accrued income and deferred expenses” and “Accrued expenses and deferred income” include all assets and liabilities resulting from the accrual of interest and other income and expenses. Amounts not due for payment until the following year, such as taxes, performance-based compensation components or audit fees, are charged to the year in which they originated in accordance with the accrual principle.

“Long-term liabilities” includes liabilities with a residual term of over one year, debt instruments issued and provisions. Debt instruments issued are recognized at nominal value. Any premiums / discounts are recorded in “Other liabilities” / “Other assets” and are released through profit or loss by the final maturity or the first possible redemption date.

The company’s nominal share capital is recognized in “Share capital”. The item “Statutory capital reserves” comprises capital paid in by shareholders as well as premiums. The item “Statutory retained earnings” includes capital generated by the company and that is increased annually in accordance with legislative and regulatory requirements. The item “Reserves for treasury shares” corresponds to the registered shares of Vontobel Holding AG held by subsidiaries, which are valued at the acquisition price. In the item “Own shares of capital”, registered shares held by Vontobel Holding AG as treasury shares are deducted from shareholders’ equity at the acquisition price. Income from the sale of treasury shares is recognized in the income statement.

The expense for shares of Vontobel Holding AG that are allotted to employees as part of the annual bonus (bonus shares) are charged to personnel expense in the year in which the relevant performance was delivered. The expense for shares of Vontobel Holding AG that are allotted to employees as part of the long-term share participation plan (performance shares) are charged to personnel expense on a pro rata temporis basis over the vesting period. Liabilities arising from shares that have not yet been allotted are recognized at market value in the item “Other short-term liabilities”. Refer to the Compensation Report, page 59ff. for further information regarding the share participation plan.

Net release of hidden reserves and replacement reserves
No significant amount of hidden reserves was released. There are no replacement reserves.

Due from and to governing bodies

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Due from governing bodies	0.0	0.0	0.0	
Due to governing bodies	2.7	2.4	0.3	13

For information on compensation awarded to members of the Board of Directors and the Executive Board as well as their shareholdings, refer to the Compensation Report, page 59ff.
For information on loans to governing bodies, refer to the consolidated financial statements, note 42.

Direct taxes

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	CHANGE TO 31.12.2018 IN %
Income tax	2.8	3.7	–0.9	–24
Tax on capital	0.5	0.5	0.0	0
Total	**3.3**	**4.2**	**–0.9**	**–21**
Status of tax assessment	2014	2014		

Debt issued
Please also refer to note 24 of the Notes to the consolidated financial statements.

Collateral provided for liabilities of third parties and contingent liabilities

	31.12.2019 CHF MN	31.12.2018 CHF MN	CHANGE TO 31.12.2018 CHF MN	IN %
Guarantees	0.0	0.0	0.0	
Pledges	0.0	0.0	0.0	
Collateral assignments	0.0	0.0	0.0	
Guarantee commitments	9,487.9	7,786.7	1,701.2	22
Total	**9,487.9**	**7,786.7**	**1,701.2**	**22**
of which guarantee commitments for Group companies	*9,418.0*	*7,714.8*	*1,703.2*	*22*

Guarantee commitments mainly encompass guarantees for certificates issued as well as letters of comfort and a capital support agreement in favour of Group companies.
The company forms part of Vontobel's Swiss value added tax (VAT) group and has a joint liability to the tax authorities for the VAT liabilities of the entire group.

Assets used as collateral for own liabilities and assets to which title has been reserved
As of 31.12.2019, assets totalling CHF 2.0 mn (31.12.2018: CHF 1.3 mn) were used as collateral to secure own liabilities to subsidiaries.

Liabilities under employee benefit schemes
Insurance contributions that have not yet been settled totalled CHF 0.0 mn as of 31.12.2018 (31.12.2018: CHF 0.0 mn).

Vontobel Holding AG did not draw any credits from employee benefit schemes.

Participations
For information on the principal participations, refer to the consolidated financial statements on page 214.

Major shareholders and participations held by governing bodies
For information on shareholders pursuant to Art. 663c of the Swiss Code of Obligations, refer to Corporate Governance on page 37 and the Compensation Report, page 59ff.

Participation rights and options
For information on allotted participation rights from the share participation plan, refer to the Compensation Report, page 59ff. and page 205ff. of the consolidated financial statements.

Full-time equivalents
In the year under review and the previous year, the annual average number of full-time positions was less than 10 FTEs (full-time equivalents). For further information, refer to the Sustainability Report, page 89ff.

Acquisition, sale and holdings of treasury shares
For information on the acquisition, sale and holdings of treasury shares, including transactions and holdings in the case of subsidiaries, refer to the consolidated financial statements, note 27.

No repurchase agreements for registered shares of Vontobel Holding AG were in place as of the balance sheet date (previous year: 0 registered shares).

Amount of the authorized or conditional capital increase
See the consolidated financial statements, note 27.

Further details
See the consolidated financial statements, pages 119 to 217.

Events after the balance sheet date
No events have occurred since the balance sheet date that affect the relevance of the information provided in the year 2019 financial statements and would therefore need to be disclosed.

Proposal of the Board of Directors

The Board of Directors proposes that the following amount available to the General Meeting of Shareholders be appropriated as follows:

CHF MN	
Net profit for the year	112.3
Retained earnings prior year	865.8
Retained earnings	**978.1**
Retained earnings approved by resolution	7.6
Reserves from capital contributions	0.8
General statutory reserves [1]	20.8
Distributable statutory reserves	**21.6**
Own shares of capital [2]	–42.1
At the disposal of the General Meeting of Shareholders	**965.2**
Total dividend [3]	**126.5**
Allocation to general statutory retained earnings	0.0
Allocation to retained earnings by resolution	0.0
Carried forward to the new accounting period	838.7
At the disposal of the General Meeting of Shareholders	**965.2**

1 Eligible general statutory reserves that exceed the statutory minimum requirement (Art. 671 para. 3 and para. 4 of the Swiss Code of Obligations)
2 Restriction on the distribution of dividends equivalent to the cost of acquiring own shares (Art. 959a Abs. 2 Ziff. 3 lit. e of the Swiss Code of Obligations)
3 Depends on the number of dividend-entitled shares, max. 56.875 million, as of December 31, 2019. The treasury shares held by Vontobel Holding AG at the time of the distribution of the dividend are not entitled to a dividend.

Dividend payment

If the proposal is approved, the dividend will be distributed as follows:

DIVIDEND PER REGISTERED SHARE WITH A PAR VALUE OF CHF 1.00 (IN CHF)	2.25
Coupon no.	20
Ex-dividend date	01.04.2020
Record date	April 2, 2020
Payment date	April 3, 2020

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To the General Meeting of
Vontobel Holding AG, Zurich

Zurich, 7 February 2020

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Vontobel Holding AG, which comprise the income statement, balance sheet and notes (pages 37, 75, 83, 173, 175, 205, 206, 214 and 232 to 234), for the year ended 31 December 2019.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Building a better working world

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of Participations

Area of focus	Vontobel Holding AG values participations individually at the greater of historical cost or at its impaired value determined. In subsequent valuations, impairments are recognized for any loss in value. Vontobel Holding AG identifies impairment by comparing the carrying amount of the participation with the recoverable amount, which is calculated based on the net asset value or income value. This calculation is based on assumptions (e.g. future income streams, discount rates), the determination of which involves the exercise of significant judgment. In its financial statements as of 31 December 2019, Vontobel Holding AG reports the carrying amount of participations of CHF 1.7 bn, corresponding to 95.6 % of total assets. Due to the assumptions used in the impairment assessment and the significance of the balance sheet item in the financial statements of Vontobel Holding AG, its valuation is of particular importance from an audit perspective. The accounting principles applied are explained by Vontobel Holding AG on page 232 of the Annual Report.
Our audit response	We assessed the valuation methods used and analyzed the calculations made by management. We did so with a focus on the assumptions made by the company in the context of the valuations and thus evaluated management's assessment of impairment. Furthermore, we assessed the presentation and disclosures in the accounting statements as of 31 December 2019. Our audit procedures did not lead to any reservations concerning the valuation of participations.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

Building a better working world

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Andreas Blumer (Qualified Signature)	Philipp Müller (Qualified Signature)
Prof. Dr. Andreas Blumer Licensed audit expert (Auditor in charge)	Philipp Müller Licensed audit expert

Vontobel Advisory Council: Sparring partners and ambassadors for Vontobel

The Vontobel Advisory Council is a group of individuals with a business or political background from Switzerland and Vontobel's focus markets who are selected to act as sparring partners to the Executive Board and as ambassadors for Vontobel. Their external expertise and experience is to be put to targeted use to identify trends and to discuss Vontobel's further development.

The Vontobel Advisory Council, which meets twice annually, currently has the following members:

Felix Happel
Chairman of the Board of Directors of Porterhouse Group AG, Lucerne, a European holding company that combines innovative firms with unique selling propositions. Porterhouse uses its own funds to acquire majority stakes in small and medium-sized companies and supports their long-term development.

Nicolas Oltramare
was a member of the Board of Directors of the Vontobel Holding and Bank Vontobel AG from 2013 to 2018. He was also a member of the Nomination & Compensation Comittee from 2013 to 2015 and a member of the Risk & Audit Comittee from 2015 to 2018. Nicolas Oltramare is a Swiss entrepreneur with broad experience in private equity in Europe and Asia, with a broad network in these regions. In addition, Nicolas Oltramare provides advice to a large number of family offices and is a member of various Swiss charitable foundations.

The Rt Hon. **Lord Patten** of Barnes CH
whose long career includes posts as European Commissioner and as the last Governor of Hong Kong, who transferred sovereignty over the former British crown colony to the People's Republic of China in 1997. Following his active political life, Lord Patten served as Chancellor of Newcastle University, among other roles, and has been Chancellor of the University of Oxford since 2003.

Carlo Pesenti
who has served as Chief Operating Officer of Italmobiliare SpA since 2014. Italmobiliare, a leading Italian holding company with a history spanning more than 150 years manages holdings in a large number of industrial, media and private equity firms. Carlo Pesenti is a member of the governing bodies of numerous companies and has a seat on the Board of the Italian newspaper Il Sole 24 Ore.

Vittorio Volpi
who has more than 50 years of experience in management positions across a wide variety of businesses within the international finance industry, including serving as President of UBS in Italy and as Chairman of UBS Japan for many years. Today, Vittorio Volpi is Chairman of a range of companies and consultancies in Europe.

Award-winning businesses

In recent months, we once again received a number of industry awards in recognition of our expertise across different businesses, which enables us to generate sustained value for our clients.

Vontobel
For approximately 65 years, the Red Dot Award, one of the largest competitions in the world, has provided agencies and companies with a platform for evaluating design. The Red Dot has become one of the most sought-after international seals for good design quality. Under the motto "In search of good design and creativity", 24 international experts awarded Vontobel with the Red Dot in the category "Financial Services".

The United Nations' initiative "Principles for Responsible Investment" (PRI) awarded Vontobel an above-average score for the implementation of the principles. Vontobel outperformed the benchmark in each of the seven modules that were assessed in the 2019 reporting.

Asset Management
Lipper named Vontobel Asset Management, in six European countries, the leading provider in the categories Emerging Markets Equity, Emerging Markets Debt and mixed Asset EUR Flex – Global. Our mtx Sustainable Leaders strategies, including Asia ex-Japan and Emerging Markets received several accolades in Europe. In the USA Lipper recognized our Global Equity Strategy.

Vontobel Asset Management was named "Equity Manager of the Year" at the PensionAge Awards ceremony in London, for the performance of our mtx Sustainable Leaders, Quality Growth and Thematic Strategies.

Our Quality Growth Boutique was awarded "Active International Equity Strategy of the year" and "Active Global Equity Strategy of the year" by the Institutional Asset Management Awards in North America.

Asia Asset Management named Vontobel Asset Management "Best Manager" in the categories Emerging Markets Debt and Asia ex-Japan Equities.

Vontobel Asset Management received two awards in the categories Emerging Markets and Swiss Equites by the Geneva Forum for Sustainable Investment (GFSI).

CAMRADATA, a leading provider of data and analysis for institutional investors, honored TwentyFour Asset Management with an award in the category Multi-Sector Fixed Income (GBP) and Vontobel Asset Management in the category Chinese Equity.

GlobalCapital named TwentyFour Asset Management 2019 "Securitization Investor of the Year".

Wealth Management
Vontobel was named the winner of the "Digital Transformation Award" at the Digital Economy Award Night. This prestigious prize is awarded to Swiss companies or organizations that have made particular progress towards digital maturity and have thus significantly improved their competitiveness.

Investment Banking
At the Swiss Derivative Awards 2019, Vontobel ranked as first in the category "Top Service" for the ninth time in succession. Vontobel again triumphed this year in London with the three European Structured Products & Derivatives Awards "Best Distributor (Switzerland)", "Best Leverage Distributor (Europe)" and "Best Yield Enhancement Distributor Europe". Vontobel received the award for "Best Leverage Certificate" at the Italian Certificate Awards 2019. Vontobel took first place at the ZertifikateAwards 2019/ 2020 in Germany in the categories of reverse convertibles and participation certificates.

In the Extel Survey 2019, Vontobel's Brokerage team took first place in the segment "Swiss Equities" for the ninth consecutive time.

Glossary of non-IFRS performance measures and abbreviations

The Executive Board of Vontobel believes that the alternative performance indicators (non-IFRS performance indicators) contained in this document provide readers of the financial statements with valuable and more detailed information about elements of performance that the managers of these businesses can influence most directly or that are relevant when assessing Vontobel's performance. They also reflect an important aspect of the definition of operational targets and are monitored by Vontobel's management. Nevertheless, the alternative performance indicators in this document are no substitute for IFRS key figures and readers should also take account of IFRS key figures.

KEY FIGURES / ABBREVIATION	DEFINITION / REFERENCE
Adjusted net profit / adjusted profit after tax	See table on page 17
Advised client assets	See note 35
Assets under management	See note 35
AT1	Additional Tier 1 bond - see note 24
Basel III leverage ratio	See chapter "Capital"
BIS	Bank for International Settlements
Capital required	See chapter "Capital"
CEO	Chief Executive Officer
CET1 capital	Common Equity Tier 1 (CET1) - capital; see chapter "Capital"
CFO	Chief Financial Officer
Client assets	See note 35
Client deposits	Due to customers
Combined Wealth Management	Wealth Management and the External Asset Managers business, which is assigned to Investment Banking
Cost / income ratio	Ratio of total operating expense (excl. provisions and losses) to total operating income
Cost of capital	Costs used for the imputed return on equity
Custody assets	See note 35
EAM	External Asset Manager
Earnings per share	Basic earnings per share based on the weighted average number of shares
Equity ratio	Ratio of shareholders' equity to total liabilities
FINMA	Swiss Financial Market Supervisory Authority

KEY FIGURES / ABBREVIATION	DEFINITION / REFERENCE
GAAP	Generally Accepted Accounting Principles
GRI	Global Reporting Initiative
Gross margin	Ratio of total operating income to average assets under management (based on average values for individual months)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Liquidity Coverage Ratio	See chapter “Risk management and risk control”
MiFID II	Markets in Financial Instruments Directive II
Net new money / Net inflows of new money	See note 35
Operating income / average assets under management	Ratio of total operating income to average assets under management (based on average values for individual months)
OTC	Over-the-counter
Other advised client assets	See note 35
Payout ratio	Proportion of group net profit attributable to the shareholders of Vontobel Holding AG that is distributed to shareholders in the form of dividend payments
Pre-tax profit	Profit before taxes
Price / book value per share	Share price at the balance sheet date in relation to shareholders’ equity per registered share outstanding
Price / earnings per share	Share price at the balance sheet date in relation to earnings per registered share outstanding at the balance sheet date
Return on equity	Group net profit as a percentage of average shareholders’ equity based on monthly figures, excluding minority interests
Risk weighted positions	See chapter “Capital”
ROE	Return On Equity
SNB	Swiss National Bank
Tax charge	Total of current and deferred income taxes
Tier 1 capital	See chapter “Capital”
Tier 1 capital ratio	See chapter “Capital”
Tier 1 capital ratio	Common Equity Tier 1 (CET1) - capital ratio; see chapter “Capital”
Total capital ratio	See chapter “capital”
Value at Risk	See chapter “Risk management and risk control”

Investors' information

Vontobel Holding AG registered shares

Stock exchange listing	SIX Swiss Exchange
ISIN	CH001 233 554 0
Security number	1 233 554
Par value	CHF 1.00

Ticker symbols

Bloomberg	VONN SW
Reuters	VONTZn.S
Telekurs	VONN

Vontobel Holding AG Additional Tier 1 (AT1) bond

Size	CHF 450 mn
ISIN	CH041 904 256 6
Coupon	2.625%

Moody's Ratings

Bank Vontobel AG

Long-term deposit rating	Aa3
Short-term deposit rating	Prime-1
Long-term counterparty risk assessment	A2 (cr)
Short-term counterparty risk assessment	Prime-1 (cr)

Vontobel Holding AG

Long-term rating (issuer rating)	A3
Additional Tier 1 (AT1) bond	Baa3(hyb)

Financial calendar

March 30, 2020
Annual General Meeting 2020

July 28, 2020
Publication of half-year results 2020

April 14, 2021
Annual General Meeting 2021

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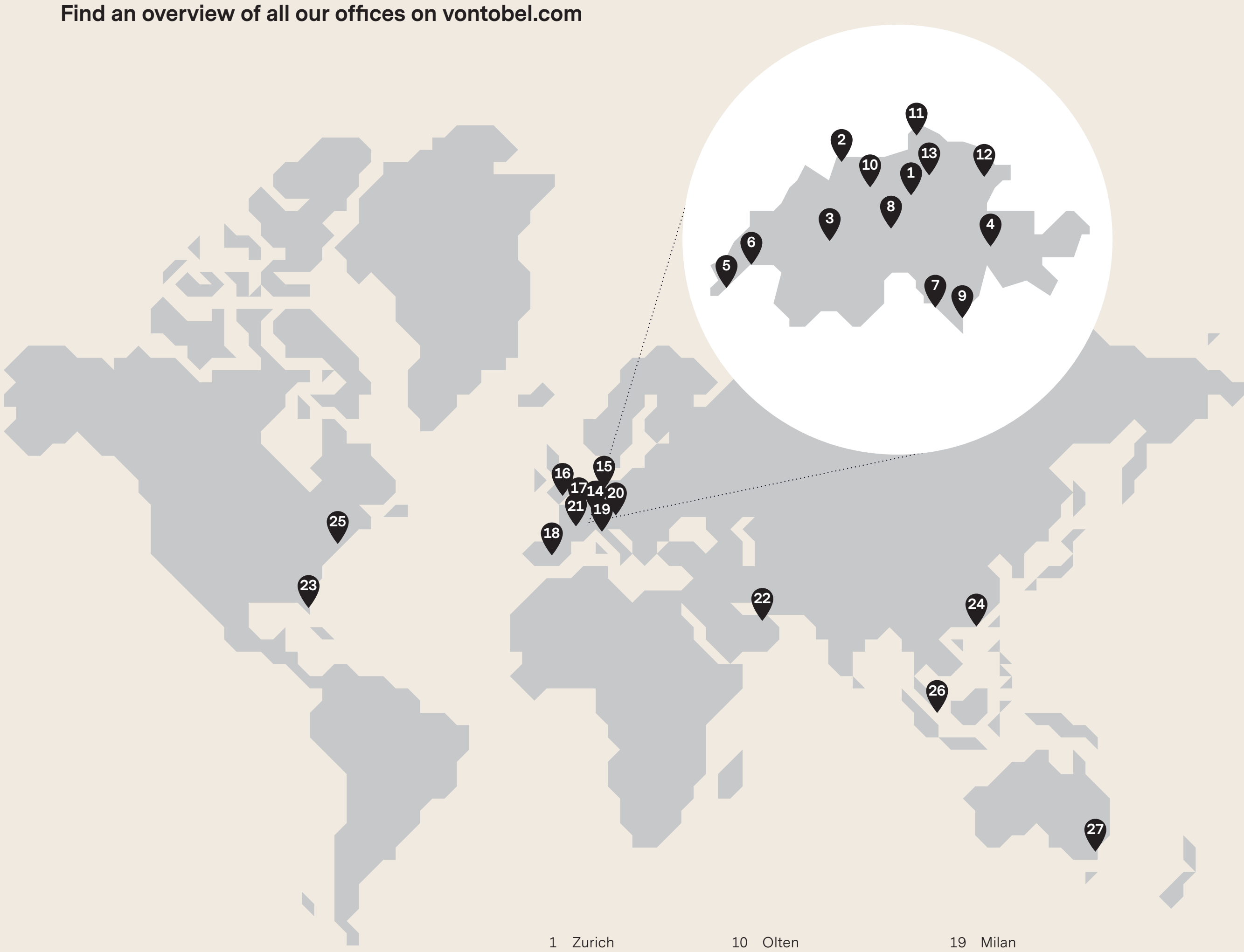
Our locations

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

From Zurich, Frankfurt am Main and London over New York and Dubai to Hong Kong – throughout 27 offices, we service our clients.

Find an overview of all our offices on vontobel.com



1 Zurich
2 Basel
3 Bern
4 Chur
5 Geneva
6 Lausanne
7 Locarno
8 Lucerne
9 Lugano
10 Olten
11 Schaffhausen
12 St. Gallen
13 Winterthur
14 Frankfurt am Main
15 Hamburg
16 London
17 Luxembourg
18 Madrid
19 Milan
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