

# To our shareholders Half year results as of 30-06-09



The Vontobel Group generated a net profit of CHF 62.4 mn in the first half of 2009, against the backdrop of the global economic downturn. The significant improvement in the result compared to the second half of 2008 demonstrates that its cost measures are taking effect and that Vontobel is successfully aligning its activities to the changed operating environment. All its business units were profitable.

The Vontobel Group has maintained its very solid financial position with shareholders' equity of CHF 1.4 bn. Its BIS tier 1 capital ratio of 20.8% was several times higher than the regulatory requirement. The return on equity was 9.1% on an annualized basis.

From mid-March 2009, the favourable stock market environment had a positive impact on Vontobel's Investment Banking business, as well as its wealth and asset management activities. Thanks to the recovery in the market and a slight inflow of new money totalling CHF 0.8 bn, assets under management grew by 4% to CHF 65.0 bn in the first half of 2009.

## Key figures

6 months ending	30-06-09	30-06-08	31-12-08
Basic earnings per share (CHF) <sup>2</sup>	0.99	1.81	(0.03)
Diluted earnings per share (CHF) <sup>2</sup>	0.97	1.79	(0.03)
Equity per share outstanding at balance sheet date (CHF)	21.85	22.22	21.73
Share price at balance sheet date (CHF)	29.10	34.90	22.00
Return on shareholders' equity (ROE) (%) <sup>1,3</sup>	9.1	16.4	(0.3)
Cost <sup>4</sup> /income ratio (%)	77.6	69.7	98.2
Equity ratio (%)	8.5	7.5	8.8
BIS Tier 1 capital ratio (%)	20.8	19.9	18.4

1 Excluding minority interests  
 2 Basis: weighted average number of shares, calculated for 6 months  
 3 Annualized shareholders' net profit as % of average equity (monthly data)  
 4 Operating expense excluding value adjustments, provisions and losses

## **Dear shareholders and clients**

The first half of 2009 was dominated by a severe global recession. The financial markets tested new lows during the first three months of the year, and although the subsequent rally in the equity and bond markets exceeded most expectations, it is unclear whether this represents a fundamental reversal of the previous downward trend. The situation in the finance industry was further exacerbated by the introduction of various new regulations, as well as the often emotionally-charged debate about Swiss bank client confidentiality. These developments further weakened the confidence of clients and investors.

In this challenging market environment, the Vontobel Group generated a net profit of CHF 62.4 mn. The significant improvement in the result compared to the second half of 2008 underscores the effectiveness of the Vontobel Group's business model, even in turbulent times.

### **Performance creates trust**

The interests of clients and shareholders are assigned the highest priority at Vontobel. We know that "performance creates trust" and have been operating according to this principle since long before the start of the financial crisis. This motto reflects our belief that confidence and trust are based more on actions than words. At Vontobel, our employees strive to act in the best interests of our clients and shareholders day after day.

Our philosophy and business approach centre on the individual needs of our clients – in contrast to the product-oriented sales methods practised by many organizations. Ensuring client satisfaction is therefore a key success factor at Vontobel. This begins with the efforts of our relationship managers to inform clients clearly and simply about the opportunities and risks associated with investing. We offer our clients innovative products with promising investment themes. One example is the Global Sustainability Asia (ex Japan) investment fund – the first sustainable investment fund in Asia. The launch of collateralized derivatives, where the default risk is eliminated almost entirely by the securities that serve as collateral, is another example of our proximity to the markets and clients. Our product range focuses on reliability, security and transparency – qualities that enable us to earn the trust of our clients.

From a shareholder perspective, the Vontobel Group wants to be a sound investment that offers attractive long-term potential. We are committed to continuously optimizing our processes and structures in line with market conditions. Against this backdrop, Vontobel took prompt measures to further increase its operational efficiency. At the same time, we are pursuing our business strategy, which is geared towards the achievement of sustained success, according to the principle of "security before returns". Our solid balance sheet figures and risk ratios reflect the importance we assign to security, as well as the prudent nature of our risk policy. We will maintain this clear basic approach going forward.

### **Rigorous cost management partly offsets fall in income**

The turmoil in the financial markets over the last 18 months significantly reduced our volume of assets under management compared to the previous year and led to a decline in fee and commission income. However, trading – which includes Vontobel's key derivatives business – benefited from the normalization of the bond market and the subsequent narrowing of credit spreads. In the interest business, the low level of interest rates led to a decline in income. At the same time, we very consciously maintained a high level of liquidity and focused on security rather than the generation of higher interest income. Vontobel recorded CHF 355.6 mn of income in the first half of 2009. This corresponds to a decrease of 24% compared to the first half of 2008 and an increase of 23% compared to the second half of 2008.

In view of the market-driven decline in assets under management and lower business volumes, the Vontobel Group launched a comprehensive cost reduction programme in May 2008. We want to exploit potential savings of at least CHF 40 – 50 mn by the end of 2010. The corresponding measures are already starting to take effect. Operating expense decreased by approximately CHF 40 mn or 13% to CHF 285.1 mn in the first half of 2009,

reflecting reductions in both general and personnel expense. The rollout of the new Avaloq IT platform enabled us to implement even more efficient, streamlined structures and processes in the area of IT/Operations. Bank Vontobel Geneva was migrated to the new platform and its operations were integrated into Bank Vontobel Zurich at the end of July. These enhancements entailed an adjustment of headcount. By linking variable compensation to the company's financial performance, it was possible to achieve a further reduction in personnel expense during the period under review.

The measures to enhance efficiency partly offset the decline in income, as reflected by the net profit of CHF 62.4 mn. Vontobel's efforts to optimize costs are gradually starting to have a real impact. The Vontobel Group is well positioned to navigate the current challenging environment.

#### **Sustained inflow of new money despite uncertainty and the economic downturn**

The conduct of most private and institutional investors remained very cautious in view of the difficult market conditions. Asset gathering was also hampered by the economic downturn and the subsequent repatriation of assets. As a result, the Group's net inflow of new money slowed compared to the first half of 2008 to CHF 0.8 bn. New assets from private clients totalling CHF 0.6 bn were acquired mainly in the core markets of Switzerland and German-speaking Europe, as well as in Central and Eastern Europe. The institutional business generated an inflow of CHF 0.2 bn. While the mandates business acquired new client assets, industry-driven outflows were recorded in the investment fund and hedge fund businesses. Vontobel succeeded in stemming these outflows in the second quarter of 2009. Assets under management grew by 4% to a total of CHF 65.0 bn, due partly to a forward-looking investment strategy.

#### **Private Banking enhances existing market strategy and increases its momentum**

In Private Banking, pre-tax profit decreased by around two-thirds to approximately CHF 10 mn. A decline in the asset base compared to the first half of 2008 and lower levels of client activity led to a marked reduction in income in the first six months of 2009. We advise our clients according to our business philosophy, which means that we don't recommend investment vehicles that combine quick returns with large levels of risk. Under the new leadership of Peter Fanconi, we will further enhance our private banking strategy, achieve profitability in our existing locations and move ahead with our current growth initiatives.

#### **Asset Management records increased interest in investments in the second quarter**

Pre-tax profit declined by 65% to CHF 17.4 mn in the institutional business. This decrease mainly reflects the significantly lower asset base compared to the previous year, the cautious conduct of many institutional clients and the absence of performance fees. However, an increase in investment activity in the second quarter of 2009 may signal a recovery in the market.

#### **Investment Banking back on track**

Following the extremely turbulent second half of 2008, Investment Banking is now back on track thanks to the stabilization of the markets. The derivatives business benefited from the normalization of the bond market. As a recognized and established provider of structured products, Vontobel was able to exploit the consolidation in this area in order to further expand its strong market position. As a result, Investment Banking reported a pre-tax profit of CHF 55.8 mn, which is 40% lower than in the first half of 2008 but significantly higher than in the second half of 2008.

#### **Strong shareholders' equity and above-average BIS tier 1 ratio as a hallmark of quality**

Our above-average financial solidity forms the cornerstone of our business policy. Our shareholders' equity remains strong at CHF 1.4 bn. The BIS tier 1 capital ratio of 20.8% is a reflection of our prudent and risk-conscious business approach and has significantly exceeded regulatory requirements for years. This comfortable capital position provides greater security for clients and, at the same time, ensures that we have the independence needed for the long-term development of the Vontobel Group. We achieved an annualized return on equity of 9.1% on this strong capital base. The good ratings assigned to

us by Standard & Poor's and Moody's provide further confirmation of the solidity and creditworthiness of the Vontobel Group.

#### **Development of bank client confidentiality is of key importance**

The future interpretation and treatment of bank client confidentiality will be a key factor determining the development of the Swiss financial centre. The Vontobel Group acknowledges the importance of adopting the OECD standards on the exchange of information in tax matters, provided they are upheld by all states and financial centres. It is essential that the protection of client privacy, which is the core element of Swiss bank client confidentiality, is preserved. This fundamental personal right should not be open to negotiation.

Legal certainty is a critical success factor for the wealth management sector in Switzerland. It is therefore important for the situation regarding bank client confidentiality to be clarified as rapidly as possible to reassure our international clients. In the renegotiation of double taxation agreements, it must be ensured that no blanket requests for client data ("fishing expeditions") are permitted and that administrative assistance is only provided in justified cases.

#### **First signs of recovery visible**

The first signs of a recovery in the financial markets are only just beginning to emerge and we anticipate that difficult market conditions will persist. The possibility of further setbacks cannot be ruled out. However, we remain cautiously optimistic, based on the assumption that the large packages of measures relating to monetary and fiscal policy will start to bear fruit and the recession may largely be over in 2010.

Our integrated business model with our core competencies in wealth and asset management and investment banking has proved effective in a wide variety of market situations and provides a solid foundation for our business. Furthermore, we have seen that the activities of our business units complement each other well in different market environments. We are focusing on realizing the benefits of our investments and on operating profitably in our existing locations. At the same time, we are continuing to pursue our growth initiatives in our core markets, particularly in Germany. The acquisition of Commerzbank (Schweiz) AG – which is aimed at strengthening our market presence in Switzerland while, at the same time, broadening our international private client base – is a good example of this successful strategy. When conducting all these activities, we always strive to achieve sustained success and to maintain our high level of risk awareness.

The successful performance of the Vontobel Group is attributable to the efforts of our employees. They continuously earn the trust of our clients through their commitment and professionalism. We therefore wish to thank them for their valuable contribution.

Our shareholders are key to the long-term development of the Vontobel Group. We greatly value the trust that they place in us, which inspires us to deliver an optimal performance day after day.

Dr Urs Widmer  
Chairman of the Board of Directors

Herbert J. Scheidt  
Chief Executive Officer

# Consolidated income statement

	6 months ending 30-06-09 CHF mns	6 months ending 30-06-08 CHF mns	6 months ending 31-12-08 CHF mns	Change to 30-06-08 CHF mns in %	
Interest income	35.5	75.2	63.9	(39.7)	(53)
Interest expense	8.9	32.2	30.8	(23.3)	(72)
<b>Net interest income</b>	<b>26.6</b>	<b>43.0</b>	<b>33.1</b>	<b>(16.4)</b>	<b>(38)</b>
Fee and commission income	247.4	326.3	289.0	(78.9)	(24)
Fee and commission expense	50.3	60.2	52.6	(9.9)	(16)
<b>Net fee and commission income</b>	<b>197.1</b>	<b>266.1</b>	<b>236.4</b>	<b>(69.0)</b>	<b>(26)</b>
<b>Trading income</b>	<b>128.6</b>	<b>135.5</b>	<b>15.3</b>	<b>(6.9)</b>	<b>(5)</b>
<b>Other income</b>	<b>3.3</b>	<b>21.8</b>	<b>4.8</b>	<b>(18.5)</b>	<b>(85)</b>
<b>Total operating income</b>	<b>355.6</b>	<b>466.4</b>	<b>289.6</b>	<b>(110.8)</b>	<b>(24)</b>
Personnel expense <sup>1</sup>	157.5	191.7	166.1	(34.2)	(18)
General expense <sup>1</sup>	87.7	108.5	90.0	(20.8)	(19)
Depreciation of property, equipment and intangible assets	30.9	25.0	28.2	5.9	24
Value adjustments, provisions and losses	9.0	1.4	7.8	7.6	543
<b>Operating expense</b>	<b>285.1</b>	<b>326.6</b>	<b>292.1</b>	<b>(41.5)</b>	<b>(13)</b>
<b>Profit before taxes</b>	<b>70.5</b>	<b>139.8</b>	<b>(2.5)</b>	<b>(69.3)</b>	<b>(50)</b>
Taxes	8.1	24.5	(0.2)	(16.4)	(67)
<b>Group net profit</b>	<b>62.4</b>	<b>115.3</b>	<b>(2.3)</b>	<b>(52.9)</b>	<b>(46)</b>
of which allocated to minority interests	(0.6)	0.6	(0.4)	(1.2)	(200)
of which allocated to shareholders of Vontobel Holding AG	63.0	114.7	(1.9)	(51.7)	(45)

## Share information

Basic earnings per share (CHF) <sup>2</sup>	0.99	1.81	(0.03)	(0.82)	(45)
Diluted earnings per share (CHF) <sup>2</sup>	0.97	1.79	(0.03)	(0.82)	(46)

1 Altered composition of personnel and general expense. The figures as of 30-06-08 have been adjusted accordingly.

2 Basis: weighted average number of shares, calculated for 6 months

# Consolidated balance sheet

Assets	30-06-09 CHF mns	30-06-08 CHF mns	31-12-08 CHF mns	Change to 31-12-08 CHF mns	in %
Cash	1,116.4	54.1	1,504.8	(388.4)	(26)
Money market paper	0.0	10.1	5.4	(5.4)	(100)
Due from banks	2,222.7	3,690.0	1,997.2	225.5	11
Cash collateral for reverse-repurchase agreements	300.0	1,200.0	145.0	155.0	107
Trading portfolio assets	1,239.4	1,960.7	1,508.7	(269.3)	(18)
Positive replacement values	280.4	431.3	374.2	(93.8)	(25)
Other financial assets at fair value	8,066.1	7,519.6	8,189.2	(123.1)	(2)
Securities lent or delivered as collateral	506.0	2,232.6	151.5	354.5	234
Due from customers	1,291.7	918.2	666.0	625.7	94
Accrued income and prepaid expenses	156.1	145.2	149.5	6.6	4
Financial investments	1,049.3	488.5	424.5	624.8	147
Investments in associates	0.6	1.4	0.9	(0.3)	(33)
Property and equipment	221.7	216.9	226.4	(4.7)	(2)
Goodwill and other intangible assets	111.6	119.4	115.5	(3.9)	(3)
Current tax assets	11.9	12.8	11.3	0.6	5
Deferred tax assets	2.0	12.7	4.4	(2.4)	(55)
Other assets	85.7	72.4	57.3	28.4	50
<b>Total assets</b>	<b>16,661.6</b>	<b>19,085.9</b>	<b>15,531.8</b>	<b>1,129.8</b>	<b>7</b>
<b>Liabilities and equity</b>					
Money market liabilities	0.0	0.2	1.0	(1.0)	(100)
Due to banks	878.7	2,425.5	472.5	406.2	86
Cash collateral for repurchase agreements	0.0	900.0	0.0	0.0	
Trading portfolio liabilities	1,248.9	1,641.8	1,035.2	213.7	21
Negative replacement values	397.2	978.7	872.1	(474.9)	(54)
Other financial liabilities at fair value	8,129.0	8,297.0	7,692.9	436.1	6
Due to customers	4,257.2	2,713.7	3,594.2	663.0	18
Accrued expenses and deferred income	175.9	356.8	290.4	(114.5)	(39)
Issued debt instruments	25.0	49.0	49.0	(24.0)	(49)
Current tax liabilities	17.0	29.2	22.0	(5.0)	(23)
Deferred tax liabilities	49.8	59.5	49.0	0.8	2
Provisions	8.0	5.0	6.1	1.9	31
Liability to purchase minority interests	0.0	93.0	0.0	0.0	
Other liabilities	66.6	96.9	76.8	(10.2)	(13)
<b>Total liabilities</b>	<b>15,253.3</b>	<b>17,646.3</b>	<b>14,161.2</b>	<b>1,092.1</b>	<b>8</b>
Share capital	65.0	65.0	65.0	0.0	0
Capital reserve	173.6	257.8	198.4	(24.8)	(13)
Net gains/(losses) on available-for-sale financial instruments	36.5	67.1	15.9	20.6	130
Currency translation adjustments	(7.1)	(3.7)	(10.7)	3.6	
Retained earnings	1,164.5	1,180.7	1,178.9	(14.4)	(1)
Shareholders' equity classified as a liability to purchase minority interests	(0.1)	(94.0)	(0.1)	0.0	0
Treasury shares	(24.2)	(50.8)	(77.5)	53.3	
<b>Shareholders' equity</b>	<b>1,408.2</b>	<b>1,422.1</b>	<b>1,369.9</b>	<b>38.3</b>	<b>3</b>
Minority interests	0.1	17.5	0.7	(0.6)	(86)
<b>Total equity</b>	<b>1,408.3</b>	<b>1,439.6</b>	<b>1,370.6</b>	<b>37.7</b>	<b>3</b>
<b>Total liabilities and equity</b>	<b>16,661.6</b>	<b>19,085.9</b>	<b>15,531.8</b>	<b>1,129.8</b>	<b>7</b>

## Business segment reporting

	Private Banking CHF mns	Investment Banking CHF mns	Asset Management CHF mns	Corporate Center CHF mns	Total Group CHF mns
<b>6 months ending 30-06-09</b>					
<b>Operating income</b>	<b>99.1</b>	<b>160.1</b>	<b>83.6</b>	<b>12.8</b>	<b>355.6</b>
Personnel expense	35.7	52.1	33.0	36.7	157.5
General expense	8.9	19.5	10.5	48.8	87.7
Services from/to other segment(s)	37.4	29.9	18.3	(85.6)	0.0
Depreciation of property, equipment and intangible assets	0.2	1.2	4.3	25.2	30.9
Value adjustments, provisions and losses	7.0	1.6	0.1	0.3	9.0
<b>Operating expense</b>	<b>89.2</b>	<b>104.3</b>	<b>66.2</b>	<b>25.4</b>	<b>285.1</b>
<b>Segment profit before taxes</b>	<b>9.9</b>	<b>55.8</b>	<b>17.4</b>	<b>(12.6)</b>	<b>70.5</b>
Taxes					8.1
<b>Group net profit</b>					<b>62.4</b>
of which minority interests					(0.6)
<b>Additional information</b>					
Segment assets	844.8	11,451.2	280.5	4,085.1	16,661.6
Segment liabilities	2,918.5	11,067.6	696.6	570.6	15,253.3
Allocated equity according to BIS <sup>1</sup>	86.8	331.4	122.9	122.5	663.6
Assets under management (CHF bns)	24.5	6.9	33.7	(0.1)	65.0
Net new money (CHF bns)	0.6	0.2	0.0	n.a.	0.8
Custody assets (CHF bns)		36.0			36.0
Interest income included in operating income	8.9	3.4	1.0	13.3	26.6
Capital expenditure	0.1	0.1	0.4	20.7	21.3
Employees (full time equivalents)	293.1	341.6	284.1	369.5	1,288.3

1 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 111.6 mn from core capital for intangible assets has been included in the figures above of the segments Private Banking, Asset Management and Corporate Center. The valuation adjustments of own liabilities are assigned to the Investment Banking segment. The deduction of CHF 24.2 mn from core capital for Treasury shares is not included in the figures above.

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