

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Hong Kong Exchanges and Clearing Limited (“HKEX”), The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Non-collateralised Structured Products
Base Listing Document relating to
Structured Products to be issued by

Bank Vontobel AG

(Incorporated in Zurich, Switzerland)

unconditionally and irrevocably guaranteed by

Vontobel Holding AG

(incorporated in Zurich, Switzerland)

Sponsor

Vontobel Limited

This document, for which we and Vontobel Holding AG (the “**Guarantor**”) accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to us, the Guarantor and our standard warrants (the “**Warrants**”), inline warrants (the “**Inline Warrants**”), callable bull/bear contracts (“**CBBCs**”) and other structured products (together, the “**Structured Products**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda. You must ask us if any addenda to this document have been issued.

Our obligations under the Structured Products are guaranteed by the Guarantor under a guarantee executed by the Guarantor dated as of 2 March 2022 (the “**Guarantee**”). We and the Guarantor, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

These are Structured Products involving derivatives. You should not invest in the Structured Products unless you fully understand and are willing to assume the risks associated with them.

The Structured Products are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person, and the Guarantee in respect of the Structured Products constitutes the general unsecured contractual obligations of the Guarantor and of no other person. The Structured Products will rank equally among themselves and with all our other unsecured obligations and all other unsecured obligations of the Guarantor (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the fund which has issued the underlying securities, or its trustee (if applicable) or manager; or (c) the index compiler of any underlying index. If we become insolvent or default on our obligations under the Structured Products or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

CONTENTS

	<i>Page</i>
IMPORTANT INFORMATION	1
OVERVIEW OF WARRANTS	4
OVERVIEW OF INLINE WARRANTS	6
OVERVIEW OF CBBCS	8
DESCRIPTION OF THE ISSUER	11
DESCRIPTION OF THE GUARANTOR	13
RISK FACTORS	15
TAXATION	29
PLACING AND SALE	31
TEXT OF THE GUARANTEE	33
APPENDIX 1 — GENERAL CONDITIONS OF STRUCTURED PRODUCTS ...	36
APPENDIX 2 — PRODUCT CONDITIONS OF WARRANTS	41
PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES	42
PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUND	50
PART C — PRODUCT CONDITIONS OF CASH SETTLED INDEX WARRANTS	58
PART D — PRODUCT CONDITIONS OF CASH SETTLED CURRENCY WARRANTS	63
APPENDIX 3 — PRODUCT CONDITIONS OF INLINE WARRANTS	67
PART A — PRODUCT CONDITIONS OF CASH SETTLED INLINE WARRANTS OVER SINGLE EQUITIES	68
PART B — PRODUCT CONDITIONS OF CASH SETTLED INDEX INLINE WARRANTS	76
APPENDIX 4 — PRODUCT CONDITIONS OF CBBCS	82
PART A — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES	83
PART B — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER EXCHANGE TRADED FUND	94
PART C — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER AN INDEX	106
APPENDIX 5 — A BRIEF GUIDE TO CREDIT RATINGS	116
APPENDIX 6 — THE ISSUER’S FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021	118
APPENDIX 7 — THE GUARANTOR’S FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021	149
PARTIES	Back Page

IMPORTANT INFORMATION

You should carefully study the risk factors set out in this document and the Listing Documents.

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

A launch announcement and supplemental listing document of each series of Structured Products will set out the detailed commercial terms of the relevant series. You must read this document (including any addendum to this document to be issued from time to time) together with such launch announcement and supplemental listing document (including any addendum to such launch announcement and supplemental listing document to be issued from time to time) (together, the “**Listing Documents**”) before investing in any Structured Products. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

Our obligations under the Structured Products are unconditionally and irrevocably guaranteed by the Guarantor. If we become insolvent or default on our obligations under the Structured Products and the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you can only claim as an unsecured creditor of the Issuer and the Guarantor. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

What are the Guarantor’s credit ratings?

The Guarantor’s long term credit ratings as of the date immediately preceding the date of this document is:

Rating agency

Moody’s Investors Service, Inc.
 (“**Moody’s**”)

Rating

A2 (stable
outlook)

The credit ratings are only an assessment by the rating agencies of the Guarantor’s overall financial capacity to pay its debts respectively.

A2 is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade ratings (including 1, 2 and 3 sub-grades) assigned by Moody’s.

Please refer to the brief guide in Appendix 5 to this document to what such credit ratings mean.

Rating agencies usually receive a fee from the companies that they rate. When evaluating the Guarantor’s creditworthiness, you should not solely rely on the Guarantor’s credit ratings because:

- (a) a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- (b) credit ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. The Guarantor’s credit ratings as of the above date are for reference only and may be subject to change thereafter. Any downgrading of the Guarantor’s credit ratings could result in a reduction in the value of the Structured Products;
- (d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- (e) a credit rating may be downgraded if the credit quality of the Guarantor declines.

The Structured Products are not rated.

The Guarantor’s credit ratings are subject to change or withdrawal at any time within each rating agency’s sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Guarantor’s credit ratings from time to time. You may visit <https://www.vontobel.com/en-ch/about-vontobel/investor-relations/credit-ratings/> to obtain information about the credit ratings of the Guarantor.

Is the Issuer or the Guarantor regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

The Issuer is subject to prudential supervision and regulated by the Swiss Financial Market Supervisory Authority (“FINMA”), while the Guarantor, as the parent group company, is subject to complementary, consolidated group supervision by FINMA. Neither the Issuer nor the Guarantor is regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3).

Is the Issuer or the Guarantor subject to any litigation?

Save as disclosed in this document, the Issuer, the Guarantor and their respective subsidiaries (“Vontobel Group”) are not aware of any litigation or claims of material importance pending or threatened against any of them.

Authorisation of the Structured Products

The issue of the Structured Products was authorised by our board of directors on 28 January 2016. The giving of the Guarantee was authorised by resolutions of the board of directors of our Guarantor on 28 January 2016.

Has the financial position of the Issuer or the Guarantor changed since last financial year-end?

Save as disclosed in Appendices 6 and 7 of this document, there has been no material adverse change in the Issuer’s or the Guarantor’s financial or trading position since 31 December 2021.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.005 per cent., the Securities and Futures Commission charges a transaction levy

of 0.0027 per cent. and the Financial Reporting Council charges a transaction levy of 0.00015 per cent. for each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the purchase price of each Structured Product. See the section headed “Taxation” for further information.

Placing, sale and grey market dealings

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us or the Guarantor. See the section headed “Placing and Sale” for further information.

Following the launch of a series of Structured Products, we may place all or part of that series with our related party. The Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by any member of the Vontobel Group in the grey market to the Stock Exchange on the listing date through the website of the HKEX at www.hkex.com.hk.

Where can you read the relevant documents?

Copies of the following documents are available on the website of the HKEX at www.hkexnews.hk and our website at www.vontobelwarrants.com:

- (a) our latest audited financial statements and interim or quarterly financial statements (if any);

- (b) the Guarantor's latest audited financial statements and interim or quarterly financial statements (if any);
- (c) the consent letters from auditors of the Issuer and the Guarantor, Ernst & Young Ltd (the "Auditors");
- (d) this document and any addendum to this document; and
- (e) the launch announcement and supplemental listing document as long as the relevant series of Structured Products is listed on the Stock Exchange.

以上各文件亦可於香港交易所披露易網站 (www.hkexnews.hk) 以及本公司網站 (www.vontobelwarrants.com) 瀏覽。

Have the Auditors consented to the inclusion of their reports in this document?

As at the date of this document, the Auditors have given and have not withdrawn their written consent to the inclusion of their reports dated 8 February 2022 on the consolidated financial statements of the Issuer and the Guarantor for the year ended 31 December 2021 in this document and/or the references to their names in the Listing Documents, in the form and context in which they are included. Their reports were not prepared for incorporation into this document.

The Auditors do not hold the Guarantor's shares or shares in its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the Guarantor's securities or securities of any of its subsidiaries.

How can you get further information about the Guarantor?

You may visit our website at <https://www.vontobel.com/INT/EN/Home> to obtain further information about us and/or the Guarantor.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Authorised representatives

Stefan Simon and Raymond Yi of 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong, are our authorised representatives and are authorised to accept services on our behalf in Hong Kong.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.

The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us, the Guarantor or our respective affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us or the Guarantor.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

This document has not been reviewed by the Securities and Futures Commission. You are advised to exercise caution in relation to the offer of the Structured Products.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendices 2, 3 and 4 respectively (together, the "Conditions").

OVERVIEW OF WARRANTS

What is a Warrant?

A Warrant is a type of derivative warrants.

A derivative warrant linked to a share of a company, a unit or share of a fund, an index, a currency pair or other assets (each an “**Underlying Asset**”) is an instrument which gives the holder a right to “buy” or “sell” an Underlying Asset at, or derives its value by reference to, a pre-set price or level or rate called the Exercise Price or Strike Level or Strike Rate (as the case may be) on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European Style warrants. This means they can only be exercised on the Expiry Date.

A Warrant will, upon exercise on the Expiry Date, entitle you to a cash amount called the “**Cash Settlement Amount**” (net of any Exercise Expenses) (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon settlement at expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you and you will lose your entire investment.

How do our Warrants work?

The potential payoff upon expiry or exercise of the Warrants is calculated by us by reference to the difference between:

- (a) for a Warrant linked to a share or unit, the Exercise Price and the Average Price;
- (b) for a Warrant linked to an index, the Strike Level and the Closing Level; and
- (c) for a Warrant linked to a currency pair, the Strike Rate and the Spot Rate.

Call Warrants

A call Warrant is suitable to you if you hold a bullish view on the price or level or exchange rate of the Underlying Asset during the term of that call Warrant.

A call Warrant will be exercised if the Average Price or Closing Level or Spot Rate is greater than Exercise Price or Strike Level or Strike Rate (as the case may be). The more the Average Price or Closing Level or Spot Rate exceeds the Exercise Price or Strike Level or Strike Rate (as the case may be), the higher the payoff upon expiry or exercise. If the Average Price or Closing Level or Spot Rate is at or below the Exercise Price or Strike Level or Strike Rate (as the case may be), you will lose all your investment.

Put Warrants

A put Warrant is suitable to you if you hold a bearish view on the price or level or exchange rate of the Underlying Asset during the term of that put Warrant.

A put Warrant will be exercised if the Average Price or Closing Level or Spot Rate is below the Exercise Price or Strike Level or Strike Rate (as the case may be). The more the Average Price or Closing Level or Spot Rate is below the Exercise Price or Strike Level or Strike Rate (as the case may be), the higher the payoff upon expiry or exercise. If the Exercise Price or Strike Level or Strike Rate is at or below the Average Price or Closing Level or Spot Rate (as the case may be), you will lose all your investment.

Where can you find the Product Conditions applicable to our Warrants?

You should review the Product Conditions applicable to each type of the Warrants before your investment.

The Product Conditions applicable to each type of our Warrants are set out in Parts A to D of Appendix 2 (as may be supplemented by any addendum and/or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of a Warrant?

The price of a Warrant generally depends on the prevailing price or level or exchange rate of the Underlying Asset. However, throughout the term of a Warrant, its price will be influenced by one or more of the following factors, including:

- (a) the Exercise Price or Strike Level or Strike Rate applicable to that Warrant;
- (b) the value and volatility of the price or level or exchange rate of the Underlying Asset (being a measure of the fluctuation in the price or level or exchange rate of the Underlying Asset);
- (c) the time remaining to expiry: generally, the longer the remaining life of the Warrant, the greater its value;
- (d) the interim interest rates;
- (e) the expected dividend payments or other distributions (if any) on the Underlying Asset or on any components comprising the underlying index;
- (f) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index;
- (g) the supply and demand for the Warrant;
- (h) our related transaction costs; and
- (i) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in our Warrants will be your entire investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit the HKEX's website at https://www.hkex.com.hk/products/securities/structured-products/overview?sc_lang=en or our website at www.vontobelwarrants.com to obtain further information on our Warrants or any notice given by us or the Stock Exchange in relation to our Warrants.

OVERVIEW OF INLINE WARRANTS

What is an Inline Warrant?

An Inline Warrant is a type of derivative warrants.

A derivative warrant linked to an Underlying Asset is an instrument which derives its value from the Underlying Asset. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Inline Warrants are European Style warrants. This means they can only be exercised on the Expiry Date.

An Inline Warrant will, upon exercise on the Expiry Date, entitle you to a cash amount called the “**Cash Settlement Amount**” (net of any Exercise Expenses) (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon settlement at expiry. As of the date of this document, no Exercise Expenses are payable for cash settled warrants (including our Inline Warrants).

How do our Inline Warrants work?

Our Inline Warrants carry exotic features and their terms and pricing may be more complicated than the Warrants. Our Inline Warrants provide a pre-fixed potential payoff at either a **capped amount or a floor amount** at expiry.

You will either:

- (i) receive a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry if the Average Price (for an Inline Warrant linked to a share) or Closing Level (for an Inline Warrant linked to an index) is at or below the Upper Strike Price or Upper Strike Level (as the case may be) and at or above the Lower Strike Price or Lower Strike Level (as the case may be); or
- (ii) receive a fixed and floor amount equal to the Minimum Payoff Amount per Inline

Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment if the Average Price (for an Inline Warrant linked to a share) or Closing Level (for an Inline Warrant linked to an index) is above the Upper Strike Price or Upper Strike Level (as the case may be) or below the Lower Strike Price or Lower Strike Level (as the case may be). You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying our Inline Warrants.

Where can you find the Product Conditions applicable to our Inline Warrants?

You should review the Product Conditions applicable to each type of the Inline Warrants before your investment.

The Product Conditions applicable to each type of our Inline Warrants are set out in Parts A to B of Appendix 3 (as may be supplemented by any addendum and/or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of an Inline Warrant?

The price of an Inline Warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of an Inline Warrant, its price will be influenced by one or more of the following factors, including:

- (a) the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) applicable to that Inline Warrants: generally, the wider the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) of the Inline Warrants, the greater its value;
- (b) the value or level of the Underlying Asset: generally, the closer the price or level of the Underlying Asset towards the mid-way of the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components

comprising the underlying index and assuming all other factors remain constant, the greater the value of the Inline Warrants; conversely, the farther away the price or level of the Underlying Asset from the mid-way of the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the lower the value of the Inline Warrants;

- (c) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset over time): generally, if an Inline Warrant is “out-of-the-range” (ie. the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive)), the higher the volatility, the greater the value of the Inline Warrants; conversely, if an Inline Warrant is “in-the-range” (ie. the price or level of the Underlying Asset falls within the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive)), the higher the volatility, the lower the value of the Inline Warrants;
- (d) the expected probability of the Average Price or Closing Level falling within the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) at expiry;
- (e) the time remaining to expiry: generally, if an Inline Warrant is out-of-the-range, the longer the remaining life of the Inline Warrant, the greater its value; conversely, if an Inline Warrant is in-the-range, the shorter the remaining life of the Inline Warrant, the greater its value;
- (f) the interim interest rates;
- (g) the expected dividend payments or other distributions (if any) on the Underlying Asset or on any components comprising the underlying index;

- (h) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index;
- (i) the supply and demand for the Inline Warrant;
- (j) our related transaction costs; and
- (k) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

If we become insolvent or default on our obligations under our Inline Warrants or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, the maximum loss in the Inline Warrants will be your entire investment amount plus any transaction costs.

Otherwise, if the Average Price or Closing Level (as the case may be) is above the Upper Strike Price or Upper Strike Level (as the case may be) or below the Lower Strike Price or Lower Strike Level (as the case may be) at expiry, the maximum loss in the Inline Warrants will be your entire investment amount less the Minimum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased plus any transaction costs.

What is your maximum profit?

The potential maximum profit in our Inline Warrants will be capped at the Maximum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased less your entire investment amount and transaction costs.

You should note that your profit or loss in the Inline Warrants will be affected by the amount invested by you and transaction costs.

How can you get information about the Inline Warrants after issue?

You may visit the HKEX’s website at https://www.hkex.com.hk/products/securities/structured-products/overview?sc_lang=en or our website at www.vontobelwarrants.com to obtain further information on Inline Warrants or any notice given by us or the Stock Exchange in relation to our Inline Warrants.

OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

- (a) securities listed on the Stock Exchange;
- (b) Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index and Hang Seng China H-Financials Index; and/or
- (c) overseas securities, overseas indices, currencies, commodities (such as oil, gold and platinum), commodity futures or other assets as prescribed by the Stock Exchange from time to time.

A list of eligible Underlying Assets for CBBCs is available on the website of the HKEX at https://www.hkex.com.hk/Products/Securities/Structured-Products/Eligible-Underlying-Assets?sc_lang=en.

CBBCs are issued either as callable bull contracts (“**bull CBBCs**”) or callable bear contracts (“**bear CBBCs**”), allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset.

Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the “**Mandatory Call Event**”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “What are the mandatory call feature of CBBCs?” below.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any). The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price or Closing Level of the Underlying Asset on the Valuation Date and the Strike Price or Strike Level.

The Conditions applicable to CBBCs are set out in Parts A, B and C of Appendix 4 (as may be supplemented by any addendum or the relevant launch announcement and supplemental listing document).

What are the mandatory call feature of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price or Spot Level of the Underlying Asset is:

- (a) at or below the Call Price or Call Level (in the case of a series of bull CBBCs); or
- (b) at or above the Call Price or Call Level (in the case of a series of bear CBBCs),

at any time during the Observation Period.

The Observation Period starts from and including the Observation Commencement Date of the relevant CBBCs and ends on and including the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and

- (b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session, will be invalid and cancelled, and will not be recognised by us or the Stock Exchange.

The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities or CBBCs over exchange traded fund (“ETF”), the Stock Exchange’s automatic order matching and execution system time at which the Spot Price is at or below the Call Price (for a series of bull CBBCs) or is at or above the Call Price (for a series of bear CBBCs); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the index compiler at which the Spot Level is at or below the Call Level (for a series of bull CBBCs) or is at or above the Call Level (for a series of bear CBBCs),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The launch announcement and supplemental listing document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“**Category N CBBCs**” refer to CBBCs for which the Call Price or Call Level is equal to their Strike Price or Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

“**Category R CBBCs**” refer to CBBCs for which the Call Price or Call Level is different from their Strike Price or Strike Level. In respect of a series of Category R CBBCs, you may receive a cash

payment called the “**Residual Value**” (net of any Exercise Expenses) upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price or Minimum Index Level and the Strike Price or Strike Level of the Underlying Asset; and
- (b) in respect of a series of bear CBBCs, the difference between the Strike Price or Strike Level and the Maximum Trade Price or Maximum Index Level of the Underlying Asset.

You must read the applicable Product Conditions and the relevant launch announcement and supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price or Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price or Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price or Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price or Strike Level.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Appendix 4.

How is the funding cost calculated?

The issue price of a series of CBBCs is set by reference to (i) the difference between the initial reference spot price or level of the Underlying Asset as at the launch date of the CBBC and the Strike Price or Strike Level, plus (ii) if applicable, a funding cost. The initial funding

cost applicable to the CBBCs as of the launch date will be specified in the relevant launch announcement and supplemental listing document for the relevant series.

The funding cost is an amount determined by us based on a number of factors, including but not limited to the Strike Price or Strike Level, the prevailing interest rate, the expected life of the CBBCs and the expected dividend/distribution yield in respect of the Underlying Asset.

The funding cost may fluctuate throughout the life of the CBBCs as the funding rate changes from time to time.

Further details about the funding cost applicable to a series of CBBCs will be described in the relevant launch announcement and supplemental listing document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of the Vontobel Group to sell, pledge or otherwise convey all rights, titles and interests in any Underlying Asset or any derivatives products linked to the Underlying Asset.

What are the factors determining the price of a CBBC?

The price of a series of CBBCs tends to follow closely the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price or Strike Level and the Call Price or Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;

- (d) the time remaining to expiry;
- (e) any change(s) in the interim interest rates;
- (f) the expected dividend payments or other distribution on the Underlying Asset or on any components comprising the underlying index;
- (g) the probable range of the Cash Settlement Amount;
- (h) the supply and demand for the CBBCs;
- (i) the liquidity of the Underlying Asset or of the future contracts relating to the underlying index;
- (j) our related transaction costs; and/or
- (k) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in CBBCs will be your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit the HKEX's website at https://www.hkex.com.hk/products/securities/structured-products/overview?sc_lang=en or our website at www.vontobelwarrants.com to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to our CBBCs.

DESCRIPTION OF THE ISSUER

Incorporation

The Issuer is a company incorporated in Zurich, Switzerland on 3 January 1984, having its registered office at Gotthardstrasse 43, CH-8022 Zurich.

Share capital

The share capital of the Issuer is composed of CHF 149,000,000 divided into 149,000 shares of CHF 1,000 each.

All shares are registered shares.

Organisation structure

The Issuer is a Swiss bank with headquarter in Zurich, Switzerland. It is a wholly owned subsidiary of the Guarantor and therefore part of the Vontobel Group.

Business overview

The Company's business policy pursues interests at the national and international level and may engage in all activities directly or indirectly associated with this purpose as well as all activities conducive to the promotion of this purpose for its own account or for third-party account, including but not limited to:

- (a) receipt of funds in all forms customary for banks, including savings;
- (b) granting of all kinds of loans with and without cover;
- (c) granting of sureties and guarantees;
- (d) purchase and sale of securities, foreign exchange, foreign funds and commodities for the own account and third-party account;
- (e) takeover and placement of securities of domestic and foreign issuers;
- (f) investment consulting, performance of asset management and liquidation, execution of wills and estate liquidation;
- (g) custodianship and management of securities and valuables;
- (h) issue of cheques and letters of credit;
- (i) collaboration in the establishment and management of investment funds;
- (j) performance of fiduciary transactions;
- (k) commercial activities in the form of services; and
- (l) advisory activities, especially in the fields of tax, inheritance and company law.

Management

The Board of Directors has ultimate responsibility for the strategy and management of the Issuer and for the supervision of its executive management.

The following table sets forth the names of the current members of the Board of Directors and their current functions as at 31 December 2021:

Board of Directors	Title
Herbert J. Scheidt	Chairman
Bruno Basler	Vice-Chairman
Dr. Michael Halbherr	Member
Dr. Maja Baumann	Member
Dr. Elisabeth Bourqui	Member
David Cole	Member
Stefan Loacker	Member
Clara C. Streit	Member
Björn Wettergren	Member
Andreas Utermann	Member

DESCRIPTION OF THE GUARANTOR

Incorporation

The Guarantor is a company incorporated in Zurich, Switzerland in 17 June 1936. The principal place of business of the Guarantor is Gotthardstrasse 43, CH-8002 Zurich, Switzerland.

Share capital

The share capital of the Guarantor is composed of CHF 56,875,000 divided into 56,875,000 shares of CHF 1 each.

All shares are registered shares.

Organisation structure

The Guarantor is the sole shareholder of the Issuer and is headquartered in Zurich, Switzerland.

Business overview

The Guarantor is the parent company of the Vontobel Group. The business activities of the Vontobel Group are conducted through the following Client Units:

Asset Management — Asset Management focuses 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.

Wealth Management — Wealth Management serves wealthy private clients as well as ultra-high-net-worth individuals. Further wealth management services will be provided via technology-driven, digital models.

Digital Investing — With Digital Investing, the Vontobel Group 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.

The Vontobel Group conducts its other duties within the following Centers of Excellence: Investments, Structured Solutions and Treasury, Technology and Services, Marketing and Analytics, Finance and Risk, Human Resources and Legal and Compliance. The Center of Excellence Structured Solutions and Treasury focuses on the Vontobel Group's production expertise in the field of Structured Products.

Management

The Board of Directors has ultimate responsibility for the strategy and management of the Guarantor and the Vontobel Group and for the supervision of its executive management.

The following table sets forth the names of the current members of the Board of Directors and their current functions as at 31 December 2021:

Board of Directors	Title
Herbert J. Scheidt	Chairman
Bruno Basler	Vice-Chairman
Dr. Michael Halbherr	Member
Dr. Maja Baumann	Member
Dr. Elisabeth Bourqui	Member
David Cole	Member
Stefan Loacker	Member
Clara C. Streit	Member
Björn Wettergren	Member
Andreas Utermann	Member

RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant launch announcement and supplemental listing document.

General risks in relation to us and the Guarantor

Non-collateralised Structured Products

The Structured Products are not secured on any of our or the Guarantor's assets or any collateral. Each series of Structured Products will constitute our general unsecured contractual obligations and of no other person and will rank pari passu with our other unsecured contractual obligations. The obligations of the Guarantor under the Guarantee will represent the general unsecured contractual obligations of the Guarantor and of no other person and will rank pari passu with the other unsecured contractual obligations of the Guarantor. At any given time, the number of Structured Products outstanding may be substantial.

Creditworthiness

If you purchase our Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against:

- (a) any company which issues the underlying shares;
- (b) the fund which issues the underlying securities or its trustee (if applicable) or manager; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of capital invested in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you can only claim as our or the Guarantor's unsecured

creditor regardless of the performance of the underlying asset and you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Any downgrading of the Guarantor's rating by rating agencies such as Moody's could result in a reduction in the trading value of the Structured Products.

Swiss resolution and recovery regime

Under the Swiss Banking Act, FINMA is able to exercise broad statutory powers with respect to Swiss banks, such as Bank Vontobel AG, and Swiss parent companies of financial groups, such as, Vontobel Holding AG, if there is justified concern that the entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils capital adequacy requirements. Such powers include ordering protective measures, instituting restructuring proceedings (and exercising any Swiss resolution powers in connection therewith), and instituting liquidation proceedings, all of which may have a material adverse effect on our shareholders and creditors or may prevent Vontobel Holding AG or Bank Vontobel AG from paying dividends or making payments on debt obligations.

Protective measures may include, but are not limited to, certain measures that could require or result in a moratorium on, or the deferment of, payments. We would have limited ability to challenge any such protective measures.

Additionally, creditors would have no right under Swiss law or in Swiss courts to reject, seek the suspension of, or challenge the imposition of any such protective measures, including those that require or result in the deferment of payments owed to creditors.

If restructuring proceedings are opened with respect to Vontobel Holding AG or Bank Vontobel AG, the resolution powers, which FINMA may exercise, include the power to (i) transfer all or

some of the assets, debt and other liabilities, and contracts of the entity subject to proceedings to another entity, (ii) stay for a maximum of two business days the termination of, or the exercise of rights to terminate, netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral, under contracts to which the entity subject to proceedings is a party, and/or (iii) partially or fully write down the equity capital and, if such equity capital is fully written down, convert into equity or write down the capital and other debt instruments of the entity subject to proceedings. Shareholders and creditors would have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised. They would have only limited rights to challenge any decision to exercise resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

FINMA has broad powers and significant discretion in the exercise of its powers in connection with a resolution proceeding. Certain categories of debt obligations, such as certain types of deposits, are protected. As a result, holders of obligations of an entity subject to a Swiss restructuring proceeding may have their obligations written down or converted into equity even though obligations ranking on par with or junior to such obligations are not written down or converted.

In any event, the exercise of any resolution power by the relevant resolution authorities in respect of Vontobel Holding AG or Bank Vontobel AG could materially adversely affect the value of the Structured Product, and you may not be able to recover part or even all of the amount due under the Structured Product.

Repurchase of our Structured Products

The Vontobel Group may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or at the prevailing market price at our discretion. You should not make any assumption as to the number of Structured Products in issue for any particular series at any time.

No deposit liability or debt obligation

In respect of cash settled Structured Products, we have the obligation to deliver to you the Cash Settlement Amount (net of any Exercise Expenses) in accordance with the Conditions of each series of Structured Products upon expiry.

It is not our intention by the issue of any Structured Product (expressed, implicit or otherwise) to create a deposit liability of us or the Guarantor or a debt obligation of any kind.

Conflicts of interest

The Vontobel Group engages in commercial, banking and other activities for our own account or the account of others and, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which the relevant Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and/or exercise of creditor rights. The Vontobel Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The Vontobel Group and our respective officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for its accounts and/or for accounts under its management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the price or level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;
- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;
- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products; and

- (e) may also act as underwriter in connection with future offerings of shares, units or other securities or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such share or other security or in a commercial banking capacity for the issuer of any share or other security, the trustee (if applicable) or the manager of the ETF. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

General risks in relation to Structured Products

You may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest rate, foreign exchange, time value, market and/or political risks. Structured Products may expire worthless.

Generally speaking, options, warrants and equity linked instruments are priced primarily on the basis of the price or level of the Underlying Asset, the volatility of the Underlying Asset's price or level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you, the greater the risk that you will lose all or a significant part of your investment.

“European Style” Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of

any change in the price or level of the Underlying Asset as may be specified in the relevant launch announcement and supplemental listing document.

Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price or level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment (or, in the case of Inline Warrants, a substantial part of your investment) if the price or level of the relevant Underlying Asset does not move in your anticipated direction.

The value of the Structured Products may be disproportionate with or opposite to movement in the price or level of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the price or level of the Underlying Assets is moving up, the value of the Warrant or CBBC is falling. In the case of Inline Warrants, generally, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the closer the price/level of the Underlying Asset towards the mid-way of the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level, the greater the value of the Inline Warrants; conversely, the farther the price/level of the Underlying Asset from the mid-way of the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level, the lower the value of the Inline Warrants.

If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in an Underlying Asset specified in the relevant launch announcement and supplemental listing document, you should recognise the complexities of utilising Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price or level of the Underlying Asset. Due to fluctuations in supply and demand

for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset. The Structured Products may not be a perfect hedge to the Underlying Asset or portfolio of which the Underlying Asset forms a part.

It may not be possible to liquidate the Structured Products at a level which directly reflects the price or level of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

If any series of Structured Products are not listed or traded on any exchange, pricing information for such series of Structured Products may be difficult to obtain and the liquidity of that series of Structured Products may be adversely affected.

The liquidity of any series of Structured Products may also be affected by restrictions on offers and sales of the Structured Products in some jurisdictions.

Transactions in off-exchange Structured Products may be subject to greater risks than dealing in exchange-traded Structured Products. To the extent that any Structured Products of a series is closed out, the number of Structured Products outstanding in that series will decrease, which may result in a lessening of the liquidity of Structured Products.

A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have appointed, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products,

there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of Structured Products is limited, restricted and/or, without limitation, frustrated. The more limited the secondary market, the more difficult it may be for you to realise the value of the Structured Products prior to expiry.

Interest rates

Investments in the Structured Products may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Structured Products. A variety of factors influence interest rates such as macro-economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend partly upon the length of the period remaining to expiration and expectations concerning the price or level of the Underlying Assets. The value of a Warrant or CBBC will decrease over time. The value of an Inline Warrant is likely to decrease over time when the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive), ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant. Therefore, the Structured Products should not be viewed as products for long term investments.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a

foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

Possible early termination for illegality or impracticability

If the Conditions provide for termination due to illegality and we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, the performance of (i) our obligations under the relevant Structured Products or (ii) our Guarantor's obligations under the Guarantee has become illegal or impracticable, we may terminate early the relevant Structured Products. If we terminate early the relevant Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in a commercially reasonable manner to be the fair market value of the relevant Structured Products notwithstanding the illegality or impracticability less our cost of unwinding the underlying hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products which, in our opinion, is:

- (a) not materially prejudicial to the interest of the holders of the Structured Products generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risks in relation to the Underlying Asset to which the particular series of Structured Products relate. The price or level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro-economic factors, market trends, speculation and/or (where the Underlying Asset is an index) changes in the formula for or the method of calculating the index.

Where the Structured Products are linked to certain Underlying Asset in a developing financial market, you should note a developing

financial market differs from most developed markets in various aspects, including the growth rate, government involvement and control, level of development and foreign exchange control. Any rapid or significant changes in the economic, political or social condition and the government policies of the developing financial market may result in large fluctuations in the value or level of the Underlying Asset. Such fluctuations may affect the market value of the Structured Products and hence your investment return.

Where the Structured Products are linked to a currency pair as the Underlying Asset, you should note that the foreign exchange market can be very volatile and unpredictable. Exchange rate of the currencies may fluctuate as a result of market, economic and/or political conditions in the principal financial centres of the countries of the currencies and also in other countries. For example, it can be affected by change of governments' monetary or foreign exchange policies, rates of inflation, interest rate levels and the extent of governmental surpluses or deficits in the relevant countries. Such fluctuations may affect the market value of the Structured Products and hence your investment return.

You must be experienced in dealing in these types of Structured Products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions. We may, in our sole discretion:

- (a) in respect of Structured Products relating to single equities or ETF, adjust, among other things, the Entitlement, the Exercise Price/ Strike Price, the Upper Strike Price/ Lower Strike Price and the Call Price (if applicable) upon exercise or any other terms

(including without limitation the closing price of the Underlying Asset) of any series of Structured Products for events such as rights issue, bonus issue, subdivision, consolidation, restructuring event or certain cash distribution;

- (b) in respect of Structured Products relating to an index, determine the Closing Level; and
- (c) in respect of Structured Products relating to a currency pair, adjust, among other things, the Spot Rate and the Settlement Exchange Rate (if applicable).

However, we are not obliged to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Products and the return upon the expiry of the Structured Products may be affected.

In the case of Structured Products which relate to an index, the level of the index may be published by the index compiler at a time when one or more components comprising the index are not trading. If this occurs on the Valuation Date which does not constitute a Market Disruption Event under the Conditions, then the Closing Level of the index is calculated by reference to the remaining components in the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If an Underlying Asset is suspended from trading or dealing for whatever reason on the market on which it is listed or dealt in (including the Stock Exchange), trading in the relevant series of Structured Products may be suspended for a similar period. In addition, if an Underlying Asset is an index and the calculation and/or publication of the index level by the index compiler is suspended for whatever reasons, trading in the relevant series of Structured Products may be suspended for a similar period. The value of the Warrants or CBBCs will decrease over time, while the value of an Inline Warrant is likely to decrease over time when the price or level of the Underlying Asset falls

outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive), ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any termination or expiry, as the case may be, of Structured Products, there may be a time lag between the date on which the Structured Products are terminated or expired, and the time the applicable settlement amount is paid to you. Any such delay between the time of termination or expiry and the payment of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the termination or expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of the underlying shares, or units or shares in the underlying fund has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount or entitlement value (as the case may be) of the Structured Products.

You should note that in the event of there being a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Conditions.

Risks relating to Structured Products over funds

In the case of Structured Products which relate to the units or shares of a fund:

- (a) the Vontobel Group is not able to control or predict the actions of the trustee (if applicable) or the manager of the relevant fund. Neither the trustee (if applicable) nor the manager of the relevant fund (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interest of the holders of any Structured Product in taking any actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant fund. The trustee (if applicable) or manager of the relevant fund is responsible for making investment and other trading decisions with respect to the management of the relevant fund consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant fund. The manner in which the relevant fund is managed and the timing of actions may have a significant impact on the performance of the relevant fund. Hence, the market price of the relevant units or shares is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units or shares of an ETF, you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and
- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the

creation or redemption of units or shares to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units or shares of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF.

Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and

- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

Risks specific to ETF investing through the QFI regimes and China Connect

Where the Underlying Asset comprises the units or shares of an ETF (“**China ETF**”) issued and traded outside Mainland China with direct investment in the Mainland China’s securities markets through the Qualified Foreign Institutional Investor regime and RMB Qualified

Foreign Institutional Investor regime (collectively, “**QFI regimes**”) and the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, “**China Connect**”), you should note that, amongst others:

- (a) the novelty and untested nature of China Connect makes China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for the QFI regimes and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to their implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of China ETFs and the trading price of the units or shares;
- (b) a China ETF primarily invests in securities traded in the Mainland China’s securities markets and is subject to concentration risk. Investment in the Mainland China’s securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota which is utilised on a first-come-first-serve basis under the China Connect. In the event that the daily quota under China Connect is reached, the manager may need to suspend creation of further units or shares of such China ETF, and therefore may affect the liquidity in unit or shares trading of such China ETF. In such event, the trading price of a unit or share of such China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. The People’s Bank of China and the State Administration of Foreign Exchange have jointly published

the detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020; and

- (d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to a China ETF investing in the mainland China through the QFI regimes and/or China Connect. Although such China ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of the Structured Products.

The above risks may have a significant impact on the performance of the units or shares and the price of the Structured Products.

Please read the offering documents of the China ETF to understand its key features and risks.

ETF traded through dual counters model

Where the Underlying Asset comprises the units or shares of an ETF which adopts the dual counters model for trading its units or shares on the Stock Exchange in Hong Kong dollars (“**HKD**”) and another foreign currency (such as Renminbi or United States Dollars) (“**Foreign Currency**”) separately, the novelty and relatively untested nature of the Stock Exchange’s dual counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded units or shares or the Foreign Currency traded units or shares. If the Underlying Asset is the HKD-traded units or shares, movements in the trading prices of the Foreign Currency traded units or shares should not directly affect the price of the Structured Products. Similarly, if the Underlying Asset is the Foreign Currency traded units or shares, movements in the trading prices of the HKD-traded units or shares should not directly affect the price of the Structured Products;

- (b) if there is a suspension of inter-counter transfer of such units or shares between the HKD counter and the Foreign Currency counter for any reason, such units or shares will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units or shares and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the HKD-traded units or shares and Foreign Currency traded units or shares may deviate significantly due to different factors, such as market liquidity, foreign exchange conversion risk, supply and demand in each counter and the exchange rate between HKD and the Foreign Currency. Changes in the trading price of the Underlying Asset in HKD or the Foreign Currency (as the case may be) may adversely affect the price of the Structured Products.

Real estate investment trust (“REIT”)

Where the Underlying Asset comprises the units or shares of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units or shares of a REIT and the net asset value per unit or share. This is because the market price of the units or shares of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in

market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units or shares of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units or shares and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units or shares and the price of the Structured Products.

Commodity market risk

Where the Underlying Asset comprises the units or shares of an ETF whose value relates directly to the value of a commodity, you should note that fluctuations in the price of the commodity could materially adversely affect the value of the underlying units or shares. Commodity market is generally subject to greater risks than other markets. The price of a commodity is highly volatile. Price movement of a commodity is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and international political and economic events and policies.

Risk Relating to Inline Warrants

The Inline Warrants are exotic warrants and are not comparable to the Warrants

The Inline Warrants are exotic warrants with different terms and risk and return profile compared to standard call or put Warrants listed on the Stock Exchange and are not comparable to the Warrants. The Inline Warrants carry exotic features and their terms and pricing may be more complicated than the Warrants. The Inline Warrants may behave quite differently from the Warrants and other exotic warrants in its response to the price levels/levels or movements in the price/level of the Underlying Asset. The pricing structure of the Inline Warrants requires investors to assess accurately the value of the Inline Warrants in relation to the expected probability of the Average Price/Closing Level falling within the range between the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level (both inclusive). The Inline Warrants

are highly complicated and risky financial instruments and may be difficult for investors to properly value and/or to use as a hedging tool. You should carefully review and understand the Conditions, including the exotic features, before deciding to invest in the Inline Warrants. In particular, you should note that the Inline Warrants provide a pre-fixed potential payoff at either a capped amount or a floor amount at expiry. If the Average Price/Closing Level falls outside the range between the Lower Strike Price/Lower Strike Level and the Upper Strike Price/Upper Strike Level (both inclusive), you will receive a lower fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment. You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying the Inline Warrants. Do not invest in the Inline Warrants unless you fully understand them and are willing to assume the risks associated with them.

Maximum potential payoff is fixed and capped

If the Average Price/Closing Level stays within the range between the Lower Strike Price/Lower Strike Level and the Upper Strike Price/Upper Strike Level (both inclusive), we will only pay you a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry. This is the maximum potential payoff under the Inline Warrants.

Rejection of orders and trades at the price above HK\$1

You should note that any orders and reported trades of Inline Warrants at the price above HK\$1 will be automatically rejected upon their entry to the Stock Exchange's trading system. The Stock Exchange and its recognised exchange controller, HKEX, will not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party

arising from or in connection with such rejection of orders and trades, including without limitation, any delay, failure, mistake or error in such rejection of orders and trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of such rejection of orders and trades in any circumstances.

Prohibition on the sale of certain binary options in European retail markets

There have been regulatory concerns over the sale of certain binary options to retail investors across the European Union in recent years. Such binary options are typically traded over-the-counter with bespoke structures and are very short-term, making them extremely speculative in nature. Until recently, the European Securities and Markets Authority (“ESMA”) implemented a temporary ban on the marketing, distribution or sale of binary options to retail customers in the European Union except for securitised binary options. The temporary ban expired and was lifted by ESMA on 1 July 2019 based on the fact that most national competent authorities within the European Union had taken permanent national product intervention measures relating to binary options that are at least as stringent as ESMA’s measure. For example, the Financial Conduct Authority (“FCA”) in the United Kingdom (a then European Union member) imposed a permanent ban effective from 2 April 2019 on the marketing, distribution or sale of all binary options (including securitised binary options) to retail customers in the United Kingdom while the Federal Financial Supervisory Authority (“BaFin”) in Germany and the Autorite des Marchés Financiers (“AMF”) of France had also permanently banned the marketing, distribution or sale of binary options (other than securitised binary options) to retail customers.

The Inline Warrants are a form of securitised binary options. Unlike the binary options in the European retail markets as described above, the Inline Warrants listed on the Stock Exchange have a more standardised structure and relatively longer period to expiry (with a minimum duration of 6 months before expiry).

Irrespective of the differences between the Inline Warrants listed on the Stock Exchange and the binary options in Europe, you should nevertheless note the approach taken by the European regulators over binary options. The Inline Warrants are complex products. You should fully understand the structure and terms and conditions of the Inline Warrants and are willing to assume the risks associated with them before investing in the Inline Warrants.

Risk Relating to CBBCs

Correlation between the price of a CBBC and the price or level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price or level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate with the change in the price or level of the Underlying Asset.

Payout under CBBCs

It is expected that the value of each entitlement of CBBCs tends to follow closely the value of the Underlying Asset. However, you are warned that the price of CBBCs will be determined not only by the trading value of the Underlying Asset but also by the impact of financing costs and/or dividends during the period in which the CBBCs are held by you. In particular, when the value of the Underlying Asset is close to the Call Price/Call Level, the price of the CBBCs will be more volatile.

You may lose your entire investment when a Mandatory Call Event occurs

CBBCs has a mandatory call feature and trading in the CBBCs will be suspended when the Spot Price/Spot Level of the Underlying Asset reaches the Call Price/Call Level (subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed). No investors can sell the CBBCs after the occurrence of a Mandatory Call Event. Even if the price/level of the Underlying Asset bounces back in the right direction, the CBBCs which have been terminated as a result of the Mandatory Call Event will not be revived and investors will not be able to profit from the bounce-back.

Upon the occurrence of a Mandatory Call Event, a Category N CBBC will become worthless while a Category R CBBC will be settled by the payment of a Residual Value (if any) by us but such amount may be zero.

Mandatory Call Event is irrevocable

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters); or
- (b) manifest errors caused by the relevant third party price source (such as miscalculation of the index level by the relevant index compiler),

and in each case, we agree with the Stock Exchange that such Mandatory Call Event is to be revoked within such time as specified in the relevant launch announcement and supplemental listing document following the trading day on which the Mandatory Call Event is triggered. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence)), or any other legal or equitable grounds and, without regard to the circumstances giving rise to any purported claim (except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (“**Trading Suspension**”) or the non-recognition of trades after a Mandatory Call Event (“**Non-Recognition of Post MCE Trades**”), including, without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades. The Vontobel Group shall not have any responsibility towards you for any losses suffered

as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades, in connection with the occurrence of a Mandatory Call Event, the resumption of trading of the CBBCs or reinstatement of any Post MCE Trades cancelled as a result of the reversal of any Mandatory Call Event, notwithstanding that such Trading Suspension and/or Non-Recognition of Post MCE Trades occur as a result of an error in the observation of the event.

Residual Value may not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event may or may not include the residual funding cost for the CBBCs. You may not receive any residual funding cost back from us upon early termination of a Category R CBBC upon a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called upon the occurrence of a Mandatory Call Event. You must however be aware that there may be delay in the announcement of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price or level of the Underlying Asset

Any member of the Vontobel Group may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset (whether for risk reduction purposes or otherwise). In addition, in connection with the offering of any CBBCs, we and/or any member of the Vontobel Group may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any member of the Vontobel Group may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price or level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. The

Vontobel Group is likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which the Vontobel Group provides in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of the Vontobel Group related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price or level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price or level of the Underlying Asset, leading to a Mandatory Call Event.

In respect of a Category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

In respect of a Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/ level of the Underlying Asset and consequently the Residual Value of the CBBCs.

Risk relating to the legal form of the Structured Products

Each Structured Product will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of Central Clearing and Settlement System (“CCASS”). A risk of investing in a security that is issued in global registered form and held on your behalf

within a clearing system effectively means that evidence of your title, as well as the efficiency of ultimate delivery of the Cash Settlement Amount, will be subject to the General Rules of CCASS and CCASS Operational Procedures (“**CCASS Rules**”). You should be aware of the following risks:

- (a) you will not receive definitive certificates where the Structured Products remain in the name of HKSCC Nominees Limited for the entire life of the Structured Products;
- (b) any register that is maintained by us or on our behalf, whilst available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your brokers/custodians and the statements you receive from such party as evidence of your interest in the investment;
- (d) notices or announcements will be published on the HKEX’s website and/or released by HKSCC to its participants via CCASS in accordance with the CCASS Rules. You will need to check the HKEX’s website regularly and/or rely on your brokers/custodians to obtain such notices/ announcements; and
- (e) following the Expiry Date and the determination by us as to the Cash Settlement Amount, our obligations to you will be duly performed by payment of the Cash Settlement Amount (net of any Exercise Expenses) to HKSCC Nominees Limited as the “holder” of the Structured Products. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount (net of any Exercise Expenses) to the respective CCASS participants in accordance with the CCASS Rules.

Potential fee arrangements with brokers and potential conflicts of interest of brokers

To the extent permissible by the applicable laws, regulations, codes and guidelines and/or recommendations (whether imposed by applicable law or by competent regulatory authorities) in effect from time to time, we may

or may not enter into fee arrangements with brokers with respect to the Structured Products or dealings in, or related to, the relevant Underlying Asset. You should note that brokers with whom we have a fee arrangement (if any) do not, and cannot be expected to, deal exclusively in, or related to, the Structured Products or any relevant Underlying Asset and may from time to time engage in other dealings for their own accounts and/or for the accounts of their clients. Potential conflicts of interests may arise from the different roles played by such brokers in connection with their dealings in, or related to, the Structured Products, the relevant Underlying Asset and/or other financial products (including those issued by other institutions over the same relevant Underlying Asset). A broker's interests (economic or otherwise) in each role may potentially affect the Structured Products and/or the relevant Underlying Asset in a manner that may cause adverse consequences to you if you invest in the Structured Products.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.

TAXATION

The following section is of a general nature which is intended as a general guide only, is based on current law and practice in Hong Kong, Switzerland and U.S.. It summarises certain aspects of taxation in Hong Kong, Switzerland and U.S., which may be applicable to the Structured Products but is not purported to be a comprehensive description of all tax considerations which may be of relevance. If you are in any doubt as to your tax position on purchase, ownership, transfer, holding or exercise of any Structured Product, you are strongly advised to consult your own tax advisers.

General

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the purchase price of each Structured Product.

Taxation in Hong Kong

No tax is payable in Hong Kong by withholding or otherwise in respect of any capital gains arising on the sale of the Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

Taxation in Switzerland

Under present Swiss law, if you are a non-resident of Switzerland and have not engaged in trade or business through a permanent establishment within Switzerland during the taxable year, you will not be subject to any Swiss Federal, Cantonal or Municipal income or other tax on gains realised during the year on the sale or redemption of the Structured Products.

There is no tax liability in Switzerland in connection with the issue of the Structured Products. However, Structured Products subscribed, transferred or redeemed through a bank or other dealer resident in Switzerland or Liechtenstein may be subject to Swiss securities transfer tax.

Taxation in United States of America

U.S. Foreign Account Tax Compliance Act

We and other financial institutions through which payments on the structured products are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments

made after the later of 31 December 2018 or the date on which final U.S. Treasury Regulations defining the term “foreign passthru payments” are filed with the U.S. Federal Register in respect of (i) any structured products characterised as obligations for U.S. federal tax purposes that are issued after (or are materially modified after) the date that is six months after the date on which final U.S. Treasury Regulations defining the term “foreign passthru payments” are filed with the U.S. Federal Register and (ii) any structured products not characterised as obligations for U.S. federal tax purposes, whenever issued, pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code (“**FATCA**”) or similar law implementing an intergovernmental approach to FATCA.

In addition, we and other financial institutions through which payments on the structured products are made may be required to withhold U.S. tax pursuant to FATCA at a rate of 30 per cent. on payments made in respect of any structured products characterised as obligations for U.S. federal tax purposes that are issued after (or are materially modified after) the date that is six months after the date on which such products are treated as giving rise to “dividend equivalent” payments as described below under “Legislation Affecting Dividend Equivalent Payments.”

FATCA withholding tax may apply to an investor or to any non-U.S. financial institution through which payment on the structured products is made if the Investor or non-US financial institution does not fulfill its obligations under FATCA, including if (i) that investor (unless otherwise exempt from FATCA) does not provide information or consent to determine whether the investor is a U.S. person or should otherwise be treated as holding a “United States account” of the Issuer or (ii) that non-US financial institution does not become a Participating Foreign Financial Institution (as defined by FATCA) by entering into an agreement with the U.S. Internal Revenue Service (“**IRS**”) to provide the IRS with certain information in respect of its account

holders and investors or is not otherwise deemed FATCA compliant or exempt from FATCA withholding tax. Structured product holders therefore may receive less settlement amount than expected. We are not required to pay any additional amounts with respect to amounts so withheld. FATCA is particularly complex and its application is uncertain at this time. Each holder of structured products should consult its own tax advisor as to the application of FATCA to an investment in the structured products.

Further information on FATCA may be found at www.irs.gov/Businesses/Corporations/ under the section headed “Foreign Account Tax Compliance Act”. Any information appearing on such website does not form part of this base listing document.

PLACING AND SALE

General

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to the Structured Products in any jurisdiction (other than in Hong Kong) where action for that purpose is required.

No offers, sales or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us or the Guarantor. In the event that we contemplate a placing, placing fees may be payable in connection with any issue and we may, at our discretion, allow discounts to placees.

United States of America

The Structured Products have not been and will not be registered under the U.S. Securities Act of 1933 (the “**Securities Act**”), or the securities laws of any state or other jurisdiction of the United States. The Structured Products or interests therein may not be offered or sold or otherwise transferred, nor may transactions in such Structured Products be executed, at any time, within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)), except in compliance with Regulation S. In purchasing the Structured Products you hereby warrant that you are not a U.S. person as defined in Regulation S and that you are not purchasing for, or for the account or benefit of, any such person. You further agree to resell such Structured Products or interests therein only in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or another available exemption therefrom and agree not to engage in hedging transactions with respect to the Structured Products unless in compliance with the Securities Act. You acknowledge that any transfer of the structured products or interests therein by you other than in compliance with the preceding sentence is prohibited and will not be effected to the fullest extent permitted by law.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Structured Products will be required to represent and agree, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Structured Products which are the subject of the offering as contemplated by this Base Listing Document to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the “**Prospectus Regulation**”); and
- (b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products.

United Kingdom

Each dealer has represented and agreed, and each further dealer appointed in respect of the Structured Products will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Structured Products which are the subject of the offering contemplated by this Base Listing Document to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or
 - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
 - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe for the Structured Products.

Each dealer has represented and agreed, and each further dealer appointed in respect of the Structured Products will be required to represent and agree that:

- (a) in respect of Structured Products having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Structured Products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Structured Products would otherwise constitute a contravention of Section 19 of FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Structured Products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Structured Products in, from or otherwise involving the United Kingdom.

Switzerland

This document does not constitute an offer and does not constitute a prospectus within the meaning of the laws of Switzerland. The Structured Products may only be offered, sold or otherwise made available (i) to professional clients as defined in article 4 paragraph 3 and article 5 of the Federal Financial Services Act (“FinSA”) or (ii), if a key information document within the meaning of article 58 of the FinSA is available, in accordance with the exemptions as set out in article 36 of the FinSA.

TEXT OF THE GUARANTEE

Our obligations under the Structured Products are guaranteed by the Guarantor under the Guarantee executed by the Guarantor by way of deed poll and dated as of 2 March 2022. The text of the Guarantee is set out below.

“THIS GUARANTEE is made by way of deed poll by Vontobel Holding AG (the “**Guarantor**”) in favour of the holders for the time being of the Structured Products (as defined below) (each a “**Holder**”) and dated as of 2 March 2022. WHEREAS:—

- (A) The Guarantor has agreed to guarantee all contractual obligations of Bank Vontobel AG (the “**Issuer**”) set out under the terms and conditions in respect of each series of structured products (including, without limitation, standard warrants, inline warrants, callable bull/bear contracts or other types of structured products (together, the “**Structured Products**”)) issued from time to time by the Issuer pursuant to a base listing document to be dated on or about 2 March 2022 (“**Base Listing Document**”, which expression shall include any amendment and/or supplement thereto and any replacement or further issue of any base listing document issued by the Issuer from time to time in respect of Structured Products (and whether or not issued pursuant to any condition imposed by the Securities and Futures Commission pursuant to the Securities and Futures Ordinance or by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Rules Governing the Listing of Securities on the Stock Exchange)) and listed on the Stock Exchange.
- (B) Terms defined in the Conditions of the Structured Products shall have the same meanings in this Deed of Guarantee except where the context requires otherwise. References to “**Conditions**” are to the terms and conditions set out in the Base Listing Document.

NOW THIS DEED WITNESSES as follows:

- 1 **Guarantee:** The Guarantor unconditionally and irrevocably guarantees by way of deed poll to each Holder that, if for any reason the Issuer does not pay any sum payable by it or perform any other contractual obligation set out under the terms and conditions in respect of any Structured Product on the date specified for such payment or performance the Guarantor will, in accordance with the Conditions pay that sum in the currency in which such payment is due in immediately available funds or, as the case may be, perform or procure the performance of the relevant obligation on the due date for such performance. In case of the failure of the Issuer to satisfy such obligations as and when the same become due, the Guarantor hereby undertakes to make or cause to be made such payment or satisfy or cause to be satisfied such obligations as though the Guarantor were the principal obligor in respect of such obligation.
- 2 **Guarantor as Principal Obligor:** As between the Guarantor and the holder of each Structured Product but without affecting the Issuer’s obligations, the Guarantor will be liable under this Guarantee as if it were the sole principal obligor and not merely a surety. Accordingly, it will not be discharged, nor will its liability be affected, by anything which would not discharge it or affect its liability if it were the sole principal obligor (including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any of the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment or performance of any other obligation in respect of any Structured Product, (4) the enforcement or absence of enforcement of any Structured Product or of any security or other guarantee or indemnity, (5) the release of any such security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person, or (7) the illegality, invalidity or unenforceability of or any defect in any provision of the Conditions or any of the Issuer’s obligations under any of them). Any other suretyship defenses are hereby waived by the Guarantor.

- 3 **Guarantor's Obligations Continuing:** The Guarantor's obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable and no other obligation remains to be performed under any Structured Product (in each case subject to its exercise). Furthermore, those obligations of the Guarantor are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise. The Guarantor irrevocably waives all notices and demands of any kind.
- 4 **Discharge by the Issuer:** If any payment received by, or other obligation discharged to or to the order of, the holder of any Structured Product is, on the subsequent bankruptcy or insolvency of the Issuer, avoided under any laws relating to bankruptcy or insolvency, such payment or obligation will not be considered as having discharged or diminished the liability of the Guarantor and this Guarantee will continue to apply as if such payment or obligation had at all times remained owing due by the Issuer.
- 5 **Indemnity:** As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees (1) that any sum or obligation which, although expressed to be payable under the Structured Products, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, the Guarantor or the holder of any Structured Product) not recoverable from the Guarantor on the basis of a guarantee will nevertheless be recoverable from it as if it were the sole principal obligor and will be paid or performed by it in favour of the holder of any Structured Product and (2) as a primary obligation to indemnify each Holder against any loss suffered by it as a result of any sum or obligation expressed to be payable under the Structured Products not being paid or performed by the time, on the date and otherwise in the manner specified in the Structured Products or any obligation of the Issuer under the Structured Products being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not known or becoming known to the Issuer, the Guarantor or any Holder), in the case of a payment obligation the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.
- 6 **Incorporation of Terms:** The Guarantor agrees that it shall comply with and be bound by those provisions contained in the Conditions which relate to it.
- 7 **Representations:** The Guarantor represents and warrants to each Holder that it has the full power and authority, and has taken all necessary steps, to execute and deliver this Guarantee and to perform its obligations hereunder and this Guarantee constitutes the valid and binding obligations of the Guarantor and is enforceable in accordance with its terms.
- 8 **Governing law:** This Guarantee shall be governed by and construed in accordance with the laws of Hong Kong.
- 9 **Jurisdiction:** The courts of Hong Kong are to have jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee and accordingly any legal action or proceedings arising out of or in connection with this Guarantee ("**Proceedings**") may be brought in such courts. The Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- 10 **Service of Process:** The Guarantor agrees that service of process in Hong Kong may be made on it at Vontobel Limited, 1901 Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong. Nothing in this Guarantee shall affect the right to serve process in any other manner permitted by law.
- 11 **Contracts (Rights of Third Parties) Ordinance:** A person who is not a Holder has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Guarantee.

IN WITNESS whereof this Guarantee has been executed by the Guarantor as a deed poll and delivered on the date specified below.

Dated as of 2 March 2022”

APPENDIX 1 — GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the applicable Product Conditions and the Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the applicable Product Conditions (as supplemented, amended, modified and/or replaced by the relevant Launch Announcement and Supplemental Listing Document) together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the applicable Product Conditions, replace or modify the General Conditions and/or the applicable Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“Base Listing Document” means the base listing document relating to Structured Products dated 2 March 2022 and issued by the Issuer, including any addenda to such base listing document issued from time to time;

“Board Lot” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“CCASS” means the Central Clearing and Settlement System established and operated by HKSCC;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“Conditions” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means these general terms and conditions;

“Global Certificate” means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;

“Guarantee” means a deed poll guarantee dated as of 2 March 2022 made by the Guarantor;

“Guarantor” means Vontobel Holding AG;

“HKSCC” means Hong Kong Securities and Clearing Company Limited;

“Holder” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and who shall be treated by the Issuer, the Guarantor and the Sponsor as the absolute owner and holder of the relevant Structured Products. The expression **“Holders”** shall be construed accordingly;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Instrument” means an instrument by way of deed poll dated 18 August 2017 executed by the Issuer which constitutes the Structured Products;

“**Issuer**” means Bank Vontobel AG;

“**Launch Announcement and Supplemental Listing Document**” means the launch announcement and supplemental listing document relating to a particular series of Structured Products;

“**Nominee**” means HKSCC Nominees Limited (or such other nominee company as may be used by the HKSCC from time to time) in relation to the provision of nominee services to persons admitted for the time being by the HKSCC as a participant of CCASS;

“**Product Conditions**” means the product conditions relating to a particular series of Structured Products;

“**Register**” means, in respect of each series of Structured Products, the register of holders of such series of Structured Products kept by the Issuer pursuant to General Condition 3.3;

“**Sponsor**” means Vontobel Limited;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited; and

“**Structured Products**” means standard warrants (“**Warrants**”), inline warrants (“**Inline Warrants**”), callable bull/bear contracts (“**CBBCs**”) or such other structured products to be issued by the Issuer from time to time. References to “**Structured Product**” are to be construed as references to a particular series of Structured Products.

Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the applicable Product Conditions, the relevant Launch Announcement and Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Trading

2.1 Form

The Structured Products (which expression shall, unless the context otherwise requires, include any further structured products issued pursuant to General Condition 9) are issued in registered form subject to and with the benefit of the Instrument and the Guarantee. Copies of the Instrument and the Guarantee are available for inspection at the specified offices of the Sponsor. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument.

2.2 Status of the Issuer’s obligations

The settlement obligations of the Issuer in respect of the Structured Products represent general unsecured contractual obligations of the Issuer and of no other person and rank, and will rank, pari passu among themselves and with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law. The obligations of the Guarantor under the Guarantee represent general unsecured contractual obligations of the Guarantor and of no other person and rank, and will rank, pari passu with all other present and future unsecured and unsubordinated contractual obligations of the Guarantor, except for obligations accorded preference by mandatory provisions of applicable law.

2.3 Transfer and Trading of Structured Products

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

Trading in Structured Products on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

3. Sponsor and Register

- 3.1 The Sponsor will not assume any obligation or duty to or any relationship or agency or trust for the Holder.
- 3.2 The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the initial Sponsor and to appoint another sponsor provided that it will at all times maintain a sponsor in Hong Kong for so long as the Structured Products are listed on the Stock Exchange. Notice of any such termination or appointment will be given to the Holders in accordance with General Condition 7.
- 3.3 The Register will be maintained in Hong Kong by the Issuer and the Issuer will enter or cause to be entered the name, address and banking details of the Holders, the details of the Structured Products held by each Holder, including the number of Structured Products of each series held and any other particulars which it thinks proper.

4. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held, resold or surrendered for cancellation.

5. Global Certificate

The Structured Products will be represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee. The Global Certificate representing the relevant Structured Products will be deposited with CCASS in the name of the Nominee.

6. Meetings of Holders and Modification

6.1 *Meetings of Holders*

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 *Modification*

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 7.

7. *Notices*

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. Such notices shall be deemed to have been given on the date of the first such publication. If such publication is not practicable, notice will be given in such other manner as the Issuer may determine appropriate.

8. *Adjustment to the Conditions*

8.1 *Other Adjustments*

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Structured Products as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

8.2 *Notice of Adjustments*

All determinations made by the Issuer in respect of any adjustment to the Conditions will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

9. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

10. Taxation

The Issuer is not liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or exercise of any Structured Products.

11. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

12. Governing Law

The Structured Products, the Global Certificate, the Guarantee and the Instrument will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Holder (by its purchase of the Structured Products) shall be deemed to have submitted for all purposes in connection with the Structured Products, the Global Certificates, the Guarantee and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

13. Language

In the event of any inconsistency between (a) the Chinese translation of these General Conditions and/or the applicable Product Conditions and (b) the English version of these General Conditions and/or the applicable Product Conditions, the English version of these General Conditions and/or the applicable Product Conditions shall prevail.

14. Prescription

Claims against the Issuer for payment of any amount in respect of a series of Structured Product will become void unless made within ten years of the MCE Valuation Date or the Expiry Date (as the case may be) applicable to that series and thereafter, any sums payable in respect of such Structured Product shall be forfeited and shall revert to the Issuer.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.

APPENDIX 2 — PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

		<i>Page</i>
PART A	— PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES	42
PART B	— PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUND	50
PART C	— PRODUCT CONDITIONS OF CASH SETTLED INDEX WARRANTS	58
PART D	— PRODUCT CONDITIONS OF CASH SETTLED CURRENCY WARRANTS	63

PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Average Price” means the arithmetic mean of the closing price of one Share, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Company” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrant(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Share” means the share of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document and **“Shares”** shall be construed accordingly; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 Exercise Expenses

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

- (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or
- (ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day (“**Rights Issue Adjustment Date**”) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 *Bonus Issues*

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day (**“Bonus Issue Adjustment Date”**) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

4.3 *Share Splits or Consolidations*

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUND

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Average Price” means the arithmetic mean of the closing price of one Unit, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows:

(a) in the case of a series of call Warrants:

$$\frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

(b) in the case of a series of put Warrants:

$$\frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}}$$

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“Exercise Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Fund” means the exchange traded fund specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrant(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of (i) the Expiry Date and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Unit” means the share or unit of the Fund specified as such in the relevant Launch Announcement and Supplemental Listing Document and **“Units”** shall be construed accordingly; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 Exercise Expenses

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

- (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or
- (ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) *Cash Settlement*

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day (“**Rights Issue Adjustment Date**”) on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R: Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distribution or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day (“**Bonus Issue Adjustment Date**”) on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Fund shall subdivide its Units or any class of its outstanding Unit into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding unit or share capital comprised of the Units into a smaller number of units or shares (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 ***Merger or Consolidation***

If it is announced that the Fund is to or may merge or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that

it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the Warrants after the adjustment shall, after such Restructuring Event, relate to the number of units or shares of the trust(s) or corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 **Cash Distribution**

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Fund, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Unit

OD: The Ordinary Distribution per Unit, provided that the date on which the Units are traded on an ex-Ordinary Distribution basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

5. Termination or Liquidation

In the event of a Termination or the liquidation or dissolution of the Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Fund’s or the Trustee’s (as the case may be) undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of such Fund’s or Trustee’s (as the case may be) undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 5, “**Termination**” means (i) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences; (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted; (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or (iv) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

PART C — PRODUCT CONDITIONS OF CASH SETTLED INDEX WARRANTS

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows (and, if appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) in the case of a series of call Warrants:

$$\frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) in the case of a series of put Warrants:

$$\frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Closing Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Divisor” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“First Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified in the relevant Launch Announcement and Supplemental Listing Document;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Currency Amount” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” means the Stock Exchange or any other exchange as specified in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this paragraph (a), (X) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (Y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Product Conditions” means these product terms and conditions;

“Second Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Strike Level” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means the date specified in the Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 Exercise Expenses

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

(i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or

(ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments to the Index

4.1 Successor Index Compiler Calculates and Reports Index

If the Index is:

(a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or

- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or
- (b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

5. **Illegality and Impracticability**

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

PART D — PRODUCT CONDITIONS OF CASH SETTLED CURRENCY WARRANTS

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants. Capitalised terms used in these Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business and for carrying on foreign exchange transactions in Hong Kong;

“Cash Settlement Amount” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows (and if applicable, converted into the Settlement Currency at the Settlement Exchange Rate):

(a) in the case of a series of call Warrants:

$(\text{Spot Rate} - \text{Strike Rate}) \times \text{Currency Amount}$

(b) in the case of a series of put Warrants:

$(\text{Strike Rate} - \text{Spot Rate}) \times \text{Currency Amount}$

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Currency Pair” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Warrants;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence, or existence, on the Valuation Date, of any circumstances beyond the control of the Issuer in which the Spot Rate or, if applicable, the Settlement Exchange Rate cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances; and/or
- (b) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount;

“Product Conditions” means these product terms and conditions;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the Valuation Date;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Spot Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Settlement Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Strike Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Spot Rate or, if applicable, the Settlement Exchange Rate or any other variables on the basis of its good faith estimate of the Spot Rate or, if applicable, the Settlement Exchange Rate or any other variables that would have prevailed on that day but for the occurrence of the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Warrant Rights and Exercise Expenses

2.1 Warrant Rights

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount, if any.

2.2 Exercise Expenses

On exercise of the Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Warrants

(a) Exercise of Warrants in Board Lots

Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Warrants are exercisable only on the Expiry Date. Any Warrant will automatically be exercised if the Cash Settlement Amount on the Expiry Date is greater than zero (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) (if any) in accordance with Product Condition 3(d).

Any Warrant which has not been automatically exercised in accordance with this Product Condition 3(b) shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Warrants which:

- (i) are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions; or
- (ii) have expired worthless,

and thereby cancel the relevant Warrants.

(d) Cash Settlement

Subject to automatic exercise of Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 Market Disruption Events

Without limiting Product Condition 3(d), if a Market Disruption Event occurs, the Issuer has the right to adjust the Spot Rate or, if applicable, the Settlement Exchange Rate and/or any other relevant variables accordingly. The Issuer shall as soon as reasonably practicable under such circumstances notify the Holders in accordance with General Condition 7 if it determines that a Market Disruption Event has occurred.

4.2 Foreign Currency Controls

If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which:

- (a) requires the Issuer to obtain permission from such authority or body to purchase the Settlement Currency;
- (b) otherwise restricts the Issuer's ability to obtain the Settlement Currency; or
- (c) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines, or if the cost of obtaining the Settlement Currency at the Settlement Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market relating to the Settlement Currency,

then, upon notice from the Issuer to Holders in accordance with General Condition 7 to such effect, Holders who have exercised their Warrants in accordance with Product Condition 3 shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in any other currency as determined by the Issuer.

5. Illegality and Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

APPENDIX 3 — PRODUCT CONDITIONS OF INLINE WARRANTS

The following pages set out the Product Conditions in respect of different types of Inline Warrants.

	<i>Page</i>
PART A — PRODUCT CONDITIONS OF CASH SETTLED INLINE WARRANTS OVER SINGLE EQUITIES	68
PART B — PRODUCT CONDITIONS OF CASH SETTLED INDEX INLINE WARRANTS	76

PART A — PRODUCT CONDITIONS OF CASH SETTLED INLINE WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of Inline Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Inline Warrants. Capitalised terms used in these Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Average Price” means the arithmetic mean of the closing price of one Share, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like in respect of each Valuation Date;

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows:

- (a) if the Average Price is at or below the Upper Strike Price and at or above the Lower Strike Price:

Maximum Payoff Amount per Inline Warrant x one Board Lot

- (b) if the Average Price is above the Upper Strike Price or below the Lower Strike Price:

Minimum Payoff Amount per Inline Warrant x one Board Lot

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Company” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Inline Warrants;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Lower Strike Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Minimum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Share” means the share of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document and **“Shares”** shall be construed accordingly;

“Upper Strike Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (a) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Inline Warrant Rights and Exercise Expenses

2.1 *Inline Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount.

2.2 *Exercise Expenses*

On exercise of the Inline Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Inline Warrants

(a) *Exercise of Inline Warrants in Board Lots*

Inline Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) *Automatic Exercise*

The Inline Warrants are exercisable only on the Expiry Date. Any Inline Warrant will automatically be exercised on the Expiry Date (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) in accordance with Product Condition 3(d).

(c) *Cancellation*

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Inline Warrants which are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions and thereby cancel the relevant Inline Warrants.

(d) *Cash Settlement*

Subject to automatic exercise of Inline Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If, as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments

4.1 *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Upper Strike Price} = \text{Upper Strike Price} \div \text{Adjustment Factor}$$

$$\text{Adjusted Lower Strike Price} = \text{Lower Strike Price} \div \text{Adjustment Factor}$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that no adjustment will be made if the Adjustment Factor is equal to or less than 1.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

4.2 **Bonus Issues**

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be adjusted on the Business Day on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Upper Strike Price} = \text{Upper Strike Price} \div \text{Adjustment Factor}$$

$$\text{Adjusted Lower Strike Price} = \text{Lower Strike Price} \div \text{Adjustment Factor}$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

4.3 **Share Splits or Consolidations**

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

4.4 *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Inline Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the interests of the Holders generally are not materially prejudiced as a consequence of such Restructuring Event (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

4.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Upper Strike Price} = \text{Upper Strike Price} \div \text{Adjustment Factor}$$

$$\text{Adjusted Lower Strike Price} = \text{Lower Strike Price} \div \text{Adjustment Factor}$$

Where

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Inline Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the Inline Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

7 Illegality or Impracticability

The Issuer is entitled to terminate the Inline Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Inline Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),
- (each of (i) and (ii), a “**Change in Law Event**”); or

- (b) for it or any of its affiliates to maintain the Issuer's hedging arrangements with respect to the Inline Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Inline Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

PART B — PRODUCT CONDITIONS OF CASH SETTLED INDEX INLINE WARRANTS

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of Inline Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Inline Warrants. Capitalised terms used in these Product Conditions and not otherwise defined therein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, for every Board Lot, an amount in the Settlement Currency calculated by the Issuer as follows (and, if appropriate, either (i) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

- (a) if the Closing Level is at or below the Upper Strike Level and at or above the Lower Strike Level:

Maximum Payoff Amount per Inline Warrant x one Board Lot

- (b) if the Closing Level is above the Upper Strike Level or below the Lower Strike Level:

Minimum Payoff Amount per Inline Warrant x one Board Lot

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Closing Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the exercise of the Inline Warrants;

“First Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified in the relevant Launch Announcement and Supplemental Listing Document;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” means the Stock Exchange or any other exchange as specified in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Lower Strike Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this paragraph (a), (X) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (Y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Maximum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Minimum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions;

“Second Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount electronically through CCASS to the Designated Bank Account;

“Upper Strike Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means the date specified in the Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Inline Warrant Rights and Exercise Expenses

2.1 *Inline Warrant Rights*

Every Board Lot gives each Holder, upon due exercise and compliance with Product Condition 3, the right to receive payment of the Cash Settlement Amount.

2.2 *Exercise Expenses*

On exercise of the Inline Warrants, Holders will be obliged to give an irrevocable authorisation to the Issuer to deduct all Exercise Expenses in accordance with Product Condition 3.

3. Exercise of Inline Warrants

(a) Exercise of Inline Warrants in Board Lots

Inline Warrants may only be exercised in Board Lots or integral multiples thereof.

(b) Automatic Exercise

The Inline Warrants are exercisable only on the Expiry Date. Any Inline Warrant will automatically be exercised on the Expiry Date (without notice being given to the Holders). The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount (net of any Exercise Expenses) in accordance with Product Condition 3(d).

(c) Cancellation

The Issuer will, with effect from the first Business Day following the Expiry Date, remove from the Register the name of the person in respect of the Inline Warrants which are the subject of an exercise pursuant to automatic exercise in accordance with these Product Conditions and thereby cancel the relevant Inline Warrants.

(d) Cash Settlement

Subject to automatic exercise of Inline Warrants in accordance with these Product Conditions, the Issuer will make a payment, in respect of every Board Lot, to the relevant Holder equal to the Cash Settlement Amount (net of any Exercise Expenses). If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

4. Adjustments to the Index

4.1 Successor Index Compiler Calculates and Reports Index

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or

- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or
- (b) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

5. **Illegality and Impracticability**

The Issuer is entitled to terminate the Inline Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Inline Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Inline Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Inline Warrant held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

APPENDIX 4 — PRODUCT CONDITIONS OF CBBCs

The following pages set out the Product Conditions in respect of different types of CBBCs.

		<i>Page</i>
PART A	— PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES	83
PART B	— PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER EXCHANGE TRADED FUND	94
PART C	— PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER AN INDEX	106

PART A — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Price**” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“**Cash Settlement Amount**” means:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) In the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (ii) In the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a series of CBBCs where the Call Price is different from the Strike Price;

“**CCASS Settlement Day**” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Closing Price” means the closing price of one Share, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like on the Valuation Date;

“Company” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Day of Notification” means the Trading Day immediately following the day on which a Mandatory Call Event occurs;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the early expiration of CBBCs upon the occurrence of a Mandatory Call Event or exercise of CBBCs upon expiry;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Last Trading Day” means the trading day on the Stock Exchange immediately preceding the Expiry Date;

“Mandatory Call Event” means that the Spot Price of the Shares on any Trading Day during the Observation Period is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Trade Price” means the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“MCE Valuation Date” means the last Trading Day during the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the **“1st Session”**) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (**“2nd Session”**) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and
- (B) the afternoon session and the closing auction session (if any) of the same day, shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Number of CBBC(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Last Trading Day. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding the Valuation Date shall not fall on the Last Trading Day;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions;

“Residual Value” means:

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount (if any) electronically through CCASS to the Designated Bank Account;

“Share” means the share of the Company specified as such in the relevant Launch Announcement and Supplemental Listing Document and **“Shares”** shall be construed accordingly;

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Strike Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Trading Day” means any day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price of the Shares having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a **“Change in Law Event”**); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

3. Exercise of CBBCs

3.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date.

3.3 *Mandatory Call Event*

- (a) Subject to Product Condition 3.3(b), following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs (the “**Announcement on MCE and Early Expiration**”) to the Holders in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the “**Announcement on Valuation of Residual Value**”) to the Holders before the end of the trading session immediately after the MCE Valuation Period in accordance with General Condition 7.

- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited; or
- (ii) manifest errors caused by the relevant third party price source where applicable;

and

- (A) in the case of a system malfunction or other technical errors prescribed in paragraph (i) above, such event is reported by the Stock Exchange to the Issuer, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and
- (B) in the case of an error by the relevant price source prescribed in paragraph (ii) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time, in which case, (A) the Mandatory Call Event so triggered will be reversed; and (B) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

3.4 *Entitlement*

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

3.5 *Cancellation*

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

3.6 *Exercise Expenses*

- (a) Any Exercise Expenses which were not determined by the Issuer:
 - (i) during the MCE Valuation Period following the Mandatory Call Event; or
 - (ii) otherwise, on the Expiry Date (as the case may be), and were not deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with Product Condition 3.7, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.
- (b) Holders shall note that they shall be responsible for additional costs and expenses in connection with any early expiration or exercise of the CBBCs including the Exercise Expenses which amount shall, to the extent necessary, be payable to the Issuer and collected from the Holders.

3.7 *Cash Settlement*

Upon early expiration of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount (net of any Exercise Expenses) (if any) to the relevant Holder. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) (if any) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

3.8 *Responsibility of Issuer, Guarantor and Sponsor*

None of the Issuer, the Guarantor, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Product Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.

3.9 *Liability of Issuer, Guarantor and Sponsor*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer, the Guarantor nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer, the Guarantor, nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

3.10 *Trading*

Subject to Product Condition 3.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

4. **Adjustments**

4.1 *Rights Issues*

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day (“**Rights Issue Adjustment Date**”) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day (**“Bonus Issue Adjustment Date”**) on which trading in the Shares becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Share Splits or Consolidations***

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 *Merger or Consolidation*

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of any corporation or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Shares shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

4.5 *Cash Distribution*

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

PART B — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER EXCHANGE TRADED FUND

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Call Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Cash Settlement Amount” means:

(a) following a Mandatory Call Event:

- (i) in the case of a series of Category R CBBCs, the Residual Value; or
- (ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

- (i) in the case of a series of bull CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (ii) In the case of a series of bear CBBCs:

$$\text{Cash Settlement Amount per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Category N CBBCs” means a series of CBBCs where the Call Price is equal to the Strike Price;

“Category R CBBCs” means a series of CBBCs where the Call Price is different from the Strike Price;

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Closing Price” means the closing price of one Unit, as derived from the Daily Quotation Sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like on the Valuation Date;

“Day of Notification” means the Trading Day immediately following the day on which a Mandatory Call Event occurs;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the early expiration of CBBCs upon the occurrence of a Mandatory Call Event or exercise of CBBCs upon expiry;

“Fund” means the exchange traded fund specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Last Trading Day” means the trading day on the Stock Exchange immediately preceding the Expiry Date;

“Mandatory Call Event” means that the Spot Price of the Units on any Trading Day during the Observation Period is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for the opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Trade Price” means the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“MCE Valuation Date” means the last Trading Day during the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the **“1st Session”**) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (**“2nd Session”**) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed.

In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and
- (B) the afternoon session and the closing auction session (if any) of the same day,

shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Product Condition 4 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Number of CBBC(s) per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Last Trading Day. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding the Valuation Date shall not fall on the Last Trading Day;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions;

“Residual Value” means:

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount (if any) electronically through CCASS to the Designated Bank Account;

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange, as the case may be, the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Strike Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Trading Day” means any day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions;

“**Trading Rules**” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“**Unit**” means the share or unit of the Fund specified as such in the relevant Launch Announcement and Supplemental Listing Document and “**Units**” shall be construed accordingly; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price of the Units having regard to the then prevailing market conditions, the last reported trading price of the Units on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

3. Exercise of CBBCs

3.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date.

3.3 *Mandatory Call Event*

- (a) Subject to Product Condition 3.3(b), following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs (the “**Announcement on MCE and Early Expiration**”) to the Holders in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the “**Announcement on Valuation of Residual Value**”) to the Holders before the end of the trading session immediately after the MCE Valuation Period in accordance with General Condition 7.

- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited; or
- (ii) manifest errors caused by the relevant third party price source where applicable;

and

- (A) in the case of a system malfunction or other technical errors prescribed in paragraph (i) above, such event is reported by the Stock Exchange to the Issuer, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and
- (B) in the case of an error by the relevant price source prescribed in paragraph (ii) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time, in which case, (A) the Mandatory Call Event so triggered will be reversed; and (B) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

3.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

3.5 ***Cancellation***

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

3.6 ***Exercise Expenses***

- (a) Any Exercise Expenses which were not determined by the Issuer:
 - (i) during the MCE Valuation Period following the Mandatory Call Event; or
 - (ii) otherwise, on the Expiry Date (as the case may be), and were not deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with Product Condition 3.7, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.
- (b) Holders shall note that they shall be responsible for additional costs and expenses in connection with any early expiration or exercise of the CBBCs including the Exercise Expenses which amount shall, to the extent necessary, be payable to the Issuer and collected from the Holders.

3.7 ***Cash Settlement***

Upon early expiration of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount (net of any Exercise Expenses) (if any) to the relevant Holder. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) (if any) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

3.8 *Responsibility of Issuer, Guarantor and Sponsor*

None of the Issuer, the Guarantor, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Product Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.

3.9 *Liability of Issuer, Guarantor and Sponsor*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer, the Guarantor nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer, the Guarantor nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

3.10 *Trading*

Subject to Product Condition 3.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

4. **Adjustments**

4.1 *Rights Issues*

If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day (“**Rights Issue Adjustment Date**”) on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R: Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“Rights” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

4.2 ***Bonus Issues***

If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement will be increased on the Business Day (**“Bonus Issue Adjustment Date”**) on which trading in the Units becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

4.3 ***Subdivisions or Consolidations***

If and whenever the Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a **“Subdivision”**) or consolidate the Units or any class of its outstanding Units into a smaller number of units or shares (a **“Consolidation”**), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

4.4 *Merger or Consolidation*

If it is announced that the Fund is to or may merge or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion).

The rights attaching to the CBBCs after the adjustment shall, after such Restructuring Event, relate to the number of units or shares of the trust(s) or corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event. Thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected.

For the avoidance of doubt, any remaining Units shall not be affected by this Product Condition 4.4 and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

4.5 *Cash Distribution*

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Fund, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Unit

OD: The Ordinary Distribution per Unit, provided that the date on which the Units are traded on an ex-Ordinary Distribution basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

5. Termination or Liquidation

In the event of a Termination, liquidation or dissolution of the Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Fund) or the appointment of a liquidator, receiver or administrator or analogous person under Hong Kong law in respect of the whole or substantially the whole of the Fund’s or the Trustee’s (as the case may be) undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of such Fund’s or Trustee’s (as the case may be) undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 5, “**Termination**” means (i) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences; (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted; (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or (iv) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

6. Delisting

6.1 *Adjustments following delisting*

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).

6.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 6.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

PART C — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/ BEAR CONTRACTS OVER AN INDEX

These Product Conditions will, together with the General Conditions and the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of a series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Product Conditions and not otherwise defined herein shall have the meaning given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Definitions

For the purposes of these Product Conditions:

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Level**” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount in the Settlement Currency calculated by the Issuer in accordance with the following formula (and, if appropriate, either (X) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (Y) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\begin{array}{l} \text{Cash Settlement} \\ \text{Amount per} \\ \text{Board Lot} \end{array} = \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(ii) in the case of a series of bear CBBCs:

$$\begin{array}{l} \text{Cash Settlement} \\ \text{Amount per} \\ \text{Board Lot} \end{array} = \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is different from the Strike Level;

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Closing Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Day of Notification” means the Trading Day immediately following the day on which a Mandatory Call Event occurs;

“Designated Bank Account” means the relevant bank account designated by each Holder;

“Divisor” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 4;

“Exercise Expenses” means any charges or expenses including any taxes or duties which are incurred in respect of the early expiration of CBBCs upon the occurrence of a Mandatory Call Event or exercise of CBBCs upon expiry;

“First Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means any day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Last Trading Day” means the trading day on the Stock Exchange immediately preceding the Expiry Date;

“Mandatory Call Event” means that the Spot Level of the Index on any Index Business Day during the Observation Period is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this paragraph (a), (X) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (Y) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event;

- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day; or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;
- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Product Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Maximum Index Level” means the highest Spot Level of the Index during the MCE Valuation Period;

“MCE Valuation Date” means the last Trading Day during the MCE Valuation Period;

“MCE Valuation Period” means:

- (a) in respect of an Index Exchange located in Hong Kong, the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the “**1st Session**”) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Level(s) is/are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the

2nd Session during which Spot Level(s) is/are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available.

In that case:

- (i) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (ii) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and
 - (B) the afternoon session and the closing auction session (if any) of the same day,
- shall each be considered as one trading session only; and
- (b) in respect of an Index Exchange located outside Hong Kong, the period specified in the relevant Launch Announcement and Supplemental Listing Document;

“Minimum Index Level” means the lowest Spot Level of the Index during the MCE Valuation Period;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Last Trading Day. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding that the Valuation Date shall not fall on the Last Trading Day;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Price Source”, if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions;

“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either, converted (if applicable) into the Settlement Currency at the Exchange Rate, or converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

(b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means an event beyond the control of the Issuer as a result of which the Issuer is unable to procure payment of the Cash Settlement Amount (if any) electronically through CCASS to the Designated Bank Account;

“Second Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Spot Level” means, unless otherwise specified in the relevant Launch Announcement and Supplemental Listing Document, the spot level of the Index as compiled and published by the Index Compiler;

“Strike Level” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Successor Index” means the successor index specified in the relevant Launch Announcement and Supplemental Listing Document;

“Trading Day” means any day on which the Stock Exchange is scheduled to be open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“Valuation Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level of the Index on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but will not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Illegality or Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

3. Exercise of CBBCs

3.1 *Exercise of CBBCs in Board Lots*

CBBCs may only be exercised in Board Lots or integral multiples thereof.

3.2 *Automatic Exercise*

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date.

3.3 *Mandatory Call Event*

- (a) Subject to Product Condition 3.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer will give a notice of the Mandatory Call Event and early expiry of the CBBCs (the “**Announcement on MCE and Early Expiration**”) to the Holders in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon a Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.

In the case of Category R CBBCs, the Issuer will give a notice of the valuation of the Residual Value (the “**Announcement on Valuation of Residual Value**”) to the Holders before the end of the trading session of the Stock Exchange immediately after the corresponding trading session of the Stock Exchange during which the MCE Valuation Period ends in accordance with General Condition 7.

(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited; or
- (ii) manifest errors caused by the relevant third party price source where applicable;

and

- (A) in the case of a system malfunction or other technical errors prescribed in paragraph (i) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and
- (B) in the case of an error by the relevant price source prescribed in paragraph (ii) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case,

- (A) in respect of an Index Exchange located in Hong Kong, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time; or
- (B) in respect of an Index Exchange located outside Hong Kong:
 - (1) the revocation of the Mandatory Call Event is communicated to the other party by 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification or such other time frame as prescribed by the Stock Exchange from time to time; and
 - (2) the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked on the Day of Notification.

In both cases:

- (C) the Mandatory Call Event so triggered will be reversed; and
- (D) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/ or requirements prescribed by the Stock Exchange from time to time.

3.4 ***Entitlement***

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

3.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Date or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

3.6 Exercise Expenses

- (a) Any Exercise Expenses which were not determined by the Issuer:
 - (i) during the MCE Valuation Period following the Mandatory Call Event; or
 - (ii) otherwise, on the Expiry Date (as the case may be), and were not deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with Product Condition 3.7, shall be notified to the Holder as soon as practicable after determination thereof by the Issuer and shall be paid by the Holder to the Issuer immediately upon demand.
- (b) Holders shall note that they shall be responsible for additional costs and expenses in connection with any early expiration or exercise of the CBBCs including the Exercise Expenses which amount shall, to the extent necessary, be payable to the Issuer and collected from the Holders.

3.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount (net of any Exercise Expenses) (if any) to the relevant Holder. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount (net of any Exercise Expenses) (if any) will be despatched no later than the Settlement Date by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

3.8 Responsibility of Issuer, Guarantor and Sponsor

None of the Issuer, the Guarantor, the Sponsor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Product Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities or currencies comprising the Index.

3.9 *Liability of Issuer, Guarantor and Sponsor*

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and neither the Issuer, the Guarantor nor the Sponsor shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. Neither the Issuer, the Guarantor nor the Sponsor shall under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

3.10 *Trading*

Subject to Product Condition 3.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

4. **Adjustments to the Index**

4.1 *Successor Index Compiler Calculates and Reports Index*

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

4.2 *Modification and Cessation of Calculation of Index*

If:

- (a) on any Index Business Day before the Expiry Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities, contracts, commodities or currencies and other routine events); or
- (b) on any Index Business Day before the Expiry Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Index Business Day as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities or currencies that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities or currencies that have since ceased to be listed on the relevant exchange).

APPENDIX 5 — A BRIEF GUIDE TO CREDIT RATINGS

Information set out in this Appendix 5 is based on, extracted or reproduced from the website of Moody's at <https://www.moody's.com> as of the day immediately preceding the date of this document. Information appearing on this website does not form part of this document, and we accept no responsibility for the accuracy or completeness of the information appearing on this website, except that we have accurately extracted and reproduced such information in this Appendix 5 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this Appendix 5 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by Moody's on what each of their investment-grade ratings means as of the day immediately preceding the date of this document.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, with minimal risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are judged to be upper medium-grade and are subject to low credit risk.

Baa

Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to <https://ratings.moody's.io/ratings> for further details.

Rating Outlooks

A rating outlook is an opinion regarding the likely rating direction over the medium term. A rating outlook issued by Moody's will usually indicate whether the rating direction is likely to be "positive", "negative", "stable" or "developing". Please refer to the abovementioned website of Moody's for further details regarding rating outlooks published by it.

APPENDIX 6 — THE ISSUER'S FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

The information in this Appendix 6 has been extracted from our Annual Report 2021 as at and for the year ended 31 December 2021. The page numbers of such document appear on the top left or right hand side of the pages in this Appendix 6.

Please refer to the base listing document dated 4 March 2021 for the Issuer's consolidated financial statements as at and for the year ended 31 December 2020 and the auditor's report on such consolidated financial statements.

Balance sheet

Assets

	APPENDIX	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
		CHF 1,000	CHF 1,000	CHF 1,000	IN %
Liquid assets		4,179,633	3,223,102	956,531	29.7
Amounts due from banks		859,781	636,953	222,828	35.0
Amounts due from securities financing transactions	1	1,847,691	1,255,439	592,252	47.2
Amounts due from customers	2	6,307,747	5,653,761	653,985	11.6
Mortgage loans	2	1,634,770	1,474,357	160,412	10.9
Trading portfolio assets	3	5,010,868	6,259,559	-1,248,691	-19.9
Positive replacement values of derivative financial instruments	5	942,373	782,995	159,379	20.4
Other financial instruments at fair value	3	153	310	-158	-50.8
Financial investments	6	1,394,927	1,936,779	-541,852	-28.0
Accrued income and prepaid expenses		65,096	66,704	-1,607	-2.4
Participations		18,154	17,835	318	1.8
Tangible fixed assets		169,262	177,626	-8,365	-4.7
Intangible assets		35,729	43,953	-8,225	-18.7
Other assets	7	330,345	368,999	-38,654	-10.5
Total assets		22,796,528	21,898,373	898,155	4.1

Liabilities

Amounts due to banks		1,016,906	749,184	267,722	35.7
Liabilities from securities financing transactions	1	12,749	302,543	-289,794	-95.8
Amounts due in respect of customer deposits		15,874,769	15,350,626	524,142	3.4
Trading portfolio liabilities	4	288,642	111,021	177,621	160.0
Negative replacement values of derivative financial instruments	5	1,544,108	1,274,238	269,869	21.2
Liabilities from other financial instruments at fair value	4, 12	2,050,354	2,137,691	-87,337	-4.1
Accrued expenses and deferred income		263,284	205,244	58,039	28.3
Other liabilities	8	306,657	418,196	-111,539	-26.7
Provisions	13	114,109	116,095	-1,985	-1.7
Reserves for general banking risks	13	44,000	88,000	-44,000	-50.0
Bank's capital	14	149,000	149,000		
Statutory capital reserve		169,369	169,369		
of which tax-exempt capital contribution reserve		169,369	169,369		
Statutory retained earnings reserve	18	217,206	217,206		
Voluntary retained earnings reserve		339,600	295,600	44,000	14.9
Profit carried forward		207,033	170,815	36,218	21.2
Profit (result of the period)		198,741	143,543	55,199	38.5
Total liabilities		22,796,528	21,898,373	898,155	4.1

Off-balance sheet operations

Contingent liabilities	2	362,698	278,884	83,814	30.1
Irrevocable commitments	2	60,502	48,503	11,998	24.7

Income statement

	APPENDIX	2021	2020	CHANGE TO 2020	
		CHF 1,000	CHF 1,000	CHF 1,000	IN %
Result from interest operations					
Interest and discount income	23	62,249	62,010	239	0.4
Interest and dividend income from trading portfolio		36,476	32,727	3,749	11.5
Interest and dividend income from financial investments		15,426	19,576	-4,150	-21.2
Interest expense	23	13,716	10,024	3,691	36.8
Gross result from interest operations		127,867	124,337	3,530	2.8
Changes in value adjustments for default risks and losses and losses from interest operations		-10,672	-2,639	-8,033	304.4
Subtotal net result from interest operations		117,195	121,698	-4,502	-3.7
Result from commission business and services					
Commission income from securities trading and investment activities		463,198	438,287	24,911	5.7
Commission income from lending activities		315	653	-338	-51.7
Commission income from other services		36,978	38,210	-1,233	-3.2
Commission expense		-113,699	-98,527	-15,172	15.4
Subtotal result from commission business and services		386,792	378,624	8,168	2.2
Result from trading activities and the fair value option	22	339,513	190,361	149,153	78.4
Other result from ordinary activities					
Result from the disposal of financial investments		11,169	13,682	-2,513	-18.4
Income from participations		3,967	1,555	2,412	155.1
Other ordinary income		120,001	83,936	36,065	43.0
Other ordinary expenses		-7,323	-36	-7,287	
Subtotal other income from ordinary activities		127,814	99,138	28,676	28.9
Operating expenses					
Personnel expenses	24	-444,266	-378,537	-65,729	17.4
General and administrative expenses	25	-261,422	-217,948	-43,475	19.9
Subtotal operating expenses		-705,688	-596,485	-109,204	18.3
Value adjustments on participations and depreciation and amortisation of tangible fixed assets and intangible assets		-63,981	-61,582	-2,399	3.9
Changes to provisions and other value adjustments, and losses	26	-7,600	-6,252	-1,348	21.6
Operating result		194,045	125,501	68,544	54.6
Extraordinary income	26	38	50	-12	-24.5
Extraordinary expenses	26	-15		-15	
Changes in reserves for general banking risks	26	44,000	44,000		
Taxes	27	-39,327	-26,009	-13,318	51.2
Profit		198,741	143,543	55,199	38.5

Appropriation of profit

Profit		198,741	143,543	55,199	38.5
Profit carried forward		207,033	170,815	36,218	21.2
Distributable profit		405,775	314,358	91,416	29.1
Appropriation of profit					
Allocation to voluntary retained earnings reserves		-44,000	-44,000		
Distribution from distributable profit		-114,730	-63,325	-51,405	81.2
New amount carried forward		247,045	207,033	40,011	19.3

Statement of equity

Statement of changes in equity

CHF M	BANK'S CAPITAL	STATUTORY CAPITAL RESERVES	STATUTORY RETAINED EARNINGS RESERVES	RESERVES FOR GENERAL BANKING RISKS	VOLUNTARY RETAINED EARNINGS RESERVES AND PROFIT CARRIED FORWARD	RESULT OF THE PERIOD	TOTAL
Equity as of 01.01.2021	149.0	169.4	217.2	88.0	466.4	143.5	1,233.5
Appropriation of profit 2020							
Allocation to voluntary retained earnings reserves					44.0	-44.0	
Dividend						-63.3	-63.3
Net change in profit carried forward					36.2	-36.2	
Other allocations to (transfers from) the reserves for general banking risks				-44.0			-44.0
Profit of the year						198.7	198.7
Equity as of 31.12.2021	149.0	169.4	217.2	44.0	546.6	198.7	1,325.0

Appendix

1. Name, legal form and domicile

1.1 The Bank

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

2. Accounting and valuation principles

2.1 Type of financial statements and presentation

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

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

2.2 Recognition of transactions

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

2.3 Foreign currency translation

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

	BALANCE SHEET RATES AS OF 31.12.2021	BALANCE SHEET RATES AS OF 31.12.2020
1 USD	0.91115	0.88395
100 JPY	0.79124	0.85617
1 EUR	1.03616	1.08156
1 GBP	1.23411	1.20832

2.4 Valuation and recognition of individual positions

2.4.1 Liquid assets, receivables due from banks and clients, mortgages as well as borrowed funds

They are recognized in the balance sheet at nominal value. Specific value adjustments are made for identifiable risks of losses on receivables. In addition, value adjustments are recorded for latent default risks from mortgages.

2.4.2 Determining fair value of financial instruments

If a position (financial instrument, precious metal, cryptocurrency, etc.) is traded in an active market, its fair value is based on the listed market prices or the prices quoted by traders. Otherwise, the fair value is determined on the basis of valuation models or other generally accepted valuation methods. The appropriateness of the valuation of positions that are not traded in an active market is ensured through the application of clearly defined methods and processes as well as independent controls. The control processes comprise the analysis and approval of new instruments, the regular analysis of risks as well as gains and losses, the verification of prices and the examination of the models on which the estimates of fair value are based. These controls are conducted by units that possess the relevant specialist knowledge and operate independently from the trading and investment functions.

2.4.3 Trading

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

2.4.4 Trading portfolio liabilities

Short positions are recognized at fair value in this balance sheet item. Realized and unrealized gains and losses are recognized in "Result from trading activities and the fair value option" and interest and dividend expense are recognized in "Net interest income".

2.4.5 Liabilities from other financial instruments at fair value as well as other financial instruments at fair value

Products issued by the bank are recognized in the balance sheet item "Liabilities from other financial instruments at fair value". The balance sheet item "Other financial instruments at fair value" comprises structured products. Both balance sheet positions are measured at fair value. Realized and unrealized gains and losses as well as any accrued or deferred interest are recognized in "Result from trading activities and the fair value option". In the case of products issued by the bank with an interest component, any impact of a change of own creditworthiness on fair value is neutralized and does not affect the income statement.

2.4.6 Derivative financial instruments

Derivative instruments are stated at fair value and shown in the balance sheet as positive and negative replacement values. All income components from trading are recognized in “Result from trading activities and the fair value option”. Contract volumes are disclosed in note 5 “Presentation of derivative financial instruments”. Information on derivatives used in hedge accounting is provided in the next section.

2.4.7 Hedge Accounting

Bank Vontobel AG is exposed to volatility in future interest income (or interest cash flows) on secured loans (lombard loans), the majority of which bears short-term interest and is likely to be reinvested. In the past, Bank Vontobel AG hedged part of this interest income using multi-year receiver interest rate swaps. The final hedge expired in January 2021.

Bank Vontobel AG hedges a proportion of its long-term mortgage receivables against general interest rate risks using payer interest rate swaps with maturities that match the terms of the hedged mortgages as far as possible. The client-related risk premium is therefore not part of the hedge. The effectiveness of the hedge is tested prospectively using various interest rate scenarios. The interest rate swaps are carried in the balance sheet at fair value as positive or negative replacement values, with changes in the value of the effective portion of the interest rate swaps recognized in the compensation account and changes in the value of the ineffective portion of the interest rate swaps carried under “Income from trading and the fair value option”.

2.4.8 Financial investments

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

2.4.9 Participations

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

2.4.10 Securities lending and borrowing transactions

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

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

2.4.11 Repurchase and reverse-repurchase agreements

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

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

2.4.12 Tangible fixed assets

Property, plant and equipment is sub-divided into leasehold improvements, other tangible fixed assets (furniture, information technology and telecommunications equipment), tangible assets in finance lease and software (pur-

chased and internally developed, including software in development). The cost of acquisition or construction is capitalized if the Bank is likely to receive an economic benefit derived there from in the future and the costs can be identified as well as reliably projected. Depreciation is computed on a straight-line basis over the useful life period of 3 to 10 years. Property, plant and equipment are tested for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying value exceeds the recoverable value, an impairment loss will be recognized.

2.4.13 Intangible Assets

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

2.4.14 Accruals and deferrals

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

2.4.15 Value adjustments and provisions

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

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

A loan is considered impaired if it is likely that the contractually due amount cannot be collected in full. If the debtor's total exposure exceeds the estimated realizable disposal value of the collateral and if the assessment of the debtor's creditworthiness does not justify such an unsecured portion, an allowance for credit loss in the corresponding amount is made in the income statement. The reasons for impairment are specific to the relevant counterparties or countries. Interest income on loans that are not overdue is accrued in the period incurred. As a rule,

removal from the books occurs at the time when a legal title confirms the conclusion of the liquidation process. Default-related value adjustments and losses from interest operations are recognized in "Net interest income". Value adjustments are deducted from the corresponding assets. Provisions for other business that are operationally necessary are recognized through the item "Changes to provisions and other value adjustments, and losses". The general risks associated with banking activities are covered by precautionary provisions.

2.4.16 Accrual of earnings

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

2.4.17 Income taxes

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

2.4.18 Employee and management stock ownership plans

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

2.4.19 Pension funds

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

2.4.20 Extraordinary expense and income

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

2.4.21 Contingent liabilities, irrevocable commitments

These are reported off the balance sheet at their nominal value.

2.5 Changes to accounting and valuation principles

There are no changes.

2.6 Disclosures relating to capital and liquidity

In accordance with FINMA Circular 2016/01 (Disclosure-banks), Bank Vontobel AG benefits from an extended consolidation discount. The minimum disclosure nevertheless required in this context according to Appendix 4 is shown on page 29. Further detailed information on capital and liquidity is provided in Vontobel's consolidated Annual Report, pages 143 to 144 and 151 to 153.

2.7 Reclassification of service level agreements

Accounting practices relating to intercompany relationships were adjusted in the year under review to take account of new circumstances. To ensure the comparability of the income statement 2021 with the previous year, CHF 4.6 million was reclassified from "General expense" to "Other ordinary income" in the previous year.

2.8 IBOR reform

2.8.1 Background

As part of the IBOR reform, existing reference rates (IBOR rates) will be replaced by overnight alternative reference rates. In March 2021, the UK's Financial Conduct Authority (FCA) announced that it intends to cease publication of all London Interbank Offered Rate (LIBOR) settings for the currencies CHF, EUR, GBP and JPY, as well as the 1 week and 2 month USD LIBOR settings, after December 31, 2021. For the other USD LIBOR settings, publication will cease immediately after June 30, 2023.

In the case of IBOR-based financial instruments that will mature before IBOR cessation, there is basically no need for action to be taken. However, IBOR-based financial instruments with maturities extending beyond IBOR ces-

sation must be changed to an alternative reference rate. Particular attention must be paid to IBOR-based financial instruments without legally or operationally robust fallback clauses or written agreements concerning an alternative reference rate ("tough legacy"). Bank Vontobel AG did not hold any tough legacy positions as of December 31, 2021.

2.8.2 Implementation of the IBOR reform

A project team will ensure the timely implementation of the IBOR reform across all areas of Vontobel. The status of the implementation process is shown below:

- CHF, EUR, GBP, JPY: As of December 31, 2021, Bank Vontobel AG had adjusted all LIBOR-based positions in these currencies.
- OTC derivatives: Most OTC derivatives are based on master agreements issued by the International Swaps and Derivatives Association (ISDA). Due to the IBOR reform, the ISDA published the IBOR Fallbacks Protocol for existing LIBOR-based contracts and the IBOR Fallbacks Supplement for new LIBOR-based contracts in October 2020. The amendments to the ISDA master agreement enter into effect for all contracts operating under ISDA between two counterparties provided both parties have signed the new ISDA fallback documents. Bank Vontobel AG signed the relevant documents in November 2020. The Swiss Bankers Association has adapted the Swiss master agreement for OTC derivatives accordingly. As of December 31, 2021, Bank Vontobel AG still held total return and interest rate swaps based on USD LIBOR.
- Other positions: As of December 31, 2021, credit-linked notes based on USD LIBOR were still outstanding. In addition, as of December 31, 2021, Bank Vontobel AG still held a FRN from a third-party issuer based on the USD LIBOR.

Based on the status of the implementation work and the additional steps that have been introduced or are planned, Bank Vontobel AG will be able to change over all IBOR-based financial instruments to an alternative reference rate in good time where required.

2.9 Important 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 2021 financial statements and would therefore need to be disclosed.

3. Risk management and risk control

3.1 Risk policy

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

As part of its risk policy – as a component of the framework concept for Group-wide risk management – Vontobel defines the relevant risk categories and the corresponding risk profiles, as well as the powers of authorization, organizational structure, methods and processes relating to the management and control of risks. The appropriateness of the risk policy is reviewed at least once annually by the Board of Directors. The Risk Management and Risk Control units are responsible for managing and controlling the risks with the utmost care. Vontobel is managed strictly according to functional criteria. This is also the case at Bank Vontobel AG, Zurich, which is 100% owned by Vontobel Holding AG. Consequently, the risk management and risk controls of Bank Vontobel AG, Zurich form part of the Group-wide processes and methods. They are explained in detail in the consolidated Annual Report of Vontobel (pages 137 to 138).

3.2 Strategic risk

Vontobel defines strategic risk as the risk that the strategic objectives it has set, and the operational objectives derived from them, will not be realized in the course of current business operations due to a failure to adequately adapt to changing operating conditions or as a result of decisions that subsequently prove to be wrong. Strategic risk is regularly reviewed and assessed as part of Vontobel's holistic approach to risk monitoring, with a particular focus being placed on the assessment of the environment and of the company's strategic direction. The Executive Board is informed of the qualitative results of the analysis, which are approved by the Board of Directors.

If necessary, risk mitigation measures are defined and implemented. These measures are also taken into account in strategic and operational planning.

3.3 Market risk

3.3.1 General information

Market risk refers to the risk of losses occurring as a result of changes in market parameters such as interest rates,

credit spreads, foreign exchange rates, stock prices or commodities prices and the corresponding volatilities. Market risks are relevant in a number of areas, both in the Structured Products division and in the Treasury division (collectively, the Center of Excellence Structured Solutions & Treasury).

In the Structured Products division, the major proportion of risk positions originates from the business with proprietary products such as warrants, certificates and structured products, as well as the hedging of these instruments. The Structured Products division in the Center of Excellence Structured Solutions & Treasury is responsible for these positions, as well as for foreign exchange and money market trading, the management of the foreign exchange position and collateral trading (repo transactions and securities lending and borrowing transactions).

Market risks are limited and monitored using a multi-level system of limits. In addition to the Value at Risk limits and stress exposure limits prescribed at a global level and for each trading unit, this system defines a wide range of detailed sensitivity limits and volume limits in order to control and limit risks.

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

Further information on market risks at overall balance sheet level (interest rate risks and currency risks) can be found in section 3.3 "Market risks related to the balance sheet structure" of the consolidated Annual Report of Vontobel (page 140).

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

In line with the general market standard the management and control of market risks for the positions in Structured Products as well as for securities holdings in Treasury are based on "Value-at-Risk" and stress exposure measurements that are calculated daily. More detailed information on the methods used as well as the resulting exposures at Group level can be found in the consolidated Annual Report of Vontobel (pages 139 to 140).

— 3.3.2.1 Stress Exposure

In addition to the VaR limits that are based on a 99% confidence level, stress exposure limits have also been defined. The corresponding stress tests are conducted on a daily basis.

3.3.3 Market risks related to the balance sheet structure

The Treasury division is responsible for managing the balance sheet structure, capital and liquid assets. Interest rate risks and currency risks are monitored and limited as part of the Group's asset and liability management (ALM) activities. Treasury is also responsible for securing refinancing and monitoring liquidity risk on a continuous basis.

— 3.3.3.1 Interest rate risks

Interest rate risks and currency risks arise in balance sheet management as a result of differing interest commitments and foreign currencies on the asset and liability side of the balance sheet and in off-balance-sheet items. These risks are managed and monitored at an aggregate level (see the consolidated Annual Report of Vontobel, pages 141 to 143).

— 3.3.3.2 Currency risks

Like interest rate risks, currency risks resulting from trading and the balance sheet structure are managed and monitored on an aggregate basis at Group level (see the consolidated Annual Report of Vontobel, page 143). The overall market risks related to currency incongruities are very low.

3.4 Liquidity risk and refinancing

Liquidity risk refers to the risk of being unable to cover short-term funding needs at any time (e.g. due to the impossibility of substituting or renewing deposits, outflows of funds due to drawing on lending commitments or margin calls, etc.). Liquidity risk management ensures that Bank Vontobel and the Vontobel Group always have sufficient liquidity to meet their payment obligations, including in stress situations. Liquidity risk management therefore comprises operational risk measurement and control systems to guarantee their continued ability to pay their obligations at any time. It also determines strategies and requirements for the management of liquidity risk under stress conditions as part of the defined liquidity risk tolerance. They mainly include risk mitigation measures, the holding of a liquidity buffer comprising highly liquid assets, and a contingency plan to manage any liquidity shortfalls.

The diversification of sources of refinancing and access to the repo market ensure that cash and cash equivalents are rapidly available on a secured basis if required. Liquidity is

monitored and assured on a daily basis. The continuous monitoring of the volume and quality of available collateral also ensures that adequate refinancing capabilities are always available. In the event of an unexpected tightening of liquidity, it is also possible to access a portfolio of positions that retain their value and can easily be liquidated.

3.5 Credit risk

3.5.1 General information

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

- Default risks from collateral loans 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

Bank Vontobel and the Vontobel Group are, in principle, not active in the commercial lending business.

Like the other risk categories, credit risks and counterparty risks are managed and monitored at Group level on the basis of the functional organization. Detailed information on the corresponding processes and methods, as well as the aggregate exposures, can be found in the consolidated Annual Report of Vontobel (pages 145 to 148).

3.5.2 Lending to private and institutional investment clients

In the case of private and institutional investment clients, Bank Vontobel AG, Zurich, engages primarily in lending against collateral ("lombard lending"), i.e. the granting of loans subject to the provision of securities that serve as marketable collateral. As a restriction on lending, limits on "framework credit lines" are set for each client. These limits cover all the positions 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 collateral value of the lending (securities after haircuts).

In addition, mortgages to finance the purchase of real estate are offered to our clients and employees.

— 3.5.2.1 Valuation of collateral

In the case of loans against collateral, transferable financial instruments (such as investment funds, bonds and equities) that are liquid and are actively traded are accepted by the bank. It also accepts transferable structured products for which regular price information and a

market maker are available. The bank applies haircuts to market values to cover the market risk associated with securities and to determine their collateral value.

The collateral value of positions and portfolios is generally determined in accordance with the “comprehensive approach” prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The quality of the collateral (volatility, rating, liquidity and tradability) and the diversification of the portfolio and currency risks are considered in the calculation.

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

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

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

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

Client exposures that are only secured from a market value perspective (but not after the application of collateral haircuts) or exposures that are secured by collateral that is not recognized according to the guidelines of the Basel Committee on Banking Supervision are only assumed in exceptional cases.

Other unsecured loans can arise as a result of unsecured account overdrafts. These are identified directly by Wealth Management and assessed. If material risks exist, the Credit department performs a detailed assessment and

consults with Wealth Management to determine whether action needs to be taken. If, during this phase, it is to be assumed that the credit exposure is at risk, a corresponding value adjustment is considered.

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

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

3.5.3 Exposures to professional counterparties and issuer risk

Bank Vontobel and the Vontobel Group have both secured and unsecured exposures to professional counterparties.

Secured exposures result from securities lending and borrowing, repo transactions, the collateral management of margin obligations and margin calls, as well as the collateralization of OTC derivatives that are eligible for netting. The mitigation of credit risks using securities as marketable collateral is of key importance for these types of transactions. The transactions are generally concluded on the basis of collateralized netting agreements with strict requirements regarding eligible collateral, appropriate contractual collateral values and low contractual thresholds and minimum transfer amounts. The daily calculation as well as the comparison of credit exposures and collateral are a core element of the management and monitoring of credit risks. During this process, conservative add-on factors are applied to the credit exposures and conservative haircuts are applied to the collateral in accordance with the “comprehensive approach” prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The different add-ons and haircuts are determined according to the instrument, rating, term to maturity, liquidity and tradability.

Unsecured exposures mainly comprise the issuer risks in bond portfolios held in the division Structured Products or for the purpose of balance sheet management. They also

include exposures relating to money market transactions, accounts, guarantees and contractual independent amounts (threshold values and minimum transfer amounts) that are agreed with counterparties in netting agreements for securities lending and borrowing, repurchase agreements and the collateralization of OTC derivatives.

Settlement risks are reduced through the use of the Continuous Linked Settlement (CLS) system when conducting foreign currency transactions. Vontobel is connected to the CLS system as a third party.

All exposures to professional counterparties are monitored and restricted using a differentiated system of limits for the individual counterparty categories, rating segments, countries and regions.

Bank Vontobel and the Vontobel Group base the management and limitation of exposures to professional counterparties on internal assessments by the Credit Management unit as well as on the ratings of external agencies recognized by the FINMA. It uses the ratings of Fitch, Moody's, S&P and Fedafn (only public sector entities). If various ratings exist for a specific position, the relevant rating is assigned according to the rules prescribed by the Basel Committee on Banking Supervision.

3.6 Operational risks

3.6.1 General information

Operational risks represent the risk of losses resulting from the inadequacy or failure of internal processes, people and systems or from external events.

3.6.2 Processes and methods

All business activities entail operational risks, which are prevented, mitigated, transferred or even assumed based on cost/benefit considerations. During this process, potential legal, regulatory and compliance-related risks are taken into account, as are follow-on risks in the form of reputational risks.

The Group-wide 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.

— 3.6.2.1 Qualitative assessment

The qualitative assessment of operational risks is carried out using estimates of the loss potential and possible frequency of these risks. Once these inherent risks have been calculated, existing controls and further risk mitigation measures are taken into account to determine the residual risks. These residual risks are considered in order to determine compliance with pre-defined risk tolerances. If risk tolerances are exceeded, further risk mitigation measures are defined.

— 3.6.2.2 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 Client Units and Centers of Excellence. 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.

— 3.6.2.3 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.

3.6.3 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.

3.6.4 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.

3.6.5 Insurance

Vontobel's insurance policy is aligned with the Group's operational risk management and financial risks.

In the first instance, Vontobel strives to prevent or mitigate risks as far as possible in accordance with the Group's risk policy. In a second step, it determines whether Vontobel can and should bear the risks itself. If this is not the case, the risks are covered by insurance policies. In particular, the Group insures against risks of a catastrophic nature in order to protect its capital base.

The internal Insurance unit analyses and evaluates the need for insurance measures on an ongoing basis.

Various other factors are taken into account when purchasing insurance. They mainly comprise legal requirements (compulsory insurance). However, a whole series of other business considerations lead to a wide range of risks for which insurance cover is acquired.

3.7 Reputational risks

A reputational risk is understood to be the risk of events occurring that could cause sustained harm to Vontobel's image. As such, reputational risks often constitute follow-on risks to the other risk categories described above.

Vontobel's ability to conduct its business depends to a significant extent on its reputation, which it has built over the bank's long history. It is therefore of key importance for Vontobel to safeguard its good name and all employees have to assign this matter the highest priority. Consequently, appropriate measures are taken on an ongoing basis to make employees aware of the key importance of Vontobel's reputation.

4. Use of derivative Instruments

4.1 Business policy when using derivative financial instruments

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

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

4.2 Use of hedge accounting

4.2.1 Hedged items and hedging transactions

The bank uses hedge accounting for long-term mortgage loans in the banking book. They are hedged using multi-year payer interest rate swaps.

4.2.2 Objective

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

4.2.3 Economic link between the hedged item and the hedging transaction

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

4.2.4 Measurement of effectiveness

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

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

Hedge accounting was effective in the year under review.

Notes to the balance sheet

1 Breakdown of securities financing transactions (assets and liabilities)

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse-repurchase transactions ¹	1,847.7	1,255.4	592.3	47.2
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions ¹	12.7	302.5	-289.8	-95.8
Book value of the securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	421.5	666.7	-245.1	-36.8
with unrestricted right to resell or pledge	412.5	657.7	-245.1	-37.3
Fair value of the securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse-repurchase agreements with an unrestricted right to resell or repledge	2,670.3	1,872.8	797.5	42.6
of which, repledged securities	850.4	920.5	-70.0	-7.6
of which, resold securities	260.4	121.5	138.9	114.4

1 Before netting agreements

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

CHF M	SECURED BY MORTGAGE	OTHER COLLATERAL	UNSECURED	TOTAL
Loans (before netting with value adjustments)				
Amounts due from customers		6,072.7	256.8	6,329.5
Mortgage loans	1,636.3	0.0	0.1	1,636.4
Residential property	1,560.3	0.0	0.1	1,560.4
Office and business premises	43.6			43.6
Commercial and industrial premises	32.5		0.0	32.5
Total loans in current year (before netting with value adjustments)	1,636.3	6,072.7	256.9	7,966.0
Total loans in previous year (before netting with value adjustments)	1,475.7	5,402.2	274.2	7,152.1
Total loans in current year (after netting with value adjustments)	1,634.7	6,056.0	251.8	7,942.5
Total loans in previous year (after netting with value adjustments)	1,474.3	5,379.9	273.9	7,128.1
Off-balance sheet				
Contingent liabilities		322.7	40.0	362.7
Irrevocable commitments		40.8	19.7	60.5
Total off-balance-sheet in current year		363.5	59.7	423.2
Total off-balance-sheet in previous year		268.2	59.2	327.4

Impaired loans / receivables

CHF M	GROSS DEBT AMOUNT	ESTIMATED LIQUIDATION VALUE OF COLLATERAL	NET DEBT AMOUNT	INDIVIDUAL VALUE ADJUSTMENTS
Current year	36.6	4.5	32.1	21.6
Previous year	32.9	4.5	28.4	28.4

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

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Trading portfolio assets				
Debt securities, money market securities / transactions	195.1	319.5	-124.4	-38.9
<i>of which, listed</i>	156.5	249.3	-92.8	-37.2
Equity securities incl. investment funds	2,583.0	2,197.1	385.9	17.6
Precious metals	1,663.6	2,757.1	-1,093.5	-39.7
Cryptocurrencies	569.0	985.5	-416.5	-42.3
Other trading portfolio assets	0.3	0.4	-0.1	-31.7
Other financial instruments at fair value				
Structured products	0.2	0.3	-0.2	-50.7
Total assets	5,011.0	6,259.9	-1,248.8	-20.0
<i>of which, determined using a valuation model</i>	2,233.0	44.0	2,189.0	
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	13.5	32.9	-19.4	-58.8

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

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Trading portfolio liabilities				
Debt securities, money market securities / transactions	81.1	71.4	9.8	13.7
<i>of which, listed</i>	81.1	71.4	9.8	13.7
Equity securities incl. investment funds	207.3	39.6	167.7	423.1
Other trading portfolio liabilities	0.2		0.2	
Other financial instruments at fair value				
Structured products	2,050.4	2,137.7	-87.3	-4.1
Total liabilities	2,339.0	2,248.7	90.3	4.0
<i>of which, determined using a valuation model</i>	2,050.6	2,137.7	-87.1	-4.1

5 Presentation of derivative financial instruments (assets and liabilities)

CHF M	TRADING INSTRUMENTS			HEDGING INSTRUMENTS		
	POSITIVE RV ¹	NEGATIVE RV ¹	CONTRACT VOLUME	POSITIVE RV ¹	NEGATIVE RV ¹	CONTRACT VOLUME
Debt instruments						
Swaps	8.9	13.4	13,225.7	2.4		238.3
Futures			0.5			
Options (OTC)	0.0	10.0	2.2			
Options (exchange traded)						
Foreign currency / precious metals						
Forward contracts	17.7	17.2	1,496.4			
Swaps	103.8	107.4	12,748.9			
Futures		0.0	29.6			
Options (OTC)	23.0	67.4	2,241.5			
Options (exchange traded)						
Equities / indices						
Swaps	328.6	59.8	4,081.9			
Futures	0.1		339.2			
Options (OTC)	175.0	459.2	7,515.6			
Options (exchange traded)	275.6	720.7	17,818.3			
Credit derivatives						
Credit Default Swaps	6.8	6.7	446.5			
Other / Cryptocurrencies						
Futures		0.2	184.8			
Options (OTC)	0.4	82.1	132.1			
Options (exchange traded)						
Total before netting agreements in the current year	939.9	1,544.1	60,263.2	2.4		238.3
of which, determined using a valuation model	939.9	1,544.1	60,263.2	2.4		238.3
Total before netting agreements in the previous year	782.6	1,266.7	47,997.1	0.4	7.6	191.0
of which, determined using a valuation model	782.6	1,266.7	47,997.1	0.4	7.6	191.0
Total after netting agreements in the current year	830.0	1,343.2				
Total after netting agreements in the previous year	625.3	932.8				

1 Replacement values

Breakdown by counterparty

CHF M	CENTRAL CLEARING HOUSES	BANKS AND SECURITIES DEALERS	OTHER CUSTOMERS
Positive replacement values (after netting agreements)	147.7	168.4	513.9

6 Breakdown of financial investments

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Debt securities held for sale	1,325.5	1,872.8	-547.3	-29.2
<i>Market value</i>	<i>1,331.1</i>	<i>1,893.9</i>	<i>-562.7</i>	<i>-29.7</i>
Equity securities incl. investment funds	69.4	63.9	5.5	8.6
<i>Market value</i>	<i>79.8</i>	<i>79.9</i>	<i>-0.1</i>	<i>-0.1</i>
Total financial investments	1,394.9	1,936.8	-541.9	-28.0
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>459.7</i>	<i>602.8</i>	<i>-143.1</i>	<i>-23.7</i>
Market value	1,410.9	1,973.7	-562.8	-28.5
<i>of which, securities eligible for repo transactions in accordance with liquidity requirements</i>	<i>463.0</i>	<i>610.0</i>	<i>-146.9</i>	<i>-24.1</i>

Breakdown of counterparties by rating¹

CHF M	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	UNRATED
Book values of the debt securities	1,021.4	291.2	12.9	

¹ The bank bases the management and limitation of exposures to professional counterparties on internal assessments by the Credit Research unit as well as on the ratings of external agencies recognized by FINMA. It uses the ratings of Fitch, Moody's, Standard & Poor's and Fedafin (public sector bodies only). If various ratings exist for a specific position, the relevant rating is assigned according to the rules prescribed by the Basel Committee on Banking Supervision.

7 Breakdown of other assets

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Compensation account		6.3	-6.3	-100.0
Open settlements	285.1	317.6	-32.5	-10.2
Indirect taxes	10.2	13.0	-2.8	-21.5
Remaining other assets	35.0	32.0	3.0	9.3
Total other assets	330.3	369.0	-38.7	-10.5

8 Breakdown of other liabilities

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Compensation account	0.3		0.3	
Open settlements	183.6	394.8	-211.2	-53.5
Indirect taxes	22.7	18.1	4.5	25.1
Remaining other liabilities	100.2	5.3	94.9	
Total other liabilities	306.7	418.2	-111.5	-26.7

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

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Book value of pledged and assigned assets	1,835.0	812.3	1,022.6	125.9
Effective commitment	3,899.4	2,103.3	1,796.1	85.4

10 Liabilities to own pension schemes¹

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.20	
			CHF M	IN %
Amounts due in respect of customer deposits	67.6	59.4	8.2	13.8
Negative replacement values of derivative financial instruments	0.3	0.4	-0.0	-8.9
Total liabilities to own pension schemes	67.9	59.8	8.2	13.7

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

11 Information on pension funds

Employer contribution reserves (ECR)¹

CHF M	NOMINAL VALUE 31.12.2021	WAIVER OF USE 31.12.2021	NET AMOUNT 31.12.2021	NET AMOUNT 31.12.2020	INFLUENCE OF ECR ON PERSONNEL EXPENSES	
					2021	2020
Patronage funds and pension plans						
Pension plans	6.3					
Total	6.3					

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

Economic benefit or economic liability

CHF M	SURPLUS/ SHORTFALL 31.12.2021	ECONOMIC BENEFIT OR (ECONOMIC LIABILITY) OF THE BANK		CHANGE VERSUS PREVIOUS YEAR	CONTRIBUTIONS PAID CURRENT PERIOD	PENSION COST	
		31.12.2021	31.12.2020			2021	2020
Patronage funds and pension plans	38.8						
Pension plans without a surplus/ shortfall							-28.4
Pension plans with a surplus	58.0				-30.0	-30.0	
Total	96.8				-30.0	-30.0	-28.4

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

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

12 Presentation of issued structured products¹ related to the underlying risk of the embedded derivative

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Equity securities incl. investment funds	1,512.2	1,170.2	342.0	29.2
Precious metals	6.4	6.6	-0.2	-2.6
Cryptocurrencies	524.3	958.5	-434.2	-45.3
Other	7.4	2.4	5.0	208.9
Total issued structured products	2,050.4	2,137.7	-87.3	-4.1

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

13 Value adjustments and provisions and reserves for general banking risks

CHF M	BOOK VALUE 01.01.2021	USING IN CONFORMITY WITH DESIGNATED PURPOSE	PAST DUE INTEREST, RECOVERIES	NEW CREATION CHARGED TO INCOME	RELEASES TO INCOME	BOOK VALUE 31.12.2021
Provision for other business risks	14.7	4.6		2.7	0.0	12.7
Other provisions	101.4					101.4
Total provisions	116.1	4.6		2.7	0.0	114.1
Reserves for general banking risks	88.0				44.0	44.0
Value adjustments for default and country risks	29.0	11.2	6.6	5.1	1.0	28.5
<i>of which, value adjustments for default risks in respect of impaired loans / receivables</i>	28.4	11.2	0.3	5.1	1.0	21.6
<i>of which, value adjustments for latent risks</i>	0.1				0.0	0.1

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

“Other provisions” consist of collective value adjustments of “Amounts due from customers” and “Mortgage loans”

as well as “Contingent liabilities” that are permissible from a tax perspective according to the fact sheet on the taxation of the banks and securities firms issued by the Cantonal Tax Office of Zurich on 23 September 2021.

The “Reserves for general banking risks” acquired as a result of the 2018 merger with Notenstein La Roche Privatbank AG are not taxed.

14 Presentation of the bank's capital

	31.12.2021			31.12.2020		
	TOTAL PAR VALUE CHF M	NUMBER OF SHARES	CAPITAL RANKING FOR DIVIDEND CHF M	TOTAL PAR VALUE CHF M	NUMBER OF SHARES	CAPITAL RANKING FOR DIVIDEND CHF M
Share capital – registered shares	149.0	149,000	149.0	149.0	149,000	149.0
Total share capital	149.0	149,000	149.0	149.0	149,000	149.0
Authorized share capital		none			none	
<i>of which, capital increases completed</i>						
Conditional share capital		none			none	
<i>of which, capital increases completed</i>						

15 Disclosure of holders of significant participations

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

	31.12.2021		31.12.2020	
	NOMINAL CHF M	SHARE IN %	NOMINAL CHF M	SHARE IN %
With voting rights on share capital of Bank Vontobel AG				
Vontobel Holding AG, Zurich	149.0	100.0	149.0	100.0
Total voting rights in share capital ranking for dividends	149.0	100.0	149.0	100.0

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

	31.12.2021		31.12.2020	
	NOMINAL CHF M	SHARE IN %	NOMINAL CHF M	SHARE IN %
With voting rights on share capital of CHF 56.875 M of Vontobel Holding AG				
Advontes AG	6.1	10.6	6.1	10.6
Vontrust AG (Holding 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	3.6	6.3
Total voting rights on share capital	28.9	50.9	28.9	50.9

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

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

	31.12.2021 CHF M	31.12.2021 NUMBER ¹	31.12.2020 CHF M	31.12.2020 NUMBER ¹
Members of the board of directors				
Members of executive bodies	14.6	315,100	14.5	369,349
Employees	41.3	956,958	30.0	771,881
Total	55.9	1,272,058	44.5	1,141,230

Employees of Bank Vontobel AG participate in Vontobel's share participation plan. Contractual terms and conditions and the basis of calculation are described in the consoli-

dated Annual Report of Vontobel (pages 70 to 78). The values accrued for performance shares on a pro rata temporis basis are shown in the above table.

17 Disclosure of amounts due from/to related parties

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Amounts due from				
Holders of qualified participations	515.8	246.4	269.5	109.4
Affiliated companies	985.2	1,022.2	-37.1	-3.6
Members of governing bodies	2.3	2.7	-0.4	-15.0
Other related parties				
Amounts due to				
Holders of qualified participations	74.3	64.5	9.8	15.1
Affiliated companies	2,280.2	2,128.0	152.2	7.2
Members of governing bodies	9.0	18.0	-9.0	-50.1
Other related parties	9.8	7.5	2.2	29.4

Due from holders of qualified participations mainly comprises fixed advances to Vontobel Holding AG in the amount of CHF 515.8 million, which were granted in accordance with market conditions. A large proportion of the due from and to affiliated companies results from the issuing of structured products of the affiliates in Dubai and Frankfurt as well as from intra-Group financing activities.

The transactions are conducted in accordance with market conditions. In the case of members of governing bodies and other related parties, the transactions (e.g. securities transactions, lending and income paid on deposits) are conducted according to the conditions that apply to third parties.

18 Own shares and composition of equity capital

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

Not distributable reserves

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Not distributable statutory retained earnings reserves	74.5	74.5		
Total non distributable reserves	74.5	74.5		

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

Bank's own country rating¹

	31.12.2021		31.12.2020	
	ABSOLUTE CHF M	SHARE IN %	ABSOLUTE CHF M	SHARE IN %
AAA to AA-	6,156.0	80.7	6,565.4	82.7
A+ to BBB-	730.5	9.6	676.1	8.5
BB+ to D	70.1	0.9	85.8	1.1
Without rating	668.0	8.8	609.3	7.7
Total net foreign exposure	7,624.6	100.0	7,936.6	100.0

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

Notes to the off-balance sheet business

20 Breakdown of fiduciary transactions

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Fiduciary investments with third-party companies	1,271.9	1,484.6	-212.7	-14.3
Total fiduciary transactions	1,271.9	1,484.6	-212.7	-14.3

21 Breakdown and development of the assets under management

Breakdown of the assets under management¹

	31.12.2021 CHF B	31.12.2020 CHF B	CHANGE TO 31.12.2020	
			CHF B	IN %
Assets under discretionary asset management agreements	20.4	16.6	3.8	23.0
Other managed assets	83.5	72.2	11.3	15.6
Total assets under management (including double counting)	103.9	88.8	15.1	17.0
<i>of which, double counting</i>				

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

Assets under management are calculated and reported in accordance with the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA) concerning accounting standards for financial institutions. Assets under management comprise all of the assets managed or held for investment purposes of private, corporate and institutional clients excluding borrowings, as well as assets in self-managed collective investment instruments. This includes all amounts due to customers on savings and deposit accounts, fixed-term and fiduciary deposits, and all valued assets. Assets under management that are

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

Presentation of the development of the assets under management

	2021 CHF B	2020 CHF B	CHANGE TO 2020	
			CHF B	IN %
Total assets under management (including double counting) as of 01.01.	88.8	81.4	7.4	9.0
Net new money inflow or net money outflow	6.1	5.4	0.7	13.0
Price gains/losses, interests, dividends and currency gains/losses	9.0	1.9	7.0	364.9
Other effects				
Total assets under management (including double counting) as of 31.12.	103.9	88.8	15.1	17.0

Net inflows or outflows of assets under management during the reporting period consist of the acquisition of new clients, the departure of clients as well as inflows and outflows of assets from existing clients. This also includes borrowing and the repayment of loans. The calculation of the net inflow or outflow of new money is performed at the level "total assets under management" (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 of business divisions of the Bank do not constitute inflows or outflows of assets.

Notes to the income statement

22 Result from trading activities and the fair value option

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

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Securities	320.2	21.3	298.9	
Forex, banknotes and precious metals	19.3	169.1	-149.8	-88.6
Total result from trading activities and the fair value option	339.5	190.4	149.2	78.4
<i>of which, from fair value option</i>	<i>-901.1</i>	<i>-916.1</i>	<i>15.1</i>	<i>-1.6</i>

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

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Result from trading activities from:				
<i>Interest rate instruments (including investment funds)</i>	<i>-23.2</i>	<i>6.7</i>	<i>-29.8</i>	<i>-446.8</i>
<i>Equity securities (including investment funds)</i>	<i>195.3</i>	<i>270.7</i>	<i>-75.3</i>	<i>-27.8</i>
<i>Foreign currencies</i>	<i>28.0</i>	<i>-139.0</i>	<i>166.9</i>	<i>-120.1</i>
<i>Precious metals</i>	<i>30.9</i>	<i>-26.5</i>	<i>57.5</i>	<i>-216.5</i>
<i>Others / Cryptocurrencies</i>	<i>108.4</i>	<i>78.5</i>	<i>29.9</i>	<i>38.1</i>
Total result from trading activities and the fair value option	339.5	190.4	149.2	78.4
<i>of which, from fair value option on assets</i>				
<i>of which, from fair value option on liabilities</i>	<i>-901.1</i>	<i>-916.1</i>	<i>15.1</i>	<i>-1.6</i>

23 Breakdown of interest and discount income¹ and interest expense

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Interest income on loans / receivables	68.6	66.9	1.7	2.6
Negative interest on assets	-6.4	-4.9	-1.5	30.2
Total interest and discount income	62.2	62.0	0.2	0.4
Interest expense on liabilities	-2.0	-3.7	1.7	-46.1
Negative interest on liabilities	15.7	13.8	2.0	14.3
Total interest expense	13.7	10.0	3.7	36.8

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

24 Breakdown of personnel expenses

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Salaries and bonuses	-368.3	-312.9	-55.4	17.7
<i>of which, expenses relating to share-based compensation</i>	<i>-35.4</i>	<i>-22.5</i>	<i>-13.0</i>	<i>57.9</i>
Employee benefits	-29.2	-26.1	-3.1	11.7
Contribution to pension funds	-30.0	-28.4	-1.6	5.7
Other personnel expense	-16.8	-11.1	-5.7	51.1
Total personnel expense	-444.3	-378.5	-65.7	17.4

25 Breakdown of general and administrative expenses

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Office space expenses	-30.3	-30.3	0.0	-0.1
Expenses for information and communications technology	-75.6	-73.2	-2.4	3.2
Expenses for vehicles, equipment, furniture and other fixtures	-0.2	-0.1	-0.0	34.7
Fees of audit firm	-1.4	-1.3	-0.1	6.0
<i>of which, for financial and regulatory audit</i>	<i>-1.1</i>	<i>-1.0</i>	<i>-0.1</i>	<i>6.5</i>
<i>of which, for other services</i>	<i>-0.3</i>	<i>-0.3</i>	<i>-0.0</i>	<i>4.1</i>
Expenses for travel and representation, public relations, marketing and consulting	-103.8	-73.6	-30.2	41.0
Other operating expenses	-50.2	-39.4	-10.8	27.5
Total general and administrative expenses	-261.4	-217.9	-43.5	19.9

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

In the year under review, CHF 44 million from the reserves for general banking risks acquired as a result of the 2018 merger with Notenstein La Roche Privatbank AG was released through profit or loss.

There were no other material transactions in the positions in question. In particular, no tangible fixed assets or investments were revalued and no significant amount of hidden reserves, value adjustments or provisions was released.

27 Presentation of taxes

Income and capital taxes

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Current income tax	-37.6	-24.2	-13.3	54.9
Current capital tax	-1.8	-1.8	0.0	-0.0
Total taxes	-39.3	-26.0	-13.3	51.2

Average tax rate

IN %	2021	2020
Average tax rate weighted on the basis of the operating result	19.4	19.3

Information on capital and liquidity

28 Capital ratios and Leverage ratio

Capital ratios in accordance with FINMA Circular 16/1

	31.12.2021	31.12.2020
Minimum capital requirement based on risk-weighted positions in CHF M	403.6	469.6
Eligible regulatory capital in CHF M	1,267.3	1,210.5
whereof common equity tier 1 (CET1) in CHF M	1,165.9	1,109.1
whereof tier 1 capital (T1) in CHF M	1,165.9	1,109.1
Risk-weighted positions (RWA) in CHF M	5,044.8	5,869.8
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%) ¹ in %	23.1	18.9
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%) ² in %	23.1	18.9
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%) ³ in %	25.1	20.6

1 CET1 capital ratio target according to Annex 8 CAO plus countercyclical buffer: 7.8%

2 T1 capital ratio target according to Annex 8 CAO plus countercyclical buffer: 9.6%

3 Total capital ratio target according to Annex 8 CAO plus countercyclical buffer: 12.0%

Leverage ratio in accordance with FINMA Circular 15/3

	31.12.2021	31.12.2020
Net eligible BIS tier 1 capital in CHF M	1,165.9	1,109.1
Total leverage ratio exposure in CHF M	22,781.0	20,294.5
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	5.1	5.5

29 Liquidity Coverage Ratio and Net Stable Funding Ratio

Liquidity Coverage Ratio in accordance with FINMA Circular 15/2¹

	Q4 2021 AVERAGE	Q3 2021 AVERAGE	Q2 2021 AVERAGE	Q1 2021 AVERAGE
Total stock of high quality liquid assets (HQLA) in CHF M	5,943.4	5,403.0	4,874.9	4,896.3
Total net cash outflows in CHF M	4,853.0	4,787.3	2,978.4	3,029.2
Liquidity Coverage Ratio LCR in %	122.5	112.9	163.7	161.6

1 In the fourth quarter of 2021, the method used to take account of non-cash collateral was adjusted. To ensure consistency, the figures for the third quarter were adapted accordingly, with certain parameters being estimated. The values for the first half-year were calculated according to the previous year's methodology. For a more detailed analysis and explanations, please refer to Vontobel's disclosure report, which will be published online on April 30, 2022 (Regulatory disclosures on www.vontobel.com).

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.

The main factors influencing Bank Vontobel AG's liquidity coverage ratio are cash holdings as high-quality liquid assets, customer cash accounts as weighted cash outflows, and reverse-repurchase agreements maturing within 30 calendar days as cash inflows.

Net Stable Funding Ratio in accordance with FINMA Circular 15/02

	31.12.2021
Available stable funding (ASF) in CHF M	11,312.1
Required stable funding (RSF) in CHF M	9,055.0
Net Stable Funding Ratio NSFR in %	124.9

The corporate bodies of Bank Vontobel AG, Zurich

The Board of Directors

The Board of Directors consists of the following members as of December 31, 2021:

NAME	FUNCTION
Herbert J. Scheidt	Chairman
Bruno Basler	Vice-Chairman
Dr Maja Baumann	Member
Dr Elisabeth Bourqui	Member
David Cole	Member
Dr Michael Halbherr	Member
Stefan Loacker	Member
Clara C. Streit	Member
Andreas Utermann	Member
Björn Wettergren	Member
RESIGNATION IN 2021:	
Dr Frank Schnewlin	

The Executive Board

The Executive Committee comprises the following members as of December 31, 2021:

NAME	FUNCTION
Dr Zeno Staub	CEO
Dr Thomas Heinzl	CFO/CRO
Dr Maria-Antonella Bino ¹	GC
Felix Lenhard	COO
Markus Pfister	Member
Georg Schubiger	Member

¹ Dr Maria-Antonella Bino is a member of the Executive Committee since June 1, 2021. Enrico Friz died on January 20, 2021. He was a member of the Executive Committee until that date.

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



Ernst & Young Ltd
Schanzenstrasse 4a
P.O. Box
CH-3001 Berne

Phone: +41 58 286 61 11
Fax: +41 58 286 68 18
www.ey.com/ch

To the General Meeting of
Bank Vontobel AG, Zurich

Berne, 8 February 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Bank Vontobel AG, which comprise the balance sheet, income statement, statement of equity and notes (pages 4 to 28), for the year ended 31 December 2021.



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 2021 comply with Swiss law and the company's articles of incorporation.



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.

In accordance with article 728a paragraph 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)

Prof. Dr. Andreas Blumer
Licensed audit expert
(Auditor in charge)



Philipp Müller
(Qualified
Signature)

Philipp Müller
Licensed audit expert

APPENDIX 7 — THE GUARANTOR'S FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

The information in this Appendix 7 has been extracted from the Guarantor's Annual Report 2021 as at and for the year ended 31 December 2021. The page numbers of such document appear on the top left or right hand side of the pages in this Appendix 7.

Please refer to the base listing document dated 4 March 2021 for the Guarantor's consolidated financial statements as at and for the year ended 31 December 2020 and the auditor's report on such consolidated financial statements.

Consolidated income statement

Consolidated income statement

	NOTE	2021	2020	CHANGE TO 2020	
		CHF M	CHF M	CHF M	IN %
Interest income		89.4	92.4	-2.9	-3
Interest expense		21.7	21.3	0.4	2
Net interest income		67.7	71.1	-3.4	-5
Credit loss (expense)/recovery		-6.5	1.9	-8.3	-437
Net interest income after credit losses	1	61.3	73.0	-11.7	-16
Fee and commission income		1,361.3	1,170.0	191.3	16
Fee and commission expense		386.5	300.4	86.2	29
Net fee and commission income¹	2	974.8	869.6	105.2	12
Trading income¹	3	493.3	311.7	181.6	58
Other income	4	6.2	11.2	-5.0	-45
Total operating income		1,535.6	1,265.5	270.1	21
Personnel expense	5	734.7	640.0	94.8	15
General expense	6	225.4	199.8	25.6	13
Depreciation of property, equipment (incl. software) and intangible assets	7	100.4	98.6	1.8	2
Provisions and losses	8	7.9	6.2	1.7	27
Total operating expense		1,068.4	944.5	123.9	13
Profit before taxes		467.2	321.0	146.2	46
Taxes	9	83.4	61.6	21.8	35
Group net profit		383.8	259.4	124.3	48
<i>of which allocated to minority interests</i>		<i>10.0</i>	<i>16.8</i>	<i>-6.8</i>	<i>-40</i>
<i>of which allocated to shareholders of Vontobel Holding AG</i>		<i>373.8</i>	<i>242.7</i>	<i>131.1</i>	<i>54</i>
Share information					
Basic earnings per share ² (CHF)	11	6.69	4.34	2.35	54
Diluted earnings per share ² (CHF)	11	6.50	4.25	2.26	53

1 2020: Reclassification of CHF 33.8 M from "Fee and commission expense" to "Trading income". For further details refer to section 4.1.2 of the accounting principles.

2 Basis: Weighted average number of shares

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income

	NOTE	2021 CHF M	2020 CHF M	CHANGE TO 2020	
				CHF M	IN %
Group net profit according to the income statement		383.8	259.4	124.4	48
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		8.2	-13.9	22.1	
Gains and losses transferred to the income statement					
Total currency translation adjustments		8.2	-13.9	22.1	
Debt instruments in financial investments:					
Income during the reporting period		-13.7	8.7	-22.4	-257
Gains and losses transferred to the income statement		-5.7	-1.2	-4.4	
Total debt instruments in financial investments		-19.4	7.5	-26.9	-359
Cash flow hedges:					
Income during the reporting period		-0.0	-0.3	0.3	
Gains and losses transferred to the income statement					
Total cash flow hedges		-0.0	-0.3	0.3	
Total other comprehensive income that will be reclassified to the income statement		-11.2	-6.7	-4.5	
Other comprehensive income that will not be reclassified to the income statement					
Income from equity instruments in financial investments		8.3	1.5	6.8	453
Income from defined benefit pension plans		78.5	3.8	74.7	
Total other comprehensive income that will not be reclassified to the income statement		86.8	5.3	81.5	
Total other comprehensive income, net of tax		75.5	-1.4	77.0	
Comprehensive income		459.4	258.0	201.4	78
<i>of which allocated to minority interests</i>		<i>10.3</i>	<i>16.5</i>	<i>-6.2</i>	<i>-38</i>
<i>of which allocated to shareholders of Vontobel Holding AG</i>		<i>449.0</i>	<i>241.5</i>	<i>207.6</i>	<i>86</i>

Consolidated balance sheet

Assets

	NOTE	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
		CHF M	CHF M	CHF M	IN %
Cash		7,835.0	6,449.0	1,385.9	21
Due from banks		916.8	738.2	178.6	24
Receivables from securities financing transactions	20	1,847.7	1,255.4	592.3	47
Trading portfolio assets	12	6,612.8	7,327.4	-714.6	-10
Positive replacement values	12	426.4	372.2	54.2	15
Other financial assets at fair value	12	4,415.6	5,082.7	-667.0	-13
Loans	13	7,102.5	6,378.6	723.9	11
Financial investments	14	1,616.4	2,253.3	-636.9	-28
Investments in associates	15	5.3	5.6	-0.3	-5
Property, equipment and software	16	377.3	350.4	27.0	8
Goodwill and other intangible assets	18	547.0	556.8	-9.8	-2
Other assets	19	695.0	652.7	42.2	6
Total assets		32,397.9	31,422.4	975.4	3

Liabilities and equity

	NOTE	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
		CHF M	CHF M	CHF M	IN %
Due to banks		982.7	715.8	266.9	37
Payables from securities financing transactions	20	12.7	302.5	-289.8	-96
Trading portfolio liabilities	12	288.6	111.0	177.6	160
Negative replacement values	12	1,505.0	1,215.6	289.4	24
Other financial liabilities at fair value	12	11,202.1	10,786.3	415.8	4
Due to customers		14,793.3	14,646.5	146.8	1
Debt issued	23	449.1	448.6	0.5	0
Provisions	24	16.3	18.2	-1.9	-10
Other liabilities	25	1,079.1	1,286.3	-207.2	-16
Total liabilities		30,329.0	29,530.8	798.2	3
Share capital	26	56.9	56.9		
Treasury shares	26	-124.4	-65.9	-58.5	
Capital reserve		-357.8	-280.6	-77.2	
Retained earnings		2,556.7	2,230.7	326.0	15
Other components of shareholders' equity		-62.5	-49.4	-13.1	
Shareholders' equity		2,068.9	1,891.6	177.2	9
Minority interests					
Total equity		2,068.9	1,891.6	177.2	9
Total liabilities and equity		32,397.9	31,422.4	975.4	3

Statement of equity

Statement of equity

CHF M	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE
Balance as of 01.01.2020	56.9	-84.2	-225.9
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			
Dividend payment ²			
Purchase of treasury shares		-55.9	
Sale of treasury shares		13.7	-0.1
Share-based compensation expense			35.0
Allocations from share-based compensation		60.5	-41.6
Change in minority interests			
Change in liability to purchase minority interests			-48.0
Other effects			
Ownership-related changes		18.3	-54.8
Balance as of 31.12.2020	56.9	-65.9	-280.6
Balance as of 01.01.2021	56.9	-65.9	-280.6
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			
Dividend payment ²			
Purchase of treasury shares		-137.6	
Sale of treasury shares		18.2	-0.5
Share-based compensation expense			48.8
Allocations from share-based compensation		60.9	-31.2
Change in minority interests			-94.6
Other effects			0.2
Ownership-related changes		-58.5	-77.2
Balance as of 31.12.2021	56.9	-124.4	-357.8

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 2.25 (previous year: CHF 2.25) per registered share with a par value of CHF 1.00 in April 2021.

RETAINED EARNINGS	CURRENCY TRANSLATION ADJUSTMENTS¹	UNREALIZED INCOME FROM DEBT INSTRUMENTS IN FINANCIAL INVESTMENTS¹	CASH FLOW HEDGES¹	SHAREHOLDERS' EQUITY	MINORITY INTERESTS	TOTAL EQUITY
2,109.4	-54.9	11.6	0.4	1,813.3		1,813.3
242.7				242.7	16.8	259.4
	-13.7	7.5	-0.3	-6.5	-0.2	-6.7
5.3				5.3		5.3
247.9	-13.7	7.5	-0.3	241.5	16.5	258.0
-126.6				-126.6	-16.1	-142.6
				-55.9		-55.9
				13.6		13.6
				35.0		35.0
				18.9		18.9
				-48.0	-0.5	-48.5
-126.6				-163.1	-16.5	-179.6
2,230.7	-68.5	19.1	0.0	1,891.6		1,891.6
2,230.7	-68.5	19.1	0.0	1,891.6		1,891.6
373.8				373.8	10.0	383.8
	7.9	-19.4	-0.0	-11.5	0.3	-11.2
86.8				86.8		86.8
460.5	7.9	-19.4		449.0	10.3	459.4
-134.6				-134.6	-4.4	-138.9
				-137.6		-137.6
				17.7		17.7
				48.8		48.8
				29.7		29.7
	-1.6			-96.2	-5.9	-102.1
0.0				0.3		0.3
-134.5	-1.6			-271.8	-10.3	-282.1
2,556.7	-62.2	-0.3		2,068.9		2,068.9

Consolidated cash flow statement

Consolidated cash flow statement

CHF M	2021	2020
Cash flow from operating activities		
Group net profit (incl. minorities)	383.8	259.4
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	100.4	98.6
Credit loss expense/(recovery)	7.5	-1.9
Income from investments in associates	-1.0	-0.9
Deferred income taxes	-2.8	-7.3
Change in provisions	-2.0	-1.3
Net income from investing activities	10.6	2.1
Net income from disposal of property, equipment (incl. software) and intangible assets	-0.1	-0.0
Other non-cash income	63.9	46.9
Net (increase)/decrease in assets relating to banking activities:		
Due from/to banks, net	267.1	179.1
Receivables from securities financing transactions	-592.3	-900.3
Trading positions and replacement values, net	1,125.3	-3,564.4
Other financial assets/liabilities at fair value, net	1,082.9	235.3
Loans/due to customers, net	-577.1	2,807.4
Other assets	8.5	104.8
Net increase/(decrease) in liabilities relating to banking activities:		
Payables from securities financing transactions	-289.8	83.8
Other liabilities	71.9	121.1
Taxes paid	-71.1	-58.1
Cash flow from operating activities	1,585.6	-595.8
Cash flow from investing activities		
Purchase of associates		-4.6
Dividend from associates	1.2	0.9
Settlement of earn-out payments	-0.9	-0.9
Purchase of property, equipment (incl. software) and intangible assets	-62.0	-66.3
Disposal of property, equipment (incl. software) and intangible assets	0.6	0.5
Investment in financial instruments	-233.6	-476.3
Divestment of financial instruments	857.9	799.6
Cash flow from investing activities	563.3	253.0
Cash flow from financing activities		
Repayment of leasing liabilities	-32.5	-31.7
Net movements in treasury shares	-119.9	-42.3
Dividends paid	-138.9	-142.6
Change in minority interests	-290.2	
Cash flow from financing activities	-581.6	-216.7
Effects of exchange rate differences	-2.7	-2.0
Net increase/(decrease) in cash and cash equivalents	1,564.7	-561.5
Cash and cash equivalents, beginning of the year	7,187.1	7,748.5
Cash and cash equivalents as at the balance sheet date	8,751.8	7,187.1

The recognition of a lease liability and of a corresponding right-of-use asset at the lease commencement date represents a significant non-cash item. The leasing liabilities and the liability from the AT1 bond are liabilities from financing activities.

Information on the consolidated cash flow statement

CHF M	31.12.2021	31.12.2020
Cash and cash equivalents comprise at the balance sheet date		
Cash ¹	7,835.0	6,449.0
Due from banks on demand	916.8	738.0
Total	8,751.8	7,187.1

Further information

CHF M	2021	2020
Dividends received	53.5	39.1
Interest received	160.7	196.4
Interest paid	16.2	17.1

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, 2020, with the exception of the changes referred to 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 conditions 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 these 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 positive difference between the two amounts is recorded as goodwill. If the opposite applies, the negative difference is immediately recognized 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.

Associates

Companies over which Vontobel can exert significant influence are accounted for using the equity method. As a rule, influence is deemed significant if Vontobel holds 20 percent to 50 percent 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 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 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 rate 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 rate 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, trading portfolio liabilities, 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 in 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".

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, all financial instruments are measured at fair value and assigned to one of the following categories in accordance with IFRS 9 criteria: "Fair value through profit or loss (FVTPL)", "Fair value through other comprehensive income (FVOCI)" or "Amortised cost". In the case of financial instruments in the categories "Fair value through other comprehensive income" and "Amortised

cost", this original fair value is adjusted to reflect the directly attributable transaction costs.

Measurement of fair value, fair value hierarchy and recognition of "day 1 profit"

For information on the measurement of the fair value of financial instruments, the valuation methods used, the fair value hierarchy and day 1 profit, please refer to note 29 "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 or 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 assigns to "Financial investments" upon initial recognition are an exception (see below). This balance sheet item 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 Committee 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 with a business model aimed at 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 investments, 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 below section “Impairment model”.

Cash, due from banks, receivables from securities financing transactions and loans (“amortised 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 below section “Impairment model”.

Due to banks, payables from securities financing transactions, due to customers and debt issued (“amortised 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 are significant indicators of impairment, the financial instrument is transferred to stage 3. Significant indicators of impairment include 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 are significant indicators 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 are calculated by multiplying the exposure at default (EAD) with the probability of default (PD) and the loss given default (LGD). The probabilities of default are generally determined using the rating transition matrixes of rating agencies or internal ratings. 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 bal-

ance 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. Derecognition generally occurs at the point in time when a legal title confirms the conclusion of the realization proceedings.

3.4 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.

3.5 Treasury 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 treasury shares are sold, the proceeds are recorded in "Capital reserve" and the corresponding acquisition cost is transferred from the balance sheet item "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 treasury 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.

3.6 Other accounting principles

The accounting principles on the following topics can be found in the corresponding note within the Notes to the consolidated financial statements.

- Net fee and commission income, note 2
- Own credit risk from financial liabilities for which the fair value option is applied, note 3
- Taxes, note 9
- Property, equipment and software, note 16
- Leasing, note 17
- Goodwill and other intangible assets, note 18
- Provisions, note 24
- Fair value of financial instruments, note 29
- Netting agreements, note 31
- Hedge accounting, note 34
- Collective investment instruments, note 36
- Employee benefit plans, note 37
- Other employee benefits payable in the long term, note 38
- Employee share-based benefit program and other deferred compensation, note 39
- Segment reporting, note 49

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 2021:

Interest Rate Benchmark Reform (IBOR reform, phase 2)

The amendments address matters that could have an accounting impact at the time of the actual replacement of an existing reference rate (e.g. LIBOR) with an alternative reference rate. Modifications to financial instruments that are necessary as a direct result of the IBOR reform and are made on an economically equivalent basis lead to the updating of the effective interest rate as a result of the amendments. Further, the amendments entail the easing of various requirements in hedge accounting, e.g. with regard to adjustments to hedge documentation required due to the IBOR reform.

The first-time application of the changes had no impact on Vontobel's consolidated financial statements.

Further information on the IBOR reform can be found in note 32.

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:

- IFRS 16 – Covid-19-related Rent Concessions.

4.1.2 Other changes

Segment reporting

Effective August 1, 2021, the Platforms & Services Client Unit was divided between the Wealth Management Client Unit (advisory offering for financial intermediaries) as well as the Centers of Excellence Structured Solutions & Treasury (platforms for financial intermediaries) and Technology & Services (platforms for Transaction Banking). All of the information in the segment reporting has been adapted retrospectively to reflect the new organizational structure.

Expense components from the issuing business

Based on a detailed analysis of the issuing business, Vontobel refined the disclosure of some expense components in the second half of 2021. As a result of this refinement, the expense components concerned were reclassified from "Net fee and commission income" to "Trading income". For comparative purposes, in the income statement for the prior year, CHF 33.8 million was reclassified accordingly. This reclassification had no impact on the previous year's Group net profit or consolidated shareholders' equity.

4.2 Changes in estimates

Valuation of precious metals and cryptocurrencies

To ensure a consistent valuation of precious metals and cryptocurrencies as well as the corresponding futures, the fair values of precious metals and cryptocurrencies have been derived from the prices of the corresponding futures since October 2021. Based on this model valuation, precious metals and cryptocurrencies have since been classified as level 2 instruments (previously level 1 instruments). Within the balance sheet item "Trading portfolio assets", precious metals with a carrying amount of CHF 266.2 million and cryptocurrencies with a carrying amount of CHF 562.0 million were transferred from level 1 to level 2. This change did not have a material impact on the balance sheet or the income statement.

5. Standards and interpretations that have not yet been implemented

Various new and revised standards and interpretations have to be applied for financial years beginning on or after January 1, 2022. Vontobel has not made use of the option of applying the following standards and interpretations prior to the effective dates.

Based on initial analyses, the following new and revised standards and interpretations are not expected to have a significant impact on Vontobel's net profit, comprehensive income and shareholders' equity or are not expected to be relevant to Vontobel:

- IAS 1 – Classification of Liabilities as Current or Non-current
- IAS 1 – Disclosure of Accounting Policies
- IAS 8 – Definition of Accounting Estimates
- IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- IAS 16 – Proceeds before Intended Use
- IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- IFRS 3 – Reference to the Conceptual Frameworks
- IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021
- IFRS 17 – Insurance Contracts
- Annual Improvements 2018–2020

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. The assumption of risk is an inherent part of its business activities. The Group-wide risk culture, which is firmly established at every level of the company and is reviewed on an ongoing basis, ensures that risks are recognized and that appropriate control and mitigation mechanisms are implemented and refined.

In its risk policy – which is part of the institution-wide Risk Management Framework – Vontobel defines the relevant risk categories (risk taxonomy), the corresponding risk appetite, 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 Committee.

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 powers of authorization
- Alignment of risk profile and risk capacity
- Independent control functions and adequate human and technical resources
- Adequate internal control systems
- Transparency about the risks taken is provided through comprehensive reporting of the risk profile (risks taken) and risk appetite.

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 Committee is responsible for the operational implementation of the risk policy and for the management and control of all risks.
- The heads of the Client Units and Centers of Excellence are responsible for managing risks in accordance with the relevant qualitative and quantitative guidelines.

- The Risk Control divisions are 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 divisions responsible for risk control report directly to the Chief Financial Officer (CFO), who works independently from the Client Units and Centers of Excellence and is a member of the Executive Committee.

The Risk Control divisions are organized into various teams, which are responsible for the subsequent independent monitoring of market, 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 Center of Excellence Legal & Compliance. The head of Legal & Compliance is the General Counsel, who also works independently from the Client Units and Centers of Excellence and is a member of the Executive Committee.

The Risk Control divisions are 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 divisions' 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 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, counterparty, operational and reputational risks. The latter are considered to be of particular and overriding importance. The Board of Directors, the Executive Committee 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 divisions (see above). The front office areas that are responsible for risk management are informed about market and counterparty 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. A Committee for Operational Risks is convened on a monthly basis.

The Executive Committee 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.

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 Committee 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 in the Structured Products division and in the Treasury division (aggregated in the Center of Excellence Structured Solutions & Treasury).

In Structured Products, 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. Structured Products is responsible for these positions, as well as for foreign exchange and money market trading, the management of the foreign exchange position and collateral trading (repo transactions and securities lending and borrowing transactions).

Market risks are limited and monitored using a multi-level system of limits. In addition to the Value at Risk limits and stress exposure limits prescribed at a global level and for each trading unit, this system defines a wide range of detailed sensitivity limits and volume limits in order to control and limit risks.

Positions involving market risks are also held in Treasury. Financial investments consist of broadly diversified portfolios of interest rate instruments and some long-term and non-consolidated participations (see note 14). 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 well as for the positions held by Structured Products. Further information on market risks at overall balance sheet level (interest rate risks and currency risks) can be found in section 3.3 “Market risks related to the balance sheet structure”.

3.2 Market risks in the Structured Products and Treasury divisions

3.2.1 Value at Risk (VaR)

The management and control of market risks for all the positions in Structured Products as well as for securities holdings in Treasury are 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 incorporated directly into the VaR calculations. The confidence level is 99 percent, 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 Structured Products. The average VaR for the year under review totaled CHF 6.4 million for Vontobel as a whole, of which CHF 5.9 million related to Structured Products (2020: average VaR of CHF 9.5 million for Vontobel and of CHF 8.4 million for Structured Products).

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 Structured Products¹

CHF M	EQUITIES ²	INTERESTS INCL. CREDIT SPREAD	CURRENCIES ³	COMMO- DITIES	DIVERSI- FICATION	31.12.2021 TOTAL
Vontobel:	2.6	3.4	2.2	0.2	-4.6	3.8
Average	5.6	2.6	2.5	0.2	-4.5	6.4
Minimum	2.5	1.5	0.8	0.0	n/a ⁴	2.9
Maximum	13.4	5.9	6.6	0.8	n/a ⁴	13.4
<i>of which Structured Products</i>	<i>2.5</i>	<i>2.3</i>	<i>2.2</i>	<i>0.2</i>	<i>-3.7</i>	<i>3.5</i>
Average	5.5	1.6	1.4	0.2	-2.8	5.9
Minimum	2.4	0.8	0.2	0.0	n/a ⁴	2.8
Maximum	12.8	2.7	7.5	0.8	n/a ⁴	13.0

CHF M	EQUITIES ²	INTERESTS INCL. CREDIT SPREAD	CURRENCIES ³	COMMO- DITIES	DIVERSI- FICATION	31.12.2020 TOTAL
Vontobel:	7.1	4.6	1.8	0.1	-5.5	8.1
Average	7.9	4.6	2.1	0.5	-5.6	9.5
Minimum	3.9	3.0	0.8	0.1	n/a ⁴	6.1
Maximum	23.5	6.7	6.1	2.7	n/a ⁴	23.0
<i>of which Structured Products</i>	<i>7.2</i>	<i>1.3</i>	<i>1.1</i>	<i>0.1</i>	<i>-2.3</i>	<i>7.4</i>
Average	8.1	1.8	1.0	0.5	-3.0	8.4
Minimum	3.8	0.7	0.3	0.1	n/a ⁴	3.8
Maximum	22.6	5.1	4.3	2.7	n/a ⁴	23.8

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

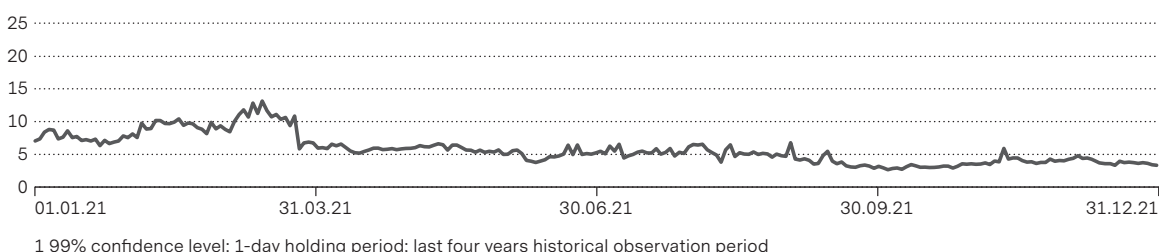
⁴ The maximum and minimum exposures for the total VaR and component VaR may have arisen on different days. Diversification is therefore not applicable here.

The graph below shows the development over time of 1-day VaR for the positions of Structured Products at Vontobel. There is also a graph to show the frequency dis-

tribution of daily gains and losses for the years 2021 and 2020.

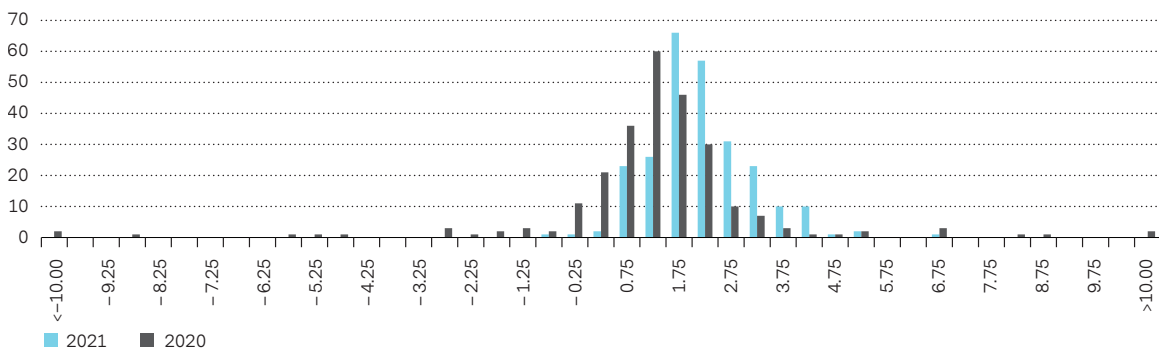
Value at Risk (VaR)¹ for the positions of Structured Products

CHF MN



Frequency distribution of the gains and losses of the positions of Structured Products¹

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 percent confidence level, stress exposure limits have also been defined. The corresponding stress tests are conducted on a daily basis. All positions held by Structured Products and all securities positions of Treasury 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

Treasury (within the Center of Excellence Structured Products & Treasury) 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 for off-balance-sheet items. These risks are managed and monitored at an aggregated level. The impact of interest rate sensitivities on the market value of shareholders' equity (broken down to show Struc-

tured Products and Treasury positions) 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 -18.3 million for the current year and CHF -36.1 million for the previous year.

Interest rate risks

CHF M	INTEREST RATE SENSITIVITY AS OF 31.12.2021					TOTAL
	UP TO 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	
Interest rate risks						
+100 basis points						
CHF: Vontobel	1.3	-0.9	9.5	4.3	-54.3	-40.1
of which Structured Products	0.1	-0.9	-2.4	-0.7	0.8	-3.0
of which Treasury	1.2	0.0	11.9	5.0	-55.1	-37.0
USD: Vontobel	0.4	-1.7	8.2	7.1	-1.8	12.2
of which Structured Products	-0.1	-1.3	1.4	-0.3	0.5	0.3
of which Treasury	0.5	-0.4	6.8	7.4	-2.3	12.0
EUR: Vontobel	0.7	-1.3	3.4	9.7	-0.4	12.1
of which Structured Products	0.0	-1.0	-0.4	0.7	3.6	2.9
of which Treasury	0.7	-0.3	3.8	9.0	-4.0	9.2
Others: Vontobel	0.1	-0.1	-0.8	-1.5	-0.2	-2.5
of which Structured Products	0.0	-0.0	-0.1	-0.6	-0.2	-0.9
of which Treasury	0.1	-0.1	-0.7	-0.9	0.0	-1.6
-100 basis points						
CHF: Vontobel	-1.3	0.8	-9.9	-4.8	58.9	43.7
of which Structured Products	-0.1	0.8	2.3	0.3	-1.1	2.1
of which Treasury	-1.2	0.0	-12.2	-5.1	60.0	41.5
USD: Vontobel	-0.4	2.0	-8.7	-8.8	1.6	-14.3
of which Structured Products	0.1	1.6	-1.8	-0.5	-0.6	-1.3
of which Treasury	-0.5	0.4	-6.9	-8.3	2.2	-13.1
EUR: Vontobel	-0.7	1.2	-3.6	-10.7	0.3	-13.5
of which Structured Products	-0.0	0.9	0.3	-0.8	-4.0	-3.7
of which Treasury	-0.7	0.3	-3.9	-9.9	4.3	-9.9
Others: Vontobel	-0.1	0.1	0.7	1.4	0.2	2.3
of which Structured Products	-0.0	0.0	0.0	0.5	0.2	0.8
of which Treasury	-0.1	0.1	0.7	0.9	0.0	1.6

Interest rate risks

CHF M	INTEREST RATE SENSITIVITY AS OF 31.12.2020					
	UP TO 1 MONTH	1 TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Interest rate risks						
+100 basis points						
CHF: Vontobel	0.1	1.0	8.4	10.0	-61.7	-42.2
of which Structured Products	0.0	0.6	0.8	3.8	1.4	6.6
of which Treasury	0.1	0.4	7.6	6.2	-63.1	-48.8
USD: Vontobel	0.0	-0.1	6.8	15.0	-6.8	14.9
of which Structured Products	0.1	-0.4	0.8	-1.8	1.6	0.3
of which Treasury	-0.1	0.3	6.0	16.8	-8.4	14.6
EUR: Vontobel	0.1	-1.2	3.8	-3.8	-2.6	-3.7
of which Structured Products	0.1	-1.4	0.7	-3.8	1.6	-2.8
of which Treasury	0.0	0.2	3.1	0.0	-4.2	-0.9
Others: Vontobel	0.0	0.1	-0.7	-4.0	-0.5	-5.1
of which Structured Products	0.0	0.2	-0.2	-1.9	-0.2	-2.1
of which Treasury	0.0	-0.1	-0.5	-2.1	-0.3	-3.0
-100 basis points						
CHF: Vontobel	-0.1	-1.0	-8.7	-10.3	67.5	47.4
of which Structured Products	0.0	-0.6	-0.9	-4.2	-1.5	-7.2
of which Treasury	-0.1	-0.4	-7.8	-6.1	69.0	54.6
USD: Vontobel	0.0	1.1	-7.0	-15.8	7.2	-14.5
of which Structured Products	-0.1	1.4	-0.9	1.7	-1.8	0.3
of which Treasury	0.1	-0.3	-6.1	-17.5	9.0	-14.8
EUR: Vontobel	-0.1	1.2	-4.1	3.4	2.9	3.3
of which Structured Products	-0.1	1.4	-0.9	3.3	-1.7	2.0
of which Treasury	0.0	-0.2	-3.2	0.1	4.6	1.3
Others: Vontobel	0.0	-0.1	0.5	4.0	0.5	4.9
of which Structured Products	0.0	-0.2	0.0	1.8	0.2	1.8
of which Treasury	0.0	0.1	0.5	2.2	0.3	3.1

In the consolidated financial statements according to IFRS, the market value effect of changes in interest rates in the Structured Products business has an impact on the income statement as well as shareholders' equity, whereas the market value effect of changes in interest rates in Treasury is only reflected in shareholders' equity.

If interest rates changed by +100 (-100) basis points, the market value effect in the Structured Products business would be CHF -0.7 million as of December 31, 2021, and CHF +2.0 million as of December 31, 2020 (December 31,

2021: CHF -2.1 million, December 31, 2020: CHF -3.1 million). The total market value effect would be CHF -18.3 million as of December 31, 2021, and CHF -36.1 million as of December 31, 2020 (December 31, 2021: CHF +18.2 million, December 31, 2020: CHF +41.1 million).

In view of the limited significance of interest income from variable interest-bearing positions and positions that 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 resulting from trading 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 percent according to internal reports.

Currency risks

CURRENCY SENSITIVITY AS OF 31.12.2021						
1,000 CHF	USD	EUR	JPY	GBP	PRECIOUS METALS	OTHERS
+5%						
Vontobel	5,382.2	4,399.4	32.8	7,371.2	-2.3	1,257.9
of which Structured Products	695.0	1,286.0	26.0	180.8	-2.3	362.6
of which Treasury	4,687.2	3,113.4	6.9	7,190.5	0.0	895.3
-5%						
Vontobel	-4,822.4	-3,500.5	-206.3	-7,213.0	-297.6	-1,108.2
of which Structured Products	-135.2	-387.1	-199.5	-22.5	-297.6	-212.9
of which Treasury	-4,687.2	-3,113.4	-6.9	-7,190.5	0.0	-895.3
CURRENCY SENSITIVITY AS OF 31.12.2020						
1,000 CHF	USD	EUR	JPY	GBP	PRECIOUS METALS	OTHERS
+5%						
Vontobel	4,852.8	2,973.2	-534.2	1,497.8	94.3	4,527.0
of which Structured Products	215.1	-442.4	-62.5	148.3	94.3	206.5
of which Treasury	4,637.6	3,415.6	-471.8	1,349.5	0.0	4,320.4
-5%						
Vontobel	-4,078.8	-2,669.9	362.0	-1,165.0	-419.4	-4,456.1
of which Structured Products	558.9	745.7	-109.7	184.5	-419.4	-135.7
of which Treasury	-4,637.6	-3,415.6	471.8	-1,349.5	0.0	-4,320.4

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 operational 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 28. 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 carrying amounts 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 was introduced on July 1, 2021.

Liquidity coverage ratio in accordance with FINMA Circular 15/02

AVERAGE	H2 2021	Q4 2021	Q3 2021
Total stock of high-quality liquid assets (HQLA) in CHF M	9,297.8	9,618.1	8,977.4
Total net cash outflows in CHF M	6,608.9	6,843.7	6,374.1
Liquidity coverage ratio LCR in %	140.7	140.5	140.8

In the fourth quarter of 2021, the method used to take account of non-cash collateral was adjusted. To ensure consistency, the figures for the third quarter were adapted accordingly, with certain parameters being estimated. For a more detailed analysis and explanations, please refer to our disclosure report, which will be published online on April 30, 2022 (Regulatory disclosures on www.vontobel.com).

Net Stable Funding Ratio in accordance with FINMA Circular 15/02

	31.12.2021
Available stable funding (ASF) in CHF M	14,003.9
Required stable funding (RSF) in CHF M	12,276.8
Net Stable Funding Ratio NSFR in %	114.1

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.

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, counterparty and issuer risk

5.1 General information

Credit, counterparty and issuer risk concerns the risk of losses should a counterparty fail to honour its contractual obligations. In the case of Vontobel, it comprises default risks associated with:

- lending against collateral (“Lombard lending”) and loans secured by real estate
- bond positions (issuer risk)
- money market investments
- securities lending and borrowing, repo transactions, collateral management and derivatives.

In principle, Vontobel does not engage in commercial lending. Mortgages and Lombard loans are offered to our clients and employees.

5.2 Lending to private and institutional investment clients

A precondition for lending, credit lines are set. An exposure must essentially be covered by the deposited collaterals. For the lombard lending business, i.e. the granting of loans subject to the provision of securities that serve as marketable collateral, the lending value of positions and portfolios is generally determined in accordance with the “comprehensive approach” prescribed in the capital adequacy requirements of the Basel Committee on Banking Supervision (Basel III). The quality of the collateral (volatility, rating, liquidity and tradability) and the diversification of the portfolio and currency risks are considered in the calculations. Exposures to clients that are covered by collateral not recognized by the regulator are only entered into in exceptional situations.

In cases where the exposures are covered by market values but not by lending values, a risk alert process is initiated with the aim of restoring coverage through the reduction of the exposures, portfolio switches or the provision of additional collateral.

As of December 31, 2021, the credit exposure to private clients and institutional clients amounted to CHF 7,481.2 million (December 31, 2020: CHF 6,787.2 million). Of this sum, CHF 1,634.8 million (December 31, 2020: CHF 1,474.4 million) was covered by real estates, CHF 5,574.7 million (December 31, 2020: CHF 5,032.0 million) by other collateral recognized by the regulator and CHF 271.7 million (December 31, 2020: CHF 280.8 million) by financial collateral not recognized by the regulator.

Credit exposure to private and institutional investment clients¹

CHF M	COVERED BY COLLATERAL RECOGNIZED BY THE REGULATOR	COVERED BY COLLATERAL NOT RECOG- NIZED BY THE REGULATOR	31.12.2021 TOTAL
Credit exposure	7,209.5	271.7	7,481.2

Credit exposure to private and institutional investment clients¹

CHF M	COVERED BY COLLATERAL RECOGNIZED BY THE REGULATOR	COVERED BY COLLATERAL NOT RECOG- NIZED BY THE REGULATOR	31.12.2020 TOTAL
Credit exposure	6,506.4	280.8	6,787.2

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 lending 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 new standard approach SA-CCR 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 Structured Products or for the purpose of balance sheet management. They also include exposures relating to money market transactions, accounts,

guarantees and contractual independent amounts (threshold values and minimum transfer amounts) that are agreed with counterparties in netting agreements for securities lending and borrowing, repurchase agreements and the collateralization of OTC derivatives.

Settlement risks are reduced through the use of the Continuous Linked Settlement (CLS) system when conducting foreign currency transactions. Vontobel is connected to the CLS system as a third party.

All exposures to professional counterparties and issuers are monitored and controlled using a differentiated system of limits – which is defined in the Credit Regulations and is reviewed annually – for the individual counterparties, rating segments, countries and regions.

Vontobel bases the management and limitation of exposures to professional counterparties on external assess-

ments by Independent Credit View AG 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 very 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 rating¹

CHF M	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2021 TOTAL
Issuer risk from debt instruments ²	1,411.7	2,117.1	1,902.0	240.7	0.0	5,671.5
Money market and accounts ³	15.2	30.0	65.3	0.2	20.5	131.2
Other financial receivables ⁴	12.9	9.1	93.8	3.7	9.8	129.3
Total	1,439.8	2,156.2	2,061.1	244.6	30.3	5,932.0
Share (%)	24.3	36.3	34.8	4.1	0.5	100.0

CHF M	AAA	AA	A	BBB	BELOW BBB/ WITHOUT RATING	31.12.2020 TOTAL
Issuer risk from debt instruments ²	1,657.0	2,301.9	2,781.3	311.3	13.7	7,065.2
Money market and accounts ³	38.2	42.9	140.1	10.4	21.7	253.3
Other financial receivables ⁴	9.0	40.4	120.7	34.4	3.5	208.1
Total	1,704.2	2,385.2	3,042.1	356.2	38.9	7,526.6
Share (%)	22.6	31.7	40.4	4.7	0.5	100.0

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities

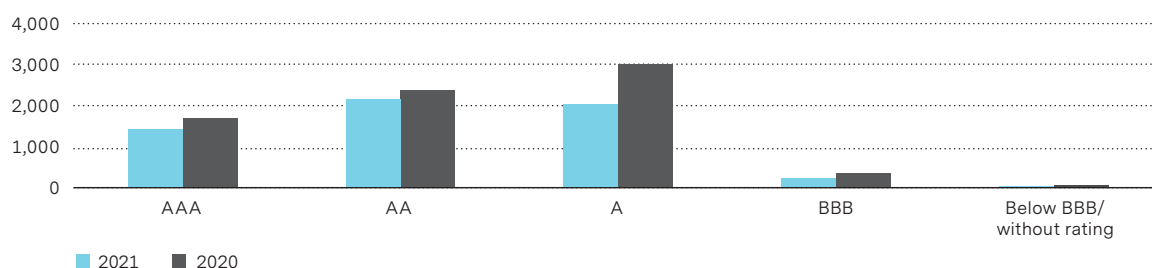
2 Includes positions in credit default swaps (synthetic bond positions) in the amount of CHF 13.6 M as of 31.12.2021 or CHF 44.6 M as of 31.12.2020

3 Excludes cash account of CHF 3,856.5 M as of 31.12.2021 or CHF 2,886.9 M as of 31.12.2020 deposited at the SNB.

4 Securities lending and borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

Breakdown of unsecured credit risks by rating

CHF M



The exposures mainly relate to the rating categories “AAA” and “AA”, as shown in the previous table and graph: As of December 31, 2021, 61 percent (December 31, 2020: 54 percent) of the exposures comprised these categories of high creditworthiness. 95 percent of the exposures comprised a rating of “A” or above (December 31, 2020:

95 percent). The proportion of exposures with a rating of less than “BBB” or with no rating was less than 1 percent (December 31, 2020: 1 percent). The breakdown of unsecured exposures by counterparty types and by geographical region is shown in the following tables.

Breakdown of unsecured counterparty and issuer risks by counterparty type¹

CHF M	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2021 TOTAL
Issuer risk from debt instruments ²	2,071.3	1,002.9	2,597.3	5,671.5
Money market and accounts ³	74.3	38.6	18.3	131.2
Other financial receivables ⁴	80.0	46.8	2.5	129.3
Total	2,225.6	1,088.3	2,618.1	5,932.0

CHF M	BANKS	OTHER CORPORATIONS/ INSTITUTIONS WITHOUT BANK STATUS	GOVERNMENTS/ PUBLIC SECTOR BODIES	31.12.2020 TOTAL
Issuer risk from debt instruments ²	3,554.8	1,129.0	2,381.5	7,065.2
Money market and accounts ³	193.3	18.5	41.5	253.3
Other financial receivables ⁴	79.7	126.2	2.1	208.1
Total	3,827.8	1,273.7	2,425.0	7,526.6

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities

2 Includes positions in credit default swaps (synthetic bond positions) in the amount of CHF 13.6 M as of 31.12.2021 or CHF 44.6 M as of 31.12.2020

3 Excludes cash account of CHF 3,856.5 M as of 31.12.2021 or CHF 2,886.9 M as of 31.12.2020 deposited at the SNB.

4 Securities lending and borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

In terms of the counterparty type, a large proportion of unsecured counterparty and issuer risks relates to governments and banks, as expected. As of December 31, 2021, governments, including public sector bodies, accounted for CHF 2,618.1 million (December 31, 2020: CHF 2,425.0 million) of a total of CHF 5,932.0 million (December 31, 2020: CHF 7,526.6 million) or 44 percent (December 31, 2020: 32 percent). Banks accounted for CHF 2,225.6 million (Decem-

ber 31, 2020 CHF 3,827.8 million) of a total of CHF 5,932.0 million (December 31, 2020: CHF 7,526.6 million) or 38 percent (December 31, 2020: 51 percent).

When setting limits, considerable importance is assigned to the avoidance of concentration risks relating to individual counterparties, thus ensuring that exposures within counterparty categories are broadly diversified.

Breakdown of unsecured counterparty and issuer risks by region¹

CHF M	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2021 TOTAL
Issuer risk from debt instruments ²	508.7	2,557.1	1,226.3	1,302.6	76.8	5,671.5
Money market and accounts ³	31.5	76.8	20.5	2.2	0.2	131.2
Other financial receivables ⁴	82.8	9.0	28.3	9.2	0.0	129.3
Total	623.0	2,642.9	1,275.1	1,314.0	77.0	5,932.0

CHF M	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2020 TOTAL
Issuer risk from debt instruments ²	826.5	2,632.3	1,658.0	1,840.3	108.2	7,065.2
Money market and accounts ³	78.6	145.9	25.9	2.6	0.3	253.3
Other financial receivables ⁴	74.4	102.1	23.9	7.7	0.0	208.1
Total	979.5	2,880.2	1,707.8	1,850.7	108.4	7,526.6

1 Unsecured credit exposure after contractual netting without the application of add-ons on derivatives and haircuts on other financial securities

2 Includes positions in credit default swaps (synthetic bond positions) in the amount of CHF 13.6 M as of 31.12.2021 or CHF 44.6 M as of 31.12.2020

3 Excludes cash account of CHF 3,856.5 M as of 31.12.2021 or CHF 2,886.9 M as of 31.12.2020 deposited at the SNB.

4 Securities lending and borrowing, repo transactions, collateral management, derivatives, guarantees and pledged capital life insurance policies

In geographical terms, the unsecured counterparty and issuer risks mainly relate to the regions of Europe, North America and Asia.

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 assumed based on cost/benefit considerations. During this process, potential legal, regulatory and compliance-related risks are taken into account, as are follow-on risks in the form of reputational risks.

The Group-wide Governance, Risk, Compliance (GRC) Platform 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. Further attention is focused on core security

topics such as data protection and business continuity management, which are guaranteed through the use of additional tools.

6.2.1 Qualitative assessment

The qualitative assessment of operational risks is carried out using estimates of the loss potential and probability 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 Client Units and Centers of Excellence. 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 Technology and cyber risks

Due to our business model, we operate in a complex technological and digitized environment. The protection of confidentiality, integrity and the availability of IT systems are therefore of critical importance for our operations.

Technology 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 and to ensure compliance with them.

Cyber risk is an integral part of technology risk and involves cases where the functioning of our systems is compromised as a result of cyber attacks, security breaches, unauthorized access, loss or destruction of data, unavailability of services, computer viruses or other security-related events.

To prevent and manage technology and cyber risks, various tools are used as part of our comprehensive technology risk management approach, both at operational level and in terms of business continuity and other crisis and emergency plans. The Technology Risk Management function is integrated within Group-wide Risk Management.

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 the highest priority to this matter. 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 January 1, 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. Goodwill, financial investments and intangible assets are most relevant for Vontobel in this context.

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 XV. of the FINMA Circular 13/01 (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 totaled CHF 1,549.8 million and the BIS tier 1 ratio was 23.4 percent. 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 M	31.12.2021	31.12.2020
Eligible capital		
Equity according to balance sheet	2,068.9	1,891.6
<i>Paid-in capital</i>	56.9	56.9
<i>Disclosed reserves</i>	1,762.6	1,657.9
<i>Net profit for the current financial year</i>	373.8	242.7
<i>Deduction for treasury shares</i>	-124.4	-65.9
Deduction for minority interests		
Deduction for dividends, as proposed by the Board of Directors	-170.6	-128.0
Deduction for goodwill	-484.8	-483.5
Deduction for intangible assets	-62.2	-73.3
Deduction for deferred tax assets	-15.8	-24.0
Deduction (addition) for gains (losses) due to changes in own credit risk	1.3	0.8
Deduction for unrealised gains related to financial investments	-85.2	-91.1
Deduction for defined benefit pension fund assets (IAS 19)	-60.2	0.0
Other adjustments	-90.5	-68.1
Net eligible BIS common equity tier 1 capital (CET1)	1,100.7	1,024.4
Additional tier 1 capital (AT1)	449.1	448.6
Net eligible BIS tier 1 capital	1,549.8	1,473.0
Supplementary capital (tier 2)		
Other deductions from total capital		
Net eligible regulatory capital (BIS tier 1 + 2)	1,549.8	1,473.0
Risk-weighted positions		
Credit risks	2,486.8	3,334.1
<i>Receivables</i>	2,374.6	3,229.5
<i>Price risk relating to equity instruments in the banking book</i>	112.2	104.6
Non-counterparty related risks	377.3	350.4
Market risks	1,343.5	1,540.2
<i>Interest rates</i>	600.3	774.4
<i>Equities</i>	525.7	432.6
<i>Currencies</i>	123.7	169.4
<i>Gold</i>	1.3	18.1
<i>Commodities</i>	92.6	145.7
Operational risk	2,409.7	2,222.8
Total risk-weighted positions	6,617.3	7,447.5

Capital ratios in accordance with FINMA Circular 16/01

(AS A PERCENTAGE OF RISK-WEIGHTED POSITIONS)	31.12.2021	31.12.2020
CET1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 4.5%) ¹	16.6	13.8
Tier 1 capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 6.0%) ²	23.4	19.8
Total capital ratio (minimum requirement BIS Basel III excl. capital conservation buffer: 8.0%) ³	23.4	19.8
CET1 available to cover BCBS minimum capital and buffer requirements after deduction of AT1 and T2 capital requirements which are filled by CET1	12.1	9.3
CET1 available	16.6	13.8
T1 available	21.0	17.4
Eligible regulatory capital available	23.4	19.8

1 Target CET1 capital ratio according to Annex 8 CAO plus countercyclical buffer: 7.8%

2 Target tier 1 capital ratio according to Annex 8 CAO plus countercyclical buffer: 9.6%

3 Target total capital ratio according to Annex 8 CAO plus countercyclical buffer: 12.0%

The countercyclical buffer requirement (as a percentage of risk-weighted positions) is 0.0 (31.12.2020: 0.0).

All investments in the financial sector (< 10%) are risk-weighted for CAD calculations (31.12.2021: CHF 27.2 M/31.12.2020: CHF 17.8 M).

Leverage ratio in accordance with FINMA Circular 15/03

	31.12.2021	31.12.2020
Net eligible BIS tier 1 capital in CHF M	1,549.8	1,473.0
Total leverage ratio exposure in CHF M	31,935.5	31,827.8
Leverage ratio (unweighted capital ratio in accordance with Basel III) in %	4.9	4.6

Vontobel publishes further information in accordance with FINMA Circular 16/01 in a separate disclosure report on www.vontobel.com (Investor Relations).

Notes to the consolidated income statement

1 Net interest income after credit losses

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Interest income from banks and customers	57.1	57.3	-0.2	-0
Interest income from receivables from securities financing transactions	2.4	4.1	-1.7	-41
Interest income from financial liabilities	12.8	11.1	1.8	16
Total interest income from financial instruments at amortized cost	72.3	72.5	-0.1	-0
Dividend income from equity instruments in financial investments ¹	4.0	1.6	2.4	150
Interest income from debt instruments in financial investments	13.1	18.3	-5.2	-28
Total interest and dividend income from financial investments	17.1	19.9	-2.8	-14
Total interest income	89.4	92.4	-2.9	-3
Interest expense from payables from securities financing transactions	1.1	1.5	-0.5	-33
Interest expense from other financial liabilities at amortized cost	15.7	17.5	-1.8	-10
Interest expense from financial assets	4.9	2.2	2.6	118
Total interest expense from financial instruments at amortized cost	21.7	21.3	0.4	2
Credit loss (expense)/recovery on debt instruments in financial investments	0.2	0.1	0.1	100
Other credit loss (expense)/recovery	-6.6	1.8	-8.5	-472
Total credit loss (expense)/recovery	-6.5	1.9	-8.3	-437
Total	61.3	73.0	-11.7	-16

1 All income comprises positions that were still held at the end of the reporting period.

2 Net fee and commission income

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Brokerage fees	96.9	112.4	-15.5	-14
Administration and custody fees	231.5	203.0	28.5	14
Advisory and management fees	999.2	821.6	177.6	22
Issues and corporate finance	2.0	1.5	0.4	27
Other commission income from securities and investment transactions	28.0	26.7	1.3	5
Total fee and commission income from securities and investment transactions	1,357.6	1,165.3	192.3	17
Other fee and commission income	3.7	4.7	-1.0	-21
Brokerage fees	14.3	15.3	-1.0	-7
Other commission expense	372.3	285.1	87.2	31
Total fee and commission expense¹	386.5	300.4	86.2	29
Total	974.8	869.6	105.2	12

1 2020: Reclassification of CHF 33.8 M from "Total fee and commission expense" (of which CHF 14.6 M from the item "Brokerage fees" and CHF 19.2 M from the item "Other commission expense") to "Trading income". For further details refer to section 4.1.2 of the accounting principles.

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 proportion 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 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). 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 expense, 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

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Securities	975.1	-37.7	1,012.8	
Other financial instruments at fair value	-533.6	328.0	-861.6	-263
Forex and precious metals	51.8	21.3	30.5	143
Total	493.3	311.7	181.6	58

Trading income as of 31.12.2021 included income of CHF -1.0 M (31.12.2020: CHF 11.4 M) 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 -0.5 M was realized as of 31.12.2021 (31.12.2020: CHF -0.3 M), while the remaining CHF -0.5 M (31.12.2020: CHF 11.7 M) comprises unrealized income. The changes in own credit risk resulted in cumulative income of CHF 0.6 M, of which CHF 1.9 M was realized and CHF -1.3 M 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 2020 CHF 33.8 M were reclassified from "Fee and commission expense" to "Trading income" (of which CHF 7.8 M to the item "Securities" and CHF 26.0 M to the item "Other financial instruments at fair value"). For further details refer to section 4.1.2 of the accounting principles.

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 recognized 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 fig-

ures. 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, 2021, the balance sheet item "Other financial liabilities at fair value" corresponded to 35 percent of total assets and 541 percent 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	2021	2020	CHANGE TO 2020	
		CHF M	CHF M	CHF M	IN %
Real estate income ¹		1.6	1.5	0.1	7
Income from the sale of property and equipment		0.1	0.0	0.1	
Income from the sale of debt instruments in financial investments		1.0	6.4	-5.4	-84
Income from investments in associates	15	1.0	0.9	0.1	11
Other income		2.6	2.4	0.1	4
Total		6.2	11.2	-5.0	-45

1 Income from the subleasing of business premises

5 Personnel expense

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Salaries and bonuses	602.1	521.0	81.1	16
Pension and other employee benefit plans ¹	36.6	52.6	-16.0	-30
Other social contributions	48.2	43.3	4.9	11
Other personnel expense ²	47.8	23.1	24.7	107
Total	734.7	640.0	94.8	15

Personnel expense includes the expense for share-based compensation of CHF 44.9 M, of which CHF 36.3 M relates to performance shares, CHF 7.9 M to the awarding of bonus shares at preferential terms and deferred compensation in shares of CHF 0.6 M (previous year: performance shares CHF 27.3 M, bonus shares CHF 6.4 M, deferred compensation (none); total CHF 33.7 M) as well as deferred compensation in cash of CHF 5.6 M (previous year: CHF 6.7 M).

1 2021: The item "Pension and other employee benefit plans" includes the impacts of changes in pension fund regulations in Switzerland in the amount of CHF 15.5 M (income due to the reduction of conversion rates).

2 2021: The item "Other personnel expense" includes an expense of CHF 24.6 M related to the full acquisition of TwentyFour Asset Management LLP.

6 General expense

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Occupancy expense	11.1	11.5	-0.4	-3
IT, telecommunications and other equipment	95.0	91.3	3.7	4
Travel and representation, public relations, marketing	29.1	21.7	7.5	35
Consulting and audit fees	46.9	32.8	14.2	43
Other general expense	43.3	42.6	0.7	2
Total	225.4	199.8	25.6	13

7 Depreciation of property, equipment (incl. software) and intangible assets

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Depreciation of property and equipment (incl. software)	86.8	85.3	1.5	2
Amortization of other intangible assets	11.1	12.5	-1.4	-11
Impairments of property and equipment (incl. software)	2.8	0.8	2.0	250
Reversal of impairments of property and equipment (incl. software)	-0.3	0.0	-0.3	
Total	100.4	98.6	1.8	2

8 Provisions and losses

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Increase in provisions	3.0	1.1	1.9	173
Release of provisions	-0.4	-0.6	0.2	
Other	5.3	5.7	-0.5	-9
Total	7.9	6.2	1.7	27

9 Taxes

Tax expense

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Statement of tax expense				
Explanation of the relationship between tax expense and net profit before taxes:				
Current income taxes	86.2	68.9	17.3	25
Deferred income taxes	-2.8	-7.3	4.5	
Total	83.4	61.6	21.8	35
Profit before taxes	467.2	321.0	146.2	46
Expected income tax rate of 20% ¹ (previous year: 20%)	93.4	64.2	29.2	45
Explanations for higher (lower) tax expense:				
Applicable tax rates differing from expected rate	-5.2	1.2	-6.3	-525
Tax losses not taken into account	2.0	1.7	0.3	18
Appropriation of non-capitalized deferred taxes on loss carryforwards	-0.0	-0.2	0.2	
Newly recognized deferred tax assets	-4.1	-1.4	-2.7	
Value adjustments on deferred tax assets	-0.1	1.4	-1.5	-107
Deferred income tax as a result of a change in tax rates	0.2		0.2	
Other income with no impact on taxes	1.1	0.8	0.3	38
Income tax unrelated to accounting period	0.9	0.6	0.3	49
Participation relief granted on dividend income	-6.2	-8.1	1.9	
Other impacts	1.3	1.3	0.0	2
Total	83.4	61.6	21.8	35
Effective tax rate in %	17.9	19.2		

¹ The anticipated income tax rate of 20% corresponds to the average tax rate in Switzerland.

Deferred taxes

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Value adjustments on credit risks	0.1	0.1	-0.0	0
Lease liabilities	33.9	29.3	4.6	16
Tax loss carryforwards	5.5	3.9	1.7	44
Other	10.6	20.4	-9.8	-48
Total deferred tax assets¹	50.1	53.6	-3.6	-7
Equipment and software	35.2	30.8	4.4	14
Intangible assets	9.3	11.1	-1.8	-16
Investments in associates	0.7	0.7	-0.0	0
Other provisions	25.9	32.5	-6.6	-20
Unrealized gains on financial investments	24.3	25.4	-1.2	-5
Other	14.5	2.3	12.2	530
Total deferred tax liabilities¹	109.8	102.7	7.1	7

¹ According to IAS 12, a company may offset deferred tax assets and liabilities against 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 deferred tax assets and deferred tax liabilities shown here.

Changes in deferred taxes (net)

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Balance at the beginning of the year	49.1	54.8	-5.7	-10
Changes affecting the income statement	-6.8	-8.7	1.9	
Changes not affecting the income statement	17.3	2.8	14.5	518
Translation adjustments	0.2	0.2	0.0	
Total as at the balance sheet date	59.8	49.1	10.7	22

Expiry of unrecognized tax loss carryforwards

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Within 1 year				
From 1 to 5 years	3.4	2.5	0.9	36
From 5 to 10 years		0.9	-0.9	-100
After 10 years				
No expiry	30.8	48.0	-17.2	-36
Total	34.1	51.4	-17.2	-33

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 offsetting. 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 other convincing evidence that sufficient taxable profits will be available in future periods. Recognized deferred tax assets for loss carryforwards eligible for offsetting amounted to CHF 5.5 M in the current year and CHF 3.9 M in the previous year. Unrecognized loss carryforwards in the amount of CHF 34.1 M (previous year: CHF 51.4 M) are subject to tax rates of 16% to 34% (previous year: 16% to 34%). If recognized in full, the deferred tax assets for loss carryforwards eligible for offsetting would total CHF 11.7 M (previous year: CHF 16.2 M).

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 offsetting are capitalized if it is likely that sufficient taxable profits will be available against which those temporary differences or loss carryforwards 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. Please refer to note 10 for information on tax effects of other comprehensive income.

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.

10 Tax effects of other comprehensive income

CHF M	2021		
	AMOUNT BEFORE TAX	TAX YIELD/ TAX EXPENSE	AMOUNT NET OF TAX
Currency translation adjustments during the reporting period	8.2		8.2
Currency translation adjustments transferred to the income statement			
Income from debt instruments in financial investments during the reporting period	-16.8	3.0	-13.7
Income from debt instruments in financial investments transferred to the income statement	-6.8	1.1	-5.7
Income from cash flow hedges during the reporting period	-0.1	0.0	-0.0
Income from cash flow hedges transferred to the income statement			
Income from equity instruments in financial investments	10.2	-1.9	8.3
Income from defined benefit pension plans	98.0	-19.5	78.5
Total	92.8	-17.3	75.5

CHF M	2020		
	AMOUNT BEFORE TAX	TAX YIELD/ TAX EXPENSE	AMOUNT NET OF TAX
Currency translation adjustments during the reporting period	-13.9		-13.9
Currency translation adjustments transferred to the income statement			
Income from debt instruments in financial investments during the reporting period	10.5	-1.7	8.7
Income from debt instruments in financial investments transferred to the income statement	-1.5	0.3	-1.2
Income from cash flow hedges during the reporting period	-0.4	0.1	-0.3
Income from cash flow hedges transferred to the income statement			
Income from equity instruments in financial investments	1.8	-0.3	1.5
Income from defined benefit pension plans	4.8	-1.0	3.8
Total	1.3	-2.8	-1.4

11 Earnings per share

	2021	2020	CHANGE TO 2020	
				IN %
Net profit (CHF M) ¹	373.8	242.7	131.1	54
Weighted average number of shares issued	56,875,000	56,875,000		
Less weighted average number of treasury shares	1,002,257	998,708	3,549	0
Weighted average number of shares outstanding (undiluted)	55,872,743	55,876,292	-3,549	-0
Dilution effect number of shares ²	1,617,716	1,269,086	348,630	27
Weighted average number of shares outstanding (diluted)	57,490,459	57,145,378	345,081	1
Basic earnings per share (CHF)	6.69	4.34	2.35	54
Diluted earnings per share (CHF)	6.50	4.25	2.26	53

1 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.

Notes to the consolidated balance sheet

12 Financial instruments at fair value through profit or loss

Trading portfolio assets

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Debt instruments				
Listed	176.7	278.5	-101.7	-37
Unlisted	18.6	41.4	-22.8	-55
Total	195.3	319.8	-124.5	-39
Equity instruments				
Listed	3,789.9	3,021.2	768.7	25
Unlisted	0.3	0.0	0.3	
Total	3,790.2	3,021.2	768.9	25
Units in investment funds				
Listed	403.3	276.5	126.8	46
Unlisted	0.0	0.0	-0.0	
Total	403.3	276.5	126.8	46
Precious metals	1,655.1	2,724.3	-1,069.2	-39
Cryptocurrencies	569.0	985.5	-416.5	-42
Total	6,612.8	7,327.4	-714.6	-10

Trading portfolio liabilities

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Debt instruments				
Listed	81.4	71.4	10.0	14
Unlisted				
Total	81.4	71.4	10.0	14
Equity instruments				
Listed	207.3	39.6	167.7	423
Unlisted				
Total	207.3	39.6	167.7	423
Total	288.6	111.0	177.6	160

Open derivative instruments

	31.12.2021			31.12.2020		
CHF M	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME	POSITIVE REPLACEMENT VALUES	NEGATIVE REPLACEMENT VALUES	CONTRACT VOLUME
Debt instruments						
Forward contracts incl. FRAs						
Swaps	7.0	10.2	6,107.3	7.4	39.9	3,369.8
Futures			7.4			7.9
Options (OTC) and warrants	0.0	9.9	0.4	0.0	0.7	1.2
Options (exchange traded)	0.1	0.1	16.7	0.0	0.1	0.7
Total	7.1	20.2	6,131.8	7.4	40.7	3,379.6
Foreign currency						
Forward contracts	29.7	30.2	2,378.9	39.0	16.7	1,753.4
Swaps	57.2	89.7	9,898.0	80.6	72.9	10,253.6
Futures			2.6			3.0
Options (OTC) and warrants	8.5	11.6	732.6	7.8	12.6	1,385.6
Options (exchange traded)		0.0	0.3			
Total	95.4	131.4	13,012.4	127.3	102.3	13,395.6
Precious metals						
Forward contracts	1.7	0.8	108.5	3.3	26.2	160.4
Swaps	2.1	2.6	237.5	11.5	16.1	351.5
Futures		0.0	29.6			145.3
Options (OTC) and warrants	12.7	55.1	686.0	19.7	76.6	1,464.1
Options (exchange traded)						
Total	16.6	58.5	1,061.5	34.5	118.9	2,121.4
Equities / indices						
Forward contracts						
Swaps	8.9	39.1	333.6	8.9	84.9	585.7
Futures	0.1		324.5	0.0	0.1	304.1
Options (OTC) and warrants	10.9	460.2	3,295.7	6.4	455.9	6,092.2
Options (exchange traded)	280.4	727.1	17,918.7	180.2	353.6	12,003.0
Total	300.3	1,226.3	21,872.5	195.6	894.4	18,985.1
Credit derivatives						
Credit default swaps	5.7	1.1	250.6	7.2	1.2	363.2
Total	5.7	1.1	250.6	7.2	1.2	363.2
Other (including cryptocurrencies)						
Forward contracts						
Futures		0.2	184.7	0.0		163.2
Options (OTC) and warrants	0.2	67.2	18.1	0.0	58.1	93.3
Options (exchange traded)	1.1		82.6	0.1		0.7
Total	1.3	67.4	285.4	0.2	58.1	257.2
Total	426.4	1,505.0	42,614.2	372.2	1,215.6	38,502.0

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 or loss

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Debt instruments				
Listed	3,385.6	4,174.3	-788.7	-19
Unlisted	881.8	787.0	94.8	12
Total	4,267.4	4,961.3	-693.9	-14
Equity instruments				
Listed	0.0	0.0	0.0	
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	59.6	60.0	-0.4	-1
Total	59.6	60.0	-0.4	-1
Structured products	86.9	59.5	27.4	46
Total	4,415.6	5,082.7	-667.0	-13

Other financial liabilities at fair value through profit or loss

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Structured products				
Listed	5,311.2	5,489.2	-178.0	-3
Unlisted	5,800.8	4,924.5	876.3	18
Total	11,112.0	10,413.7	698.3	7
Debt instruments				
Listed				
Unlisted	90.1	372.6	-282.5	-76
Total	90.1	372.6	-282.5	-76
Total	11,202.1	10,786.3	415.8	4

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

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Mortgages	1,636.4	1,475.7	160.7	11
Other accounts receivable	5,492.2	4,927.0	565.2	11
Less expected credit losses	-26.1	-24.1	-2.0	
Total	7,102.5	6,378.6	723.9	11

Interest of CHF 6.6 M (previous year: CHF 2.2 M) on non-performing loans that had not yet been received was capitalized.

14 Financial investments

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Debt instruments¹				
Listed	1,485.9	2,133.4	-647.5	-30
Unlisted				
Total	1,485.9	2,133.4	-647.5	-30
Equity Instruments²				
Listed				
Unlisted	130.5	119.9	10.5	9
Total	130.5	119.9	10.5	9
Total financial investments	1,616.4	2,253.3	-636.9	-28

1 For information on expected credit losses on debt instruments, please refer to note 30 "Credit risks and impairment model".

2 Participation in SIX Group AG: CHF 110.4 M (previous year: CHF 99.7 M); other participations: CHF 20.1 M (previous year: CHF 20.2 M).

15 Investments in associates

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Balance at the beginning of the year	5.6	1.0	4.5	450
Increases		4.6	-4.6	-100
Decreases	0.7		0.7	
Share of comprehensive income	0.3	0.9	-0.6	-67
Dividends paid	-1.2	-0.9	-0.3	
Translation differences	-0.0	-0.0	0.0	
Total as at the balance sheet date	5.3	5.6	-0.3	-5

Refer to page 214 for details of associates.

16 Property, equipment and software

CHF M	RIGHT-OF-USE ASSETS	LEASEHOLD IMPROVE- MENTS	HARDWARE	OTHER FIXED ASSETS	SOFTWARE ¹	TOTAL
Acquisition cost						
Balance as of 01.01.2020	204.3	82.2	24.9	12.0	164.5	488.0
Additions	19.3	8.5	8.2	1.2	48.4	85.6
Disposals	-2.1	-2.4	-5.4	-0.8	-24.7	-35.4
Change in scope of consolidation						
Reclassification		0.1	3.6	-3.6		
Translation differences	-1.6	-0.5	-0.4	-0.2	-0.0	-2.7
Balance as of 31.12.2020	219.8	87.9	30.9	8.7	188.1	535.5
Additions	55.5	2.8	5.2	0.6	53.4	117.5
Disposals	-3.4	-4.0	-9.8	-2.2	-25.4	-44.8
Change in scope of consolidation						
Reclassification						
Translation differences	-0.2	0.1	0.2	-0.1	-0.1	-0.1
Balance as of 31.12.2021	271.9	86.8	26.5	6.9	215.9	608.1
Cumulative depreciation						
Balance as of 01.01.2020	-30.9	-37.0	-17.7	-5.3	-42.8	-133.5
Depreciation	-30.4	-10.1	-6.5	-0.7	-37.6	-85.3
Impairment losses	-0.3				-0.4	-0.8
Reversals						
Disposals	0.4	2.0	5.4	0.6	24.7	33.1
Change in scope of consolidation						
Reclassification						
Translation differences	0.5	0.4	0.4	0.2	0.0	1.5
Balance as of 31.12.2020	-60.8	-44.8	-18.3	-5.2	-56.1	-185.0
Depreciation	-30.6	-10.6	-6.4	-0.6	-38.6	-86.8
Impairment losses	-0.3	-0.3		-0.0	-2.2	-2.8
Reversals	0.3					0.3
Disposals	2.7	4.0	9.8	1.7	25.4	43.6
Change in scope of consolidation						
Reclassification						
Translation differences	0.1	-0.1	-0.2	-0.0	0.1	-0.1
Balance as of 31.12.2021	-88.6	-51.8	-15.1	-4.0	-71.3	-230.8
Net carrying values 31.12.2020	159.1	43.0	12.6	3.4	132.2	350.4
Net carrying values 31.12.2021	183.2	35.0	11.4	2.9	144.8	377.3

1 In the year under review and in the previous year, this relates exclusively to purchased software.

Property, equipment and software include right-of-use assets (see note 17 “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 will 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 tested 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 are recognized in the income statement.

17 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, is capitalised.

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 16.

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

	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Balance at the beginning of the year	157.6	173.2	-15.5	-9
Additions	55.3	19.1	36.2	190
Disposals	-0.7	-1.8	1.1	
Interest expense (+)/interest income (-)	-0.4	-0.2	-0.2	
Lease payments	-32.1	-31.5	-0.6	
Translation adjustments	0.1	-1.2	1.3	
Total as at the balance sheet date	179.9	157.6	22.3	14

The lease payments included in the above lease liabilities have the following terms:

Due dates of lease payments

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Due within 1 year	28.9	30.5	-1.6	-5
Due within 1 to 2 years	28.0	25.6	2.4	9
Due within 2 to 3 years	23.5	24.1	-0.6	-2
Due within 3 to 4 years	21.7	20.5	1.2	6
Due within 4 to 5 years	20.9	18.5	2.3	12
Due within 5 to 7 years	25.7	28.3	-2.6	-9
Due in more than 7 years	28.6	9.4	19.3	205
Total as at the balance sheet date	177.3	157.0	20.3	13

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, general expense included a charge of CHF 1.6 million (previous year: CHF 1.7 million) for short-term leases and of CHF 0.4 million (previous year: CHF 0.6 million) 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 million in the year under review (previous year: CHF 1.9 million).

18 Goodwill and other intangible assets

Goodwill and other intangible assets

CHF M	GOODWILL	CLIENT RELATIONS- SHIPS	BRANDS & COOPERATION AGREEMENT	TOTAL
Acquisition cost				
Balance as of 01.01.2020	487.4	96.8	29.5	613.6
Additions				
Disposals		-17.0	-0.5	-17.5
Change in scope of consolidation				
Reclassification				
Translation differences	-3.9	-1.0	-0.0	-4.9
Balance as of 31.12.2020	483.5	78.9	28.9	591.2
Additions				
Disposals		-4.5		-4.5
Change in scope of consolidation				
Reclassification				
Translation differences	1.3			1.3
Balance as of 31.12.2021	484.8	74.3	28.9	588.0
Cumulative depreciation				
Balance as of 01.01.2020		-32.4	-7.9	-40.3
Amortization		-9.5	-3.0	-12.5
Impairment losses				
Reversals				
Disposals		17.0	0.5	17.5
Change in scope of consolidation				
Reclassification				
Translation differences		0.9	0.0	0.9
Balance as of 31.12.2020		-24.1	-10.3	-34.4
Amortization		-8.2	-2.9	-11.1
Impairment losses				
Reversals				
Disposals		4.5		4.5
Change in scope of consolidation				
Reclassification				
Translation differences				
Balance as of 31.12.2021		-27.8	-13.2	-41.0
Net carrying values 31.12.2020	483.5	54.7	18.5	556.8
Net carrying values 31.12.2021	484.8	46.5	15.7	547.0

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

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Client Unit Wealth Management	308.0	308.0		
Southern & Western Switzerland, Italy and Middle East business unit	21.8	21.8		
Client Unit Asset Management	63.0	62.9	0.1	0
Fixed Income business unit	56.9	55.7	1.2	2
Multi Asset business unit	35.0	35.0		
Total	484.8	483.5	1.4	0

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 carrying amount 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 carrying amount 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 carrying amount 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 tangible shareholders' equity. Tangible equity corresponds to reported shareholders' equity less intangible assets (mainly goodwill and client relationships), including deferred taxes. The implicit multiplier for assets under management 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 carrying amount of the organizational unit exceeds the fair value calculated using the adjusted multiplier less costs to sell, the carrying amount is subsequently compared with the value in use of the organizational unit.

Multiplier

IN %	2021	2020
Client Unit Wealth Management	2.2	1.7
Southern & Western Switzerland, Italy and Middle East business unit	2.8	2.1
Client Unit Asset Management	1.2	1.0
Fixed Income business unit	1.0	0.9
Multi Asset business unit	0.6	0.6

The fair value calculated using these multipliers less costs to sell exceeded the carrying amount 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 carrying amount of an organizational unit significantly exceeding its recoverable amount. Fair value less costs to sell is a level 3 position in the fair value hierarchy defined in IFRS 13.

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 their useful life of five to ten years. The other intangible assets are tested 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 are recognized in the income statement. No other intangible assets with an indefinite useful life are capitalized in Vontobel's balance sheet.

19 Other assets

	NOTE	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
		CHF M	CHF M	CHF M	IN %
Accrued income and prepaid expenses		173.6	172.7	0.9	1
Current tax assets		15.5	16.8	-1.4	-8
Deferred tax assets	9	15.8	23.9	-8.0	-33
Value-added tax and other tax receivables		100.9	66.9	33.9	51
Defined benefit pension asset	37	60.2	0.0	60.2	
Settlement and clearing accounts		3.3	1.0	2.4	240
Open settlement positions		285.1	317.6	-32.5	-10
Other		40.5	53.7	-13.2	-25
Total		695.0	652.7	42.3	6

20 Securities financing transactions

	31.12.2021		31.12.2020	
	CASH COLLATERAL FOR		CASH COLLATERAL FOR	
CHF M	SECURITIES BORROWING AGREEMENTS	REVERSE- REPURCHASE AGREEMENTS	SECURITIES BORROWING AGREEMENTS	REVERSE- REPURCHASE AGREEMENTS
Securities financing transactions due from banks	18.8	1,001.1	16.5	1,238.9
Securities financing transactions due from customers		827.8		
Total receivables from securities financing transactions	18.8	1,828.9	16.5	1,238.9

	31.12.2021		31.12.2020	
	CASH COLLATERAL FROM		CASH COLLATERAL FROM	
CHF M	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS	SECURITIES LENDING AGREEMENTS	REPURCHASE AGREEMENTS
Securities financing transactions due to banks	2.4	10.4	46.0	256.6
Securities financing transactions due to customers				
Total payables from securities financing transactions	2.4	10.4	46.0	256.6

21 Transferred and pledged assets

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Securities financing transactions ¹	325.8	365.7	-39.9	-11
Trading portfolio assets	287.1	209.2	77.8	37
Other financial assets at fair value	38.0	58.9	-20.9	-35
Financial investments	0.7	97.6	-96.8	-99
Other transactions	239.2	26.9	212.3	789
Total transferred assets	565.0	392.7	172.3	44
Trading portfolio assets	496.1	227.9	268.2	118
Debt instruments	15.3	27.7	-12.4	-45
Equity instruments	480.8	200.2	280.6	140
Other				
Other financial assets at fair value	38.0	67.1	-29.1	-43
Debt instruments	22.0	29.2	-7.2	-25
Equity instruments	14.8	31.7	-16.9	-53
Other	1.2	6.3	-5.1	-81
Financial investments	30.9	97.6	-66.7	-68
Other assets				
Total transferred assets	565.0	392.7	172.3	44
<i>of which those where the right to sell or repledge the assets has been assigned without restriction</i>	<i>565.0</i>	<i>392.7</i>	<i>172.3</i>	<i>44</i>
Pledged assets	1,205.7	621.9	583.8	94
Total pledged assets	1,205.7	621.9	583.8	94

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 centers 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

22 Saleable or pledgeable securities not recorded in the balance sheet

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Securities financing transactions ¹	2,227.0	1,462.8	764.1	52
Other transactions	60.6	102.6	-42.0	-41
Total fair value of securities received that can be sold or repledged	2,287.6	1,565.4	722.2	46
<i>of which securities sold or repledged</i>	<i>741.5</i>	<i>1,078.5</i>	<i>-337.0</i>	<i>-31</i>

The table shows the fair value of 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

23 Debt issued

	INTEREST RATE IN %	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
				CHF M	IN %
Vontobel Holding AG					
Additional Tier 1 (AT1) Bond	2.625	449.1	448.6	0.5	0
Total		449.1	448.6	0.5	0

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 million 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 reset as the total of the CHF Compounded SARON Mid-Market Swap Rate +0.0741% for five years that is applicable at the time (but at least 0%) and a margin of 2.6050%. 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 fund 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 percent, the AT1 bond will be written down to the extent required in order for the threshold of 7 percent to be reached again or exceeded. After a partial or complete writedown of the AT1 bond, a future reversal of the writedown is neither planned nor permitted.

24 Provisions

CHF M	PROVISIONS FOR LITIGATION RISKS	PROVISIONS FOR REINSTATEMENT OBLIGATIONS	OTHER	2021 TOTAL	2020 TOTAL
Balance at the beginning of the year	14.0	3.0	1.1	18.2	19.4
Utilization in conformity with designated purpose	-4.5	-0.0	-0.1	-4.6	-1.8
Increase in provisions recognized in the income statement	2.0		1.0	3.0	1.1
Release of provisions recognized in the income statement	-0.3	-0.0	-0.0	-0.4	-0.7
Increase in provisions not recognized in the income statement		0.1		0.1	0.2
Recoveries					
Change in scope of consolidation					
Translation differences	-0.0	-0.0	-0.0	-0.0	0.0
Provisions as at the balance sheet date	11.2	3.1	2.1	16.3	18.2

Other provisions consist of provisions for expected credit losses of off-balance positions and other liabilities.

A provision is recognized if, as a result of a past event, Vontobel has 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". Expected credit losses on off-balance-sheet positions are recorded in "Net interest income", reinstatement obligations are recorded in "Property, equipment and software". 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, as a result of a past event, there is 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.

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 counsel is consulted to determine whether this is the case.

25 Other liabilities

	NOTE	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
				CHF M	IN %
Accrued expenses and deferred income		425.9	359.6	66.3	18
Current tax liabilities		53.7	37.8	15.9	42
Deferred tax liabilities	9	75.6	73.0	2.5	3
Defined benefit pension liabilities	37		43.0	-43.0	-100
Value-added tax and other tax liabilities		17.3	12.5	4.8	38
Settlement and clearing accounts		98.2	2.6	95.6	
Open settlement positions		183.6	394.8	-211.2	-53
Liability to purchase minority interests			163.6	-163.6	-100
Lease liabilities	17	179.9	157.6	22.3	14
Others		44.9	41.7	3.2	8
Total		1,079.1	1,286.3	-207.2	-16

26 Share capital

Share capital

	SHARE CAPITAL		AUTHORIZED CAPITAL		NUMBER OF OUTSTANDING SHARES ¹
	NUMBER OF SHARES	PAR VALUE CHF M	NUMBER OF SHARES	PAR VALUE CHF M	
Balance as of 01.01.2019	56,875,000	56.9			55,284,456
Balance as of 31.12.2019	56,875,000	56.9			55,433,353
Balance as of 31.12.2020	56,875,000	56.9			55,752,302
Balance as of 31.12.2021	56,875,000	56.9			55,235,116

The share capital is fully paid in.

1 Share capital excluding treasury shares

Treasury shares

	NUMBER	CHF M
Balance as of 01.01.2020	1,441,647	84.2
Purchases	956,806	55.9
Decreases	-1,275,755	-74.2
Balance as of 31.12.2020	1,122,698	65.9
Purchases	1,780,886	137.6
Decreases	-1,263,700	-79.1
Balance as of 31.12.2021	1,639,884	124.4

As of 31.12.2021 Vontobel held 7,460 (previous year: 4,449) 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 2021 and 2020, the Board of Directors did not apply for the creation of authorized capital.

Contingent share capital

There is no contingent share capital.

27 Unrealized gains and losses on financial investments

CHF M	31.12.2021		31.12.2020	
	UNREALIZED GAINS	UNREALIZED LOSSES	UNREALIZED GAINS	UNREALIZED LOSSES
Debt instruments ¹	6.6	-7.6	23.7	-1.2
Equity instruments ²	98.3	-0.3	88.1	-0.3
Total before taxes	104.9	-7.9	111.8	-1.5
Taxes	-19.6	1.4	-20.6	0.2
Total net of tax³	85.2	-6.5	91.1	-1.2

1 Unrealized gains and losses are included in the balance sheet item "Other components of shareholders' equity".

2 Unrealized gains and losses are included in the balance sheet item "Retained earnings".

3 The total amount net of tax includes exchange rate differences in the amount of CHF -0.4 M (previous year: CHF -0.4 M).

Risk related to balance sheet positions

28 Liquidity risk

CHF M	DEMAND	DUE WITHIN 3 MONTHS	DUE WITHIN 3 TO 12 MONTHS	DUE WITHIN 1 TO 5 YEARS	DUE AFTER 5 YEARS	31.12.2021 TOTAL
Maturity structure of assets and liabilities						
Assets						
Cash	7,835.0					7,835.0
Due from banks	916.8		0.0			916.8
Receivables from securities financing transactions	18.8	1,828.9				1,847.7
Trading portfolio assets	6,612.8					6,612.8
Positive replacement values	426.4					426.4
Other financial assets at fair value	4,415.6					4,415.6
Loans	105.6	3,100.1	1,298.1	1,614.0	984.6	7,102.5
Financial investments	130.5	223.5	270.7	907.9	83.8	1,616.4
Investments in associates ¹					5.3	5.3
Property, equipment and software ¹					377.3	377.3
Goodwill and other intangible assets ¹					547.0	547.0
Other assets	695.0					695.0
Total assets	21,156.5	5,152.5	1,568.9	2,521.9	1,998.1	32,397.9
Liabilities						
Due to banks	982.7	0.0				982.7
Payables from securities financing transactions	2.4	10.4				12.7
Trading portfolio liabilities	288.6					288.6
Negative replacement values	1,505.0					1,505.0
Other financial liabilities at fair value	11,202.1					11,202.1
Due to customers	14,763.3	30.0				14,793.3
Debt issued				449.1		449.1
Provisions		0.1	0.2	13.7	2.3	16.3
Other liabilities	899.2	7.8	21.8	95.6	54.6	1,079.1
Total liabilities	29,643.3	48.2	22.1	558.5	56.9	30,329.0
Off-balance sheet						
Contingent liabilities and irrevocable commitments	476.4		0.0	0.1	0.2	476.8

1 Immobilized

Further information on liquidity risks can be found in section 4 of the notes on risk management and risk control.

CHF M	DEMAND	DUE WITHIN 3 MONTHS	DUE WITHIN 3 TO 12 MONTHS	DUE WITHIN 1 TO 5 YEARS	DUE AFTER 5 YEARS	31.12.2020 TOTAL
Maturity structure of assets and liabilities						
Assets						
Cash	6,449.0					6,449.0
Due from banks	738.0	0.0	0.0		0.2	738.2
Receivables from securities financing transactions		1,255.4				1,255.4
Trading portfolio assets	7,327.4					7,327.4
Positive replacement values	372.2					372.2
Other financial assets at fair value	5,082.7					5,082.7
Loans	66.3	2,891.8	1,107.7	1,404.5	908.3	6,378.6
Financial investments	119.9	75.6	385.1	1,413.4	259.4	2,253.3
Investments in associates ¹					5.6	5.6
Property, equipment and software ¹					350.4	350.4
Goodwill and other intangible assets ¹					556.8	556.8
Other assets	652.7					652.7
Total assets	20,808.3	4,222.8	1,492.8	2,817.8	2,080.6	31,422.4
Liabilities						
Due to banks	654.3	61.5				715.8
Payables from securities financing transactions		302.5				302.5
Trading portfolio liabilities	111.0					111.0
Negative replacement values	1,215.6					1,215.6
Other financial liabilities at fair value	10,786.3					10,786.3
Due to customers	14,646.5					14,646.5
Debt issued				448.6		448.6
Provisions			0.6	15.3	2.4	18.2
Other liabilities	965.1	7.6	23.6	252.6	37.4	1,286.3
Total liabilities	28,378.7	371.6	24.2	716.5	39.8	29,530.8
Off-balance sheet						
Contingent liabilities and irrevocable commitments	343.9	59.8		0.0	0.2	404.0

¹ Immobilized

29 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 M	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2021 TOTAL
Assets				
Trading portfolio assets	4,340.4	2,272.1	0.3	6,612.8
Debt instruments	147.2	48.1		195.3
Equity instruments	3,789.9		0.3	3,790.2
Units in investment funds	403.3		0.0	403.3
Precious metals		1,655.1		1,655.1
Cryptocurrencies		569.0		569.0
Positive replacement values		426.4		426.4
Other financial assets at fair value	3,268.7	1,142.1	4.8	4,415.6
Debt instruments ¹	3,212.1	1,055.3		4,267.4
Equity instruments	0.0		1.8	1.8
Units in investment funds	56.6		3.0	59.6
Structured products		86.9		86.9
Financial investments	1,466.9	19.0	130.5	1,616.4
Debt instruments	1,466.9	19.0		1,485.9
Equity instruments			130.5	130.5
Total financial assets at fair value	9,076.1	3,859.6	135.5	13,071.2
Liabilities				
Trading portfolio liabilities	277.7	11.0		288.6
Debt instruments	70.4	11.0		81.4
Equity instruments	207.3			207.3
Negative replacement values		1,505.0		1,505.0
Other financial liabilities at fair value ²		11,202.1		11,202.1
Structured products		11,112.0		11,112.0
Debt instruments		90.1		90.1
Other liabilities			1.2	1.2
Total financial liabilities at fair value	277.7	12,718.0	1.2	12,996.9

1 In the case of debt instruments measured at fair value through profit and loss, the difference between the carrying amount (fair value) and the contractually agreed redemption amount at maturity was CHF 17.8 M.

2 Level 2 of the balance sheet item "Other financial liabilities at fair value" comprises listed issued products with a fair value of CHF 5,311.2 M.

CHF M	LEVEL 1	LEVEL 2	LEVEL 3	31.12.2020 TOTAL
Assets				
Trading portfolio assets	7,235.1	92.2	0.0	7,327.4
Debt instruments	227.6	92.2		319.8
Equity instruments	3,021.2		0.0	3,021.2
Units in investment funds	276.5		0.0	276.5
Precious metals	2,724.3			2,724.3
Cryptocurrencies	985.5			985.5
Positive replacement values		372.2		372.2
Other financial assets at fair value	3,992.2	1,085.3	5.2	5,082.8
Debt instruments ¹	3,935.4	1,025.8		4,961.3
Equity instruments	0.0		1.9	1.9
Units in investment funds	56.7	0.0	3.3	60.0
Structured products		59.5		59.5
Financial investments	2,078.3	55.0	119.9	2,253.3
Debt instruments	2,078.3	55.0		2,133.4
Equity instruments			119.9	119.9
Total financial assets at fair value	13,305.6	1,604.8	125.2	15,035.6
Liabilities				
Trading portfolio liabilities	103.7	7.3		111.0
Debt instruments	64.1	7.3		71.4
Equity instruments	39.6			39.6
Negative replacement values		1,215.6		1,215.6
Other financial liabilities at fair value ²		10,786.3		10,786.3
Structured products		10,413.7		10,413.7
Debt instruments		372.6		372.6
Other liabilities			165.6	165.6
Total financial liabilities at fair value	103.7	12,009.1	165.6	12,278.5

1 In the case of debt instruments measured at fair value through profit and loss, the difference between the carrying amount (fair value) and the contractually agreed redemption amount at maturity was CHF 68.2 M.

2 Level 2 of the balance sheet item "Other financial liabilities at fair value" comprises listed issued products with a fair value of CHF 5,489.2 M.

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 debt instruments issued by public sector entities and companies, as well as investment funds for which a binding net asset value is published at least daily.

Mid-market prices are used for the valuation of debt 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 debt instruments, bid prices are used in the case of long positions and ask prices in the case of short positions. For equity instruments and listed investment funds, the closing prices of the relevant markets are used.

Published net asset values are used in the case of unlisted investment funds. For foreign currencies, 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. This mainly includes derivatives, products issued by Vontobel and debt instruments issued by public sector entities and companies with reduced market liquidity, investment funds for which a binding net asset value is published at least quarterly, precious metals and cryptocurrencies.

Generally accepted valuation models and quoted prices in markets that are not active are used to determine the fair value of derivatives, including option components of structured products. 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 debt 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 debt instruments for which no quoted prices are available is carried out using generally accepted methods. Published net asset values are used in the case of investment funds. For precious metals and cryptocurrencies, the fair value is derived from the prices of the corresponding futures.

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 primarily include several unlisted equity instruments in financial investments.

The fair value of these equity instruments is based on the proportionate share of the net asset value, taking account of any further valuation-relevant factors.

The liability to acquire minority interests of 40 percent in TwentyFour Asset Management LLP was derecognized following the full acquisition of the subsidiary on June 30, 2021. See note 43 for further information.

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 M	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INVESTMENTS	2021 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES ¹	2021 TOTAL FINANCIAL LIABILITIES
Balance sheet					
Holdings at the beginning of the year	5.2	119.9	125.2	-165.6	-165.6
Additions in scope of consolidation					
Disposals from scope of consolidation					
Investments	0.0	0.3	0.3		
Disposals	-0.1		-0.1		
Redemptions	-0.1		-0.1	291.1	291.1
Net gains/(losses) recognized in the income statement	-0.3		-0.3	-24.6	-24.6
Net gains/(losses) recognized in other comprehensive income		10.2	10.2		
Change recognized in shareholders' equity				-102.1	-102.1
Reclassifications to level 3	0.3		0.3		
Reclassifications from level 3					
Translation differences					
Total book value at balance sheet date	5.1	130.5	135.5	-1.2	-1.2
Income in the financial year on holdings on balance sheet date					
Net gains/(losses) recognized in the income statement	-0.0		-0.0		
Net gains/(losses) recognized in other comprehensive income		10.2	10.2		

1 This item contains the liability to acquire minority interests in TwentyFour Asset Management LLP (31.12.2021: n/a; 31.12.2020: CHF 163.6 M) and the liability from an earn-out-agreement relating to the acquisition of the US-based private clients portfolio of Lombard Odier (31.12.2021: CHF 1.2 M; 31.12.2020: CHF 2.0 M).

CHF M	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL INVESTMENTS	2020 TOTAL FINANCIAL ASSETS	OTHER LIABILITIES ¹	2020 TOTAL FINANCIAL LIABILITIES
Balance sheet					
Holdings at the beginning of the year	5.6	118.1	123.7	-117.2	-117.2
Additions in scope of consolidation					
Disposals from scope of consolidation					
Investments	0.0		0.0		
Disposals					
Redemptions	-0.1		-0.1	0.9	0.9
Net gains/(losses) recognized in the income statement	-0.2		-0.2	-0.8	-0.8
Net gains/(losses) recognized in other comprehensive income		1.8	1.8		
Change recognized in shareholders' equity				-55.3	-55.3
Reclassifications to level 3	0.0		0.0		
Reclassifications from level 3					
Translation differences				6.6	6.6
Total book value at balance sheet date	5.2	119.9	125.2	-165.6	-165.6
Income in the financial year on holdings on balance sheet date					
Net gains/(losses) recognized in the income statement	-0.2		-0.2	-0.8	-0.8
Net gains/(losses) recognized in other comprehensive income		1.8	1.8		

¹ This item contains the liability to acquire minority interests in TwentyFour Asset Management LLP (31.12.2020: CHF 163.6 M; 31.12.2019: CHF 114.2 M) and the liability from an earn-out-agreement relating to the acquisition of the US-based private clients portfolio of Lombard Odier (31.12.2020: CHF 2.0 M; 31.12.2019: CHF 3.0 M).

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 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

A change in the net asset value of unlisted equity instruments 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

For level 1 and level 2 instruments, any difference between the transaction price and 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. It is recorded in “Other comprehensive income” in the case of financial investments.

For level 3 instruments, “day 1 profit” is deferred and only recognized through profit or loss at a later point in time. During the financial year and the previous year, no level 3 instruments with deferred “day 1 profit” were recorded.

Reclassifications within the fair value hierarchy

In 2021 (previous year), positions with a fair value of CHF 162.0 million (CHF 291.7 million) were reclassified from level 1 to level 2 and positions with a fair value of CHF 127.7 million (CHF 170.4 million) 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. Refer to section 4.2 of the accounting principles for information on the reclassification of precious metals and cryptocurrencies.

b) Financial instruments measured at amortized cost

The following table shows the carrying amount, estimated fair value and assignment to the fair value hierarchy of those financial instruments that are measured at amortized cost.

Financial instruments measured at amortized cost

				31.12.2021		31.12.2020	
CHF M	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE TOTAL	BOOK VALUE TOTAL	FAIR VALUE TOTAL	BOOK VALUE TOTAL
Assets							
Cash	7,835.0			7,835.0	7,835.0	6,449.0	6,449.0
Due from banks		916.8		916.8	916.8	738.2	738.2
Receivables from securities financing transactions		1,847.7		1,847.7	1,847.7	1,255.4	1,255.4
Loans		7,248.8		7,248.8	7,102.5	6,565.9	6,378.6
Other assets ¹	26.0	476.6		502.6	502.6	545.0	545.0
Total	7,861.0	10,489.8		18,350.9	18,204.6	15,553.7	15,366.3
Liabilities							
Due to banks		982.7		982.7	982.7	715.8	715.8
Payables from securities financing transactions		12.7		12.7	12.7	302.5	302.5
Due to customers		14,793.3		14,793.3	14,793.3	14,646.5	14,646.5
Debt issued	456.1			456.1	449.1	456.8	448.6
Other liabilities ¹	0.2	751.2		751.4	751.4	796.7	796.7
Total	456.3	16,540.0		16,996.2	16,989.3	16,918.2	16,910.1

1 The item 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 carrying amount corresponds closely 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 the AT1 bond, the ask price is used.

30 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 M	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION ¹	31.12.2021 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash ²	7,835.0		7,835.0
Due from banks	916.8	389.9	526.9
Receivables from securities financing transactions	1,847.7	1,847.2	0.5
Trading portfolio assets (debt instruments)	195.3		195.3
Positive replacement values	426.4	412.9	13.5
Other financial assets at fair value (debt instruments)	4,267.4		4,267.4
Loans	7,102.5	6,676.7	425.8
Financial investments (debt instruments)	1,485.9		1,485.9
Other assets	502.6	285.1	217.5
Exposure from credit default swaps ³	170.9		170.9
Off-balance-sheet positions	437.2	403.3	33.8
Total	25,187.7	10,015.2	15,172.5

CHF M	CREDIT RISK BEFORE CREDIT RISK MITIGATION	CREDIT RISK MITIGATION ¹	31.12.2020 CREDIT RISK AFTER CREDIT RISK MITIGATION
Positions with credit risks			
Cash ²	6,449.0		6,449.0
Due from banks	738.2	398.3	339.9
Receivables from securities financing transactions	1,255.4	1,253.1	2.3
Trading portfolio assets (debt instruments)	319.8		319.8
Positive replacement values	372.2	363.1	9.1
Other financial assets at fair value (debt instruments)	4,961.3		4,961.3
Loans	6,378.6	5,971.0	407.6
Financial investments (debt instruments)	2,133.4		2,133.4
Other assets	545.0	317.6	227.3
Exposure from credit default swaps ³	262.8		262.8
Off-balance-sheet positions	365.6	329.6	36.0
Total	23,781.4	8,632.8	15,148.6

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 item "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 mainly comprise 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 M	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2021 TOTAL
Cash	7,523.6	311.4				7,835.0
Due from banks	798.3	48.6	55.2	0.3	14.4	916.8
Receivables from securities financing transactions	1,828.9	18.8				1,847.7
Loans	2,934.3	2,069.0	255.6	426.1	1,417.5	7,102.5
Financial investments (debt instruments)	133.3	669.9	321.3	341.3	20.1	1,485.9
Other assets	426.5	64.0	6.5	4.7	0.9	502.6
Off-balance sheet	219.9	156.7	4.8	24.1	31.7	437.2
Total	13,864.8	3,338.4	643.4	796.5	1,484.6	20,127.7

CHF M	SWITZERLAND	EUROPE EXCL. SWITZERLAND	NORTH AMERICA	ASIA	OTHERS	31.12.2020 TOTAL
Cash	6,081.0	367.4	0.7			6,449.0
Due from banks	567.7	92.3	61.1	10.9	6.3	738.2
Receivables from securities financing transactions	9.0	400.5	845.9			1,255.4
Loans	3,095.3	1,445.3	560.4	262.2	1,015.5	6,378.6
Financial investments (debt instruments)	464.3	670.8	535.7	306.0	156.5	2,133.4
Other assets	492.7	38.1	9.7	1.7	2.7	545.0
Off-balance sheet	183.5	123.4	11.5	11.9	35.2	365.6
Total	10,893.6	3,137.7	2,025.0	592.7	1,216.3	17,865.3

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 M	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL COUNTER- PARTIES	OTHERS	31.12.2021 TOTAL
Cash	7,835.0					7,835.0
Due from banks		916.8				916.8
Receivables from securities financing transactions		1,847.7				1,847.7
Loans				7,102.5		7,102.5
Financial investments (debt instruments)	254.9	542.7	425.6		262.7	1,485.9
Other assets		25.6		114.9	362.1	502.6
Off-balance sheet		34.5		402.7	0.0	437.2
Total	8,089.9	3,367.3	425.6	7,620.1	624.8	20,127.7

CHF M	GOVERNMENTS AND CENTRAL BANKS	BANKS	PUBLIC BODIES	PRIVATE AND INSTITUTIONAL COUNTER- PARTIES	OTHERS	31.12.2020 TOTAL
Cash	6,449.0					6,449.0
Due from banks		738.2				738.2
Receivables from securities financing transactions		1,255.4				1,255.4
Loans				6,378.6		6,378.6
Financial investments (debt instruments)	178.4	599.8	502.2		852.9	2,133.4
Other assets		27.8		124.6	392.5	545.0
Off-balance sheet		77.9	34.7	163.2	89.8	365.6
Total	6,627.5	2,699.3	537.0	6,666.4	1,335.1	17,865.3

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.

	31.12.2021			31.12.2020		
CHF M	12-MONTH LOSSES	LIFETIME LOSSES	TOTAL	12-MONTH LOSSES	LIFETIME LOSSES	TOTAL
Cash ¹						
Due from banks ¹	0.3		0.3	0.1	0.0	0.2
Receivables from securities financing transactions ¹						
Loans ¹	0.2	25.9	26.1	0.3	23.9	24.1
Financial investments (debt instruments) ²	0.3	0.0	0.3	0.5	0.0	0.5
Other assets ¹		5.1	5.1		5.1	5.1
Off-balance sheet ³	0.0		0.0	0.0		0.0
Total	0.8	31.0	31.8	0.9	29.0	29.9

1 Expected losses were deducted from the balance sheet item.

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 debt 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.

EXPECTED CREDIT LOSSES FROM IMPAIRED LOANS	2021	2020	CHANGE TO 2020	
	CHF M	CHF M	CHF M	IN %
Balance at the beginning of the year	28.4	26.1	2.3	9
Utilization in conformity with designated purpose	-11.2	-0.0	-11.2	
Doubtful interest income	0.3	1.7	-1.4	-82
Recoveries				
Increase / (decrease) recognized in the income statement, net	6.5	0.6	5.9	983
Change in scope of consolidation				
Reclassification				
Currency translation adjustments				
Allowances as at the balance sheet date	24.1	28.4	-4.3	-15

IMPAIRED LOANS	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Impaired loans	36.6	32.9	3.7	11
Estimated proceeds of liquidating collateral	4.5	4.5	0.0	
Impaired loans, net	32.1	28.4	3.7	13

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)

CHF M	STAGE 1	STAGE 2 & 3	31.12.2021	STAGE 1	STAGE 2 & 3	31.12.2020
			TOTAL			TOTAL
AAA-AA	3.3		3.3	45.9		45.9
A	523.6		523.6	289.2		289.2
BBB-BB				1.9	1.7	3.6
B						
CCC-CC						
C						
D						
without rating					1.3	1.3
Total	526.9		526.9	336.9	3.0	339.9

Loans (mortgages)

CHF M	STAGE 1	STAGE 2 & 3	31.12.2021	STAGE 1	STAGE 2 & 3	31.12.2020
			TOTAL			TOTAL
Internal rating 1-2	1,315.9		1,315.9	1,187.1		1,187.1
Internal rating 3-4	300.2		300.2	263.6		263.6
Internal rating 5-6	14.2		14.2	18.2		18.2
Internal rating 7-8		6.1	6.1		6.8	6.8
Total	1,630.3	6.1	1,636.4	1,468.9	6.8	1,475.7

Loans (rating of third-party guarantor)

CHF M	31.12.2021			31.12.2020		
	STAGE 1	STAGE 2 & 3	TOTAL	STAGE 1	STAGE 2 & 3	TOTAL
AAA-AA	2.2		2.2	22.8		22.8
A	52.0		52.0	82.2		82.2
BBB-BB	0.5		0.5	32.9		32.9
B						
CCC-CC						
C						
D						
without rating		7.6	7.6			
Total	54.7	7.6	62.3	137.9		137.9

Financial investments (debt instruments)

CHF M	31.12.2021			31.12.2020		
	STAGE 1	STAGE 2 & 3	TOTAL	STAGE 1	STAGE 2 & 3	TOTAL
AAA-AA	1,132.2		1,132.2	1,440.3		1,440.3
A	340.5		340.5	673.5		673.5
BBB-BB	13.2		13.2	19.4		19.4
B						
CCC-CC						
C						
D						
without rating					0.2	0.2
Total	1,485.9		1,485.9	2,133.2	0.2	2,133.4

31 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 offset essentially only becomes enforceable following a default event or other circumstances not expected to arise in the normal course of business. Consequently, financial instruments covered by a netting agreement do not meet the requirements for balance sheet offsetting, which is why the carrying amounts of the corresponding financial instruments are not offset on the balance sheet.

Financial assets

CHF M	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL RECEIVED	UNSECURED AMOUNT
Positive replacement values	426.4		426.4	82.2	330.7	13.5
Receivables from securities financing transactions	1,847.7		1,847.7		1,847.2	0.5
Total 31.12.2021	2,274.1		2,274.1	82.2	2,177.9	14.0

Financial liabilities

CHF M	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL PROVIDED	UNSECURED AMOUNT
Negative replacement values ¹	937.4		937.4	82.2	826.8	28.4
Payables from securities financing transactions	12.7		12.7		12.7	
Total 31.12.2021	950.2		950.2	82.2	839.5	28.4

1 Negative replacement values in the amount of CHF 567.6 M are not included in the table because the corresponding derivatives are not covered by a netting agreement.

Financial assets

CHF M	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL RECEIVED	UNSECURED AMOUNT
Positive replacement values	372.2		372.2	102.9	260.2	9.1
Receivables from securities financing transactions	1,255.4		1,255.4		1,253.1	2.3
Total 31.12.2020	1,627.6		1,627.6	102.9	1,513.3	11.4

Financial liabilities

CHF M	AMOUNT BEFORE BALANCE SHEET OFFSETTING	BALANCE SHEET OFFSETTING	BOOK VALUE	FINANCIAL INSTRUMENTS NOT OFFSET	COLLATERAL PROVIDED	UNSECURED AMOUNT
Negative replacement values ¹	677.6		677.6	102.9	550.3	24.4
Payables from securities financing transactions	302.5		302.5		302.1	0.4
Total 31.12.2020	980.1		980.1	102.9	852.4	24.8

1 Negative replacement values in the amount of CHF 538.0 M are not included in the table because the corresponding derivatives are not covered by a netting agreement.

32 IBOR reform

Background

As part of the IBOR reform, existing reference rates (IBOR rates) will be replaced by overnight alternative reference rates. In March 2021, the UK's Financial Conduct Authority (FCA) announced that it intends to cease publication of all London Interbank Offered Rate (LIBOR) settings for the currencies CHF, EUR, GBP and JPY, as well as the 1 week and 2 month USD LIBOR settings, after December 31, 2021. For the other USD LIBOR settings, publication will cease immediately after June 30, 2023.

In the case of IBOR-based financial instruments that will mature before IBOR cessation, there is basically no need for action to be taken. However, IBOR-based financial instruments with maturities extending beyond IBOR cessation must be changed to an alternative reference rate. Particular attention must be paid to IBOR-based financial instruments without legally or operationally robust fallback clauses or written agreements concerning an alternative reference rate ("tough legacy"). Vontobel did not hold any tough legacy positions as of December 31, 2021.

Implementation of the IBOR reform by Vontobel

A Group-wide project team will ensure the timely implementation of the IBOR reform across all areas of Vontobel. The status of the implementation process is shown below:

- CHF, EUR, GBP, JPY: As of December 31, 2021, Vontobel had adjusted all LIBOR-based positions in these currencies.
In the case of the Additional Tier 1 bond in CHF, the reset margin for the coupon for the next five years (applicable for the first time from October 31, 2023) will be left unchanged at 2.6050 % in accordance with market practice and the ISDA 2020 IBOR Fallbacks Protocol, and the CHF Compounded SARON Mid-Market Swap Rate +0.0741% will now be used as the reference rate.
- OTC derivatives: Most OTC derivatives are based on master agreements issued by the International Swaps and Derivatives Association (ISDA). Due to the IBOR reform, the ISDA published the IBOR Fallbacks Protocol for existing LIBOR-based contracts and the IBOR Fallbacks Supplement for new LIBOR-based contracts in October 2020. The amendments to the ISDA master agreement enter into effect for all contracts operating under ISDA between two counterparties provided both parties have signed the new ISDA fallback documents. Vontobel signed the relevant documents in November 2020. The Swiss Bankers Association has adapted the Swiss master agreement for OTC derivatives accordingly. As of December 31, 2021,

Vontobel still held total return swaps and interest rate swaps based on USD LIBOR.

- Issued products: As of December 31, 2021, credit-linked notes based on USD LIBOR were still outstanding.
- Floating rate notes (FRNs): As of December 31, 2021, Vontobel still held FRNs from third-party issuers based on the USD LIBOR. The issuer is, in principle, responsible for switching these FRNs to an alternative reference rate. Vontobel is monitoring the situation and will, if necessary, dispose of the FRNs before June 30, 2023.

As of December 31, 2021, total return swaps and interest rate swaps with a positive replacement value of CHF 1.4 million or a negative replacement value of CHF 6.2 million and a nominal value totaling CHF 201.5 million, as well as credit-linked notes and floating rate notes totaling CHF 0.5 million and CHF 53.8 million, were recognized that are based on USD LIBOR and have to be migrated to an alternative interest rate before expiration.

Based on the status of implementation work and the steps that have additionally been initiated or are planned, Vontobel will – where required – be able to transition the remaining IBOR-based financial instruments to an alternative reference rate within the prescribed timeframe.

Risks

The IBOR reform entails economic, legal, operational and other risks. In connection with the implementation of the IBOR reform, the project team is identifying, managing and monitoring the corresponding risks. The IBOR reform did not lead to any changes in Vontobel's risk management strategy.

Off-balance sheet business and other information

33 Off-balance sheet business

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Contingent liabilities				
Credit guarantees ¹	322.7	238.8	83.9	35
Performance guarantees	1.0	2.7	-1.7	-63
Other contingent liabilities ²	41.0	40.2	0.8	2
Total	364.7	281.6	83.1	30
Irrevocable commitments				
Undrawn irrevocable credit facilities ³	112.2	122.4	-10.2	-8
of which payment obligations to client deposit protections	31.3	34.2	-2.8	-8

1 This item consists primarily of guarantee obligations issued in connection with client relationships.

2 This item consists primarily of contingent liabilities related to litigation.

3 This item consists primarily of irrevocable lending commitments and loan repayment commitments as well as the payment obligations to client deposit protections.

The allocation of components to contingent liabilities and irrevocable commitments was refined and the prior year was amended accordingly. Of the aggregate sum of CHF 476.8 M (previous year: CHF 404.0 M) comprising contingent liabilities and irrevocable commitments, a total of CHF 403.3 M (previous year: CHF 329.7 M) is secured by recognized collateral and CHF 73.5 M (previous year: CHF 74.3 M) is unsecured.

	31.12.2021 CHF M	31.12.2020 CHF M	CHANGE TO 31.12.2020	
			CHF M	IN %
Commitments for capital increases and capital contributions				
Commitments for capital increases and capital contributions	0.2	0.2	-0.0	
Total	0.2	0.2	-0.0	
Fiduciary transactions				
Fiduciary placements	1,268.6	1,476.8	-208.2	-14
Total	1,268.6	1,476.8	-208.2	-14

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. The litigation amounts total around USD 44.1 million. 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 it 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. In the past, Vontobel hedged part of this interest income using multi-year receiver interest rate swaps. The final hedge expired in January 2021. Refer to the Annual Report 2020, page 184, for information on the treatment of these cash flow hedges.

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 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 M	31.12.2021	31.12.2020
Cash flow hedges		
Positive replacement values of interest rate swaps		0.0
Negative replacement values of interest rate swaps		
Nominal value of interest rate swaps		17.7
Nominal value-weighted residual term of interest rate swaps (in years)		0.1
Fair value hedges		
Positive replacement values of interest rate swaps	2.4	
Negative replacement values of interest rate swaps		7.2
Nominal value of interest rate swaps	238.3	173.3
Nominal value-weighted residual term of interest rate swaps (in years)	9.0	9.2
Hedges of net investments in foreign operations		
Positive replacement values of forwards	0.3	
Negative replacement values of forwards		0.3
Nominal value of forwards	72.5	75.7
Due to customers		39.9

Effect of hedge accounting on the components of shareholders' equity
"Cash flow hedges" and "Currency translation adjustments" (before taxes)¹

CHF M	CASH FLOW HEDGES		CURRENCY TRANSLATION ADJUSTMENTS	
	2021	2020	2021	2020
Balance at the beginning of the year	0.0	0.4	7.5	4.8
Income during the reporting period	-0.0	-0.4	-5.5	2.6
Gains and losses transferred to the income statement				
As at the balance sheet date		0.0	2.0	7.5

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 M	31.12.2021	31.12.2020
Cumulative adjustments	-3.0	6.3

Ineffectiveness

CHF M	2021	2020
Cash flow hedges		0.0
Fair value hedges	0.3	0.0
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. It also comprises

investment products offered by Financial Products to give private and institutional clients access to all asset classes and markets.

Client assets

	31.12.2021 CHF B	31.12.2020 CHF B	CHANGE TO 31.12.2020	
			CHF B	IN %
Assets under management	243.7	219.6	24.1	11
Other advised client assets	16.3	20.4	-4.1	-20
Structured products and debt instruments outstanding	8.1	8.2	-0.2	-2
Total advised client assets	268.1	248.2	19.9	8
Custody assets	28.6	64.0	-35.4	-55
Total client assets	296.8	312.2	-15.4	-5

Assets under management

	31.12.2021 CHF B	31.12.2020 CHF B	CHANGE TO 31.12.2020	
			CHF B	IN %
Assets in self-managed collective investment instruments	65.8	60.6	5.2	9
Assets with management mandate	94.8	86.7	8.1	9
Other assets under management	83.1	72.4	10.7	15
Total assets under management	243.7	219.6	24.1	11
<i>of which double counts</i>	6.9	6.7	0.2	3

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 B	2021	2020
Total assets under management (incl. double counts) at the beginning of the period	219.6	198.9
Change attributable to net new money	8.1	14.8
Change attributable to market value	16.0	4.0
Change attributable to other effects ¹		2.0
Total assets under management (incl. double counts) at the balance sheet date	243.7	219.6

¹ 2020: Reclassification of strategic certificates with a discretionary or predefined set of rules for the management of the underlying index or portfolio (underlying asset) as assets under management as of 01.07.2020 (value as of 31.12.2020: CHF 2.6 B).

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 rules for financial institutions (FINMA Circular 20/01). 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 in the form of savings and deposit accounts, fixed-term and fiduciary deposits and assets placed with us for investment purposes. 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 that are to be disclosed, are shown under double counts. They primarily include shares in self-managed collective investment instruments as well as strategic certificates (actively managed certificates, tracker certificates) 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". 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 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, 2021, the volume of assets in Vontobel investment funds totaled CHF 71.9 billion (previous year: CHF 65.2 billion). In the financial year 2021, Vontobel generated gross income of CHF 603.2 million (previous year: CHF 473.3 million) from the provision of services to these investment funds.

The following table shows the carrying amount of the shares of these investment funds held by Vontobel. The carrying amount corresponds to the maximum potential loss.

CHF M	TRADING PORTFOLIO ASSETS	OTHER FINANCIAL ASSETS AT FAIR VALUE	TOTAL
Carrying amount as of 31.12.2020	3.7	25.1	28.8
Carrying amount as of 31.12.2021	4.2	27.7	31.9

37 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 3.0 percent and 18.5 percent, or between 1.5 percent and 16.0 percent 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 percent and 6.1 percent (from 2022: 5.2 percent and 6.0 percent). 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 2021, both pension funds had a funded status – as defined by the BVG – of over 100 percent.

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 per-

formed 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). 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 May 1, 2021. Past service costs in the year under review include the impact of changes to the regulations of pension funds in Switzerland (income of CHF 15.5 million due to a reduction in conversion rates, effective January 1, 2022). There were no plan amendments in the previous year. There were no plan settlements and plan curtailments in the year under review or in the previous year.

Vontobel has foreign pension plans in Australia, Dubai, France, Hong Kong, Italy, Luxembourg, Singapore, Spain, UK 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 M	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2021	-1,430.7	1,387.7		-43.0
Current service cost	-46.7			-46.7
Past service cost	15.5			15.5
Gain/losses on settlement				
Interest income/(interest expense)	0.1	-0.1		0.0
Administration cost	-0.7			-0.7
Others				
Total cost recognized in personnel expense	-31.8	-0.1		-31.9
Actuarial gains/losses on obligations				
of which changes in financial assumptions	-20.0			-20.0
of which changes in demographic assumptions	-7.2			-7.2
of which experience adjustments	-11.6			-11.6
Return on plan assets excluding interest income		136.5		136.5
Change in effect of asset ceiling excluding interest				
Total cost recognized in other comprehensive income	-38.9	136.5		97.7
Employee contributions	-27.2	27.2		
Employer contributions		37.5		37.5
Benefits paid resp. deposited	34.2	-34.2		
Business combination				
Others				
Total at 31.12.2021	-1,494.4	1,554.6		60.2
<i>of which active members</i>	<i>-1,094.3</i>			
<i>of which pensioners</i>	<i>-400.1</i>			
<i>of which reported in Other assets</i>				<i>60.2</i>
<i>of which reported in Other liabilities</i>				

The component of personnel expense comprising pension and other employee benefit plans totaled CHF 36.6 M, consisting of CHF 31.9 M for defined benefit pension plans and CHF 4.7 M for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

CHF M	PENSION OBLIGATIONS	PLAN ASSETS	ASSET CEILING	TOTAL
Total at 01.01.2020	-1,375.5	1,339.8		-35.8
Current service cost	-47.3			-47.3
Past service cost				
Gain / losses on settlement				
Interest income / (interest expense)				
Administration cost	-0.7			-0.7
Others				
Total cost recognized in personnel expense	-48.0			-48.0
Actuarial gains / losses on obligations				
of which changes in financial assumptions	-24.2			-24.2
of which changes in demographic assumptions	48.1			48.1
of which experience adjustments	-25.4			-25.4
Return on plan assets excluding interest income		6.5		6.5
Change in effect of asset ceiling excluding interest				
Total cost recognized in other comprehensive income	-1.4	6.5		5.1
Employee contributions	-25.5	25.5		
Employer contributions		35.5		35.5
Benefits paid resp. deposited	19.5	-19.5		
Business combination				
Others				
Total at 31.12.2020	-1,430.7	1,387.7		-43.0
<i>of which active members</i>	<i>-1,043.1</i>			
<i>of which pensioners</i>	<i>-387.7</i>			
<i>of which reported in Other assets</i>				
<i>of which reported in Other liabilities</i>				<i>-43.0</i>

The component of personnel expense comprising pension and other employee benefit plans totaled CHF 52.6 M, consisting of CHF 48.0 M for defined benefit pension plans and CHF 4.6 M for defined contribution pension plans. Pension obligations and costs are presented as negative amounts.

Composition of plan assets

CHF M	31.12.2021	31.12.2020
Quoted market price		
Cash and cash equivalents	71.4	43.5
Equity instruments	663.0	587.6
Debt instruments	461.7	471.9
Real estate	155.0	142.8
Derivatives	10.7	-0.7
Commodities	110.2	66.9
Others	0.3	
Total fair value	1,472.2	1,312.2
Non-quoted market price		
Debt instruments	8.6	9.8
Real estate	62.2	55.4
Others	11.6	10.4
Total fair value	82.4	75.5
Total plan assets at fair value	1,554.6	1,387.7
<i>of which registered shares of Vontobel Holding AG</i>		
<i>of which debt instruments of Vontobel</i>		
<i>of which credit balances with Vontobel companies</i>	67.5	40.0
<i>of which securities lent to Vontobel</i>		

Maturity profile of defined benefit obligation

IN YEARS	31.12.2021	31.12.2020
Weighted average duration of defined benefit obligation	10.7	11.0

Actuarial assumptions

Demographic assumptions (e.g. probability of death, disability or termination) are based on the BVG 2020 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. A long-term rate of change (LTR) of 1.25 percent is assumed in this context.

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.

Actuarial assumptions

IN %	31.12.2021	31.12.2020
Discount rate	0.3	0.2
Rate of interest credit on retirement savings	0.4	0.1
Expected rate of salary increases	1.0	1.0
Expected rate of pension increases		

Estimated contributions to defined benefit pension plans in the following year

CHF M	2021	2020
Employer contributions	37.3	35.5
Employee contributions	27.0	25.3

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, 2021, and December 31, 2020. The discount rate and the rate of interest credit on retirement savings were 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 M	DEFINED BENEFIT OBLIGATION 31.12.2021	DEFINED BENEFIT OBLIGATION 31.12.2020
Current actuarial assumptions	1,494.4	1,430.7
Discount rate		
Reduction of 25 basis points	1,536.7	1,472.2
Increase of 25 basis points	1,454.9	1,392.0
Rate of interest credit on retirement savings		
Reduction of 25 basis points	1,481.3	1,423.8
Increase of 25 basis points	1,507.8	1,444.3
Salary increases		
Reduction of 50 basis points	1,485.5	1,421.3
Increase of 50 basis points	1,503.1	1,440.0
Life expectancy		
Reduction in longevity by one year	1,462.9	1,400.1
Increase in longevity by one additional year	1,525.7	1,461.1

38 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 leave. As in the case of defined benefit pension plans, actuarial calculations have been performed and an accrued expense recognized for these benefits.

CHF M	31.12.2021	31.12.2020
Accrued expense for long service awards and sabbatical leaves	2.1	2.0

39 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 percent 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 percent 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 percent of their bonus in the form of shares. In the case of members of the Executive Committee, this mandatory portion increases to 50 percent of their total bonus. These shares are awarded at a price corresponding to 80 percent 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

NUMBER	EMPLOYEES		MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE	
	2021	2020	2021	2020
Holdings of blocked shares at the beginning of the year	1,088,230	1,077,396	413,196	488,094
Allocated shares and transfers (addition)	550,894	414,496	72,331	137,275
Shares for which the blocking period has lapsed	-312,853	-307,182	-129,810	-164,653
Shares of employees / members who have left the Group and transfers (reduction)	-125,971	-96,480	-128,362	-47,520
Holdings of blocked shares as at the balance sheet date	1,200,300	1,088,230	227,355	413,196
Charged as personnel expense in the year under review (CHF M)	2.1	-1.0	0.3	-0.2
Charged as personnel expense in the preceding year (CHF M)	37.9	27.5	5.0	9.3
Average price of shares upon allocation (CHF)	72.55	64.00	73.31	66.10
Fair value of blocked shares as at the balance sheet date (CHF M)	95.9	76.4	18.2	29.0

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 2017 as well as the performance of the business in the years 2018 to 2020, 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 54.50. The market price was CHF 72.55 on

the allocation date in March 2021 and was CHF 79.90 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 128 percent and 161 percent (previous year: between 113 percent and 132 percent) 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 2022 and 2023 is 3 percentage points higher (lower) than expected due to an improvement (deteriora-

tion) in the performance of the business, between 128 percent and 181 percent (128 percent and 161 percent) 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 2022 and 2023 is 2 percentage points higher (lower) than expected, these factors would be between 128 percent and 161 percent (128 percent and 161 percent). 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 and other deferred compensation

NUMBER	EMPLOYEES		MEMBERS OF THE EXECUTIVE COMMITTEE	
	2021	2020	2021	2020
Holdings of rights at the beginning of the year	1,305,748	1,217,349	369,349	428,593
Allocated rights and transfers (addition)	591,981	414,496	40,888	105,633
Recorded performance shares	-388,029	-357,333	-109,131	-141,893
Forfeited rights and transfers (reduction)	-133,339	-102,515	-180,609	-53,698
Change of rights due to modified parameters	417,201	133,751	67,001	30,714
Holdings of rights as at the balance sheet date	1,793,561	1,305,748	187,498	369,349
CHF M				
Personnel expense recorded over the vesting period for recorded performance shares	21.1	17.4	5.9	6.9
Market value of recorded performance shares on the allocation date	28.2	21.6	7.9	8.6
Charged as personnel expense in the year under review	34.3	22.0	2.1	5.3
Cumulative charge to personnel expense for outstanding rights to performance shares as at the balance sheet date	50.6	36.3	5.5	10.6
Estimated personnel expense for the remaining vesting periods including future terminations	40.8	26.6	3.9	6.8
Estimated personnel expense for the remaining vesting periods excluding future terminations	47.1	30.5	4.5	7.8
Other deferred compensation as at the balance sheet date				
In cash	11.9	11.1		
Share-based compensation benefits	29.8			

40 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 Committee. 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 53.

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

	2021 CHF M	2020 CHF M	CHF M	CHANGE TO 2020 IN %
Short-term employee benefits	2.6	2.6	0.0	
Post-employment benefits				
Other long-term benefits				
Termination benefits				
Equity compensation benefits ¹	1.8	1.7	0.1	6
Total mandate-related compensation for the financial year²	4.4	4.3	0.1	2
Compensation for additional services				
Total compensation for the financial year	4.4	4.3	0.1	2

1 The members of the Board of Directors received a total of 28,353 (previous year: 31,443) 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 Excluding flat-rate compensation for expenses and employer contributions to AHV/IV/ALV

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

	2021 CHF M	2020 CHF M	CHANGE TO 2020	
			CHF M	IN %
Base salary	3.0	5.3	-2.3	-43
Other short-term employee benefits ¹	1.2	1.6	-0.4	-25
Cash component of bonus ²	4.0	6.4	-2.4	-38
Post-employment benefits	0.5	1.0	-0.5	-50
Other long-term benefits			0.0	
Termination benefits			0.0	
Equity compensation benefits bonus shares ^{2,3}	3.0	3.1	-0.1	-3
Total contract-related compensation for the financial year⁴	11.7	17.4	-5.7	-33
Compensation for additional services			0.0	
Total compensation for the financial year⁵	11.7	17.4	-5.7	-33
Number of persons receiving compensation	5	8	-3	-38

1 Other short-term employee benefits comprise claim payments, family allowance payments, preferential interest rates for mortgages and a lump-sum death benefit to a former member of the Executive Committee.

2 Financial year 2021: Subject to the approval of the General Meeting of Shareholders 2022.

3 A total of 47,111 (previous year: 56,335) Vontobel Holding AG shares were allocated to members of the Executive Committee. 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 contributions 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 table "Allocation of shares from the long-term employee share-based benefit program" included below.

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

	2021 CHF M OR NUMBER	2020 CHF M OR NUMBER	CHANGE TO 2020	
			CHF M OR NUMBER	IN %
Market value of performance shares at the date on which they were allocated in CHF M ¹	3.3	7.5	-4.2	-56
Number of performance shares allocated	45,178	116,783	-71,605	-61
Total number of persons receiving compensation	2	5	-3	-60
Market value of performance shares to former members of the Executive Committee at the date on which they were allocated in CHF M	6.2	1.7	4.5	265
Number of performance shares allocated to former members of the Executive Committee	85,856	26,391	59,465	225
Total number of persons receiving compensation (former members of the Executive Committee)	5	1	4	400

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 2.5 M (previous year: CHF 5.7 M) and was included on a pro rata basis over the vesting period.

41 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, particularly with regard to terms and conditions for loans. Loans to members of governing bodies must be approved by the Board of Directors in addition to the bodies responsible for the authorization of loans to employees.

As of December 31, 2021, margin calls fully secured against collateral, guarantees, loans and credits to – and payment undertakings in favor of – members of Vontobel's governing bodies or related parties and significant shareholders totaling CHF 0.5 million (previous year: CHF 2.7 million) were outstanding. No loans to former members of the Board of Directors or members of the Executive Com-

mittee 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 percent below the usual interest rate for 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 to 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 Committee conduct routine banking transactions with Vontobel at the same terms and conditions as employees.

42 Transactions with related parties

Companies and persons are deemed to be related parties 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

	31.12.2021	31.12.2020	CHANGE TO 31.12.2020	
	CHF M	CHF M	CHF M	IN %
Receivables	0.5	2.7	-2.2	-81
Liabilities	160.0	129.9	30.1	23

Reported liabilities consist of current account balances of related companies / persons as well as liabilities from financial hedging transactions. Transactions with related persons are essentially carried out according to standard terms and conditions.

Vontobel Foundation and other members of the shareholder pool

The Vontobel Foundation conducts business with Bank Vontobel AG at preferential terms and conditions.

Pension funds of Vontobel

The assets of these pension funds are managed by Vontobel Asset Management AG.

43 Full acquisition of TwentyFour Asset Management LLP

In 2015, Vontobel acquired a majority stake of 60 percent in TwentyFour Asset Management LLP (24AM). The contractual agreements with the Partners of 24AM stated that Vontobel would acquire minority interests totaling 40 percent held by the Partners in two half tranches at fair market value in 2021 and 2023, whereby Vontobel had the right to already acquire the second tranche in 2021.

Vontobel recognized a liability in the amount of the estimated purchase price for the acquisition of the minority interests. Changes in the liability – with the exception of personnel expenses from share-based compensation benefiting the Partners – were charged to equity (firstly to minority interests and secondly to capital reserves). In the income statement and the statement of comprehensive income, a share of profit or loss continued to be allocated to minority interests.

On June 30, 2021, Vontobel acquired all of the remaining minority interests of 40 percent for a purchase price of GBP 226.8 million (CHF 290.2 million). The purchase was treated as an equity transaction. Upon payment of the purchase price, the liability to acquire minority interests was derecognized.

The share-based compensation introduced when the majority stake was acquired was adjusted at the same time as the minority interests were acquired. The adjustment led, among other things, to an extension of the vesting period and a change from cash to equity settlement. The share-based compensation (including adjustments to it) resulted in a charge to personnel expenses of CHF 24.6 million in the first half of 2021.

The full acquisition of 24AM had the following impacts on shareholders' equity (in CHF million):

CHF M	
Liability to acquire minority interests as of 31.12.2020	163.6
Cash payment	-290.2
Change in shareholders' equity in the first half of 2021	-126.6
<i>of which capital reserves</i>	<i>-94.6</i>
<i>of which retained earnings</i>	<i>-24.6</i>
<i>of which other components of shareholders' equity (currency translation adjustments)¹</i>	<i>-1.6</i>
<i>of which minority interests²</i>	<i>-5.9</i>

1 Transfer of cumulative currency translation adjustments of minority interests to the currency translation adjustments of shareholders' equity attributable to Vontobel shareholders.

2 Corresponds to the net impact in the first half of 2021 from the comprehensive income of minority interests of CHF 10.3 M and the dividend payment to minority interests of CHF 4.4 M.

See the statement of changes in equity and the table "Level 3 financial instruments" in note 29 for further information on the impacts of the full acquisition of 24AM.

44 Acquisition of UBS Swiss Financial Advisers AG

Vontobel signed an agreement to purchase UBS Swiss Financial Advisers AG (SFA), a subsidiary of UBS AG, based in Zurich. Vontobel will combine SFA and Vontobel Swiss Wealth Advisors (VSWA), its existing business serving North American Wealth Management clients. Preparations for this will start after the closing of the transaction, which is expected for the third quarter of 2022. Together with SFA's CHF 7.2 billion in assets under management as of September 30, 2021, Vontobel, through its SEC licensed entities, is expected to become the largest Swiss-domiciled wealth manager for US clients seeking an account in Switzerland for diversification purposes. The combined pro forma assets under management will more than double to over CHF 10 billion.

45 Significant foreign currency rates

The following rates were used for significant currencies:

	YEAR END RATES		AVERAGE RATES	
	31.12.2021	31.12.2020	2021	2020
1 EUR	1.03616	1.08156	1.07949	1.07175
1 GBP	1.23411	1.20832	1.25398	1.21197
1 USD	0.91115	0.88395	0.91240	0.93665

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 2021 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 3.00 per registered share with a par value of CHF 1.00 to the General Meeting of Shareholders of Vontobel Holding AG on April 6, 2022. This corresponds to a total distribution of CHF 167.7 million.¹

¹ Shares entitled to a dividend as of December 31, 2021.

48 Authorization of the consolidated accounts

The Board of Directors discussed and approved the present Annual Report at its meeting on February 3, 2022. The Annual Report will be submitted for approval at the General Meeting of Shareholders on April 6, 2022.

Segment reporting

49 Segment reporting principles

Segment reporting reflects the organizational structure of Vontobel as well as internal reporting to the Executive Committee – Vontobel’s chief operating decision maker – which is advised and supported by the Global Executive Board. This reporting forms the basis for the assessment of the financial performance of the segments and the allocation of resources to the segments.

Vontobel comprises three Client Units and seven Centers of Excellence.

The Client Units serve the following client groups and client needs:

- The Asset Management Client Unit focuses 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 Wealth Management Client Unit serves wealthy private clients (including UHNWIs), financial intermediaries, entrepreneurs and decision makers from the SME segment.
- The Digital Investing Client Unit bundles investment solutions for private investors, either directly or via ecosystems, and it also concentrates on the end-clients business with structured products.

All activities that are not directly related to client contact are bundled within the following Centers of Excellence: Investments, Structured Solutions & Treasury, Technology & Services, Marketing & Analytics, Finance & Risk, Human Resources and Legal & Compliance.

Direct costs are allocated to the Client Units and Centers of Excellence. Services provided between the individual units are not subject to charges. Income taxes are managed at Group level and are therefore not assigned to the Client Units and Centers of Excellence.

The Client Units represent the operating and reportable segments according to IFRS 8. Centers of Excellence and reclassifications are shown in the column “Centers of Excellence/Reconciliation”. Segment reporting is basically subject to the same accounting principles as the consolidated financial statements.

Please refer to section 4.1.2 of the accounting principles for information about changes to segment reporting.

Segment reporting

CHF M	ASSET MANAGEMENT	WEALTH MANAGEMENT	DIGITAL INVESTING	CENTERS OF EXCELLENCE/ RECONCILIATION	2021 TOTAL
Net interest income after credit losses	-0.3	50.9	0.5	10.2	61.3
Net fee and commission income	592.6	432.1	-11.5	-38.4	974.8
Trading income and other operating income	1.8	150.7	326.9	20.0	499.5
Total operating income	594.1	633.7	315.9	-8.1	1,535.6
Personnel expense ¹	82.3	202.7	10.9	438.8	734.7
General expense	12.4	16.3	1.6	195.0	225.4
Depreciation of property, equipment (incl. software) and intangible assets	3.9	8.0	0.0	88.5	100.4
Provisions and losses	0.0	5.2	0.0	2.6	7.9
Total operating expense	98.7	232.3	12.5	725.0	1,068.4
Profit before taxes	495.4	401.5	303.4	-733.1	467.2
Taxes					83.4
Group net profit					383.8
<i>of which minority interests</i>					<i>10.0</i>
Additional information					
Client assets (CHF B)	158.7	96.3	0.8	41.0	296.8
Net new money (CHF B)	1.9	5.6	0.1	0.6	8.1
Employees (full-time equivalents)	180.8	609.1	34.2	1,285.2	2,109.3

1 Personnel expense includes income of CHF 15.5 M from changes in pension fund regulations in Switzerland, which was allocated to the individual Client Units and Centers of Excellence in proportion to their headcount. In connection with the full acquisition of TwentyFour Asset Management LLP, an expense of CHF 24.6 M is included in personnel expense in the column "Centers of Excellence/Reconciliation".

Information on regions¹

CHF M	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES ²	CONSOLIDATION	2021 TOTAL
Operating income related to external customers	892.0	374.2	105.4	164.0		1,535.6
Assets	23,412.2	3,352.6	122.4	10,182.1	-4,671.4	32,397.9
Property, equipment and intangible assets	837.6	80.5	4.3	2.0		924.4
Additions to property, equipment (incl. software) and intangible assets ³	111.2	4.1	0.6	1.6		117.5

1 Reporting is based on operating locations.

2 Mainly U.A.E.

3 Including additions due to changes in the scope of consolidation

Segment reporting

CHF M	ASSET MANAGEMENT	WEALTH MANAGEMENT	DIGITAL INVESTING	CENTERS OF EXCELLENCE/ RECONCILIATION	2020 TOTAL
Net interest income after credit losses	1.2	67.6	-0.8	5.0	73.0
Net fee and commission income ¹	511.9	403.2	27.2	-72.8	869.6
Trading income and other operating income ¹	1.6	78.8	157.1	85.5	323.0
Total operating income	514.6	549.7	183.5	17.7	1,265.5
Personnel expense	78.7	188.5	5.1	367.7	640.0
General expense	16.6	15.2	1.9	166.1	199.8
Depreciation of property, equipment (incl. software) and intangible assets	4.1	7.7	0.0	86.8	98.6
Provisions and losses	0.1	1.4	0.0	4.7	6.2
Total operating expense	99.4	212.8	7.0	625.3	944.5
Profit before taxes	415.2	336.9	176.5	-607.6	321.0
Taxes					61.6
Group net profit					259.4
<i>of which minority interests</i>					<i>16.8</i>
Additional information					
Client assets (CHF B)	154.4	83.1	0.8	73.9	312.2
Net new money (CHF B)	9.5	4.9	0.1	0.3	14.8
Employees (full-time equivalents)	175.8	601.2	18.0	1,220.1	2,015.1

1 Reclassification of CHF 33.8 M from "Fee and commission expense" to "Trading income". For further details refer to section 4.1.2 of the accounting principles.

Information on regions¹

CHF M	SWITZERLAND	EUROPE EXCL. SWITZERLAND	AMERICAS	OTHER COUNTRIES ²	CONSOLIDATION	2020 TOTAL
Operating income related to external customers	736.3	322.2	100.1	106.9		1,265.5
Assets	22,454.6	3,437.7	114.5	9,543.7	-4,128.1	31,422.4
Property, equipment and intangible assets	817.6	81.1	5.8	2.7		907.2
Additions to property, equipment (incl. software) and intangible assets ³	79.8	5.5	0.1	0.2		85.6

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 associated companies

Major subsidiaries

	REGISTERED OFFICE	BUSINESS ACTIVITY	CURRENCY	PAID-UP SHARE CAPITAL M	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	5.0	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	4.4	100
Vontobel Asset Management, Inc.	New York	Portfolio management	USD	6.8	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 derivate*/ Financial Advisor	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 10 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 M	SHARE OF VOTES IN %	CAPITAL IN %
Deutsche Börse Commodities GmbH	Frankfurt	Issues	EUR	1.0	14.5	16.2
Yapeal AG	Zurich	Digital financial service provider	CHF	0.5	2.4	18.0

Changes in the scope of consolidation

New subsidiaries

None.

Changes within the scope of consolidation

On June 30, 2021 Vontobel acquired all of the remaining minority interests of 40 percent in TwentyFour Asset Management LLP.

Main differences between IFRS and Swiss GAAP

Vontobel's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The main differences between IFRS and Swiss GAAP (Banking Ordinance, FINMA Accounting Ordinance and FINMA Circular 20/01) 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 in other comprehensive income. Realized gains are not transferred to the income statement. 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 the income statement, with the offsetting entry made in other comprehensive income. If a debt 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.

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 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.

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

Under IFRS, pension obligations and pension expenses are determined based on the projected unit credit method (see note 37).

Under Swiss GAAP, pension obligations and pension expenses are determined based on the financial statements of the pension plan in accordance with Swiss GAAP FER 26. A pension asset is recorded if a statutory overfunding of a pension plan leads to a future economic benefit. A pension obligation is recorded if a statutory underfunding of a pension plan leads to a future economic obligation. Employer contributions as well as changes in the value of the pension assets or obligations are recognized as pension expenses.

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.



Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Vontobel Holding AG, Zurich

Zurich, 8 February 2022

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 consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, statement of equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements (pages 130 to 217), including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 122 to 217) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* 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).

Valuations based on models are 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 2021, Vontobel Holding AG reports total financial assets at fair value of CHF 13.1 bn and financial liabilities at fair value of CHF 13.0 bn. In view of the inherent exercise of judgment involved in the determination of these assumptions and the significance of these balance sheet items in the consolidated 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 131 to 132 and 178 to 183 of the annual report. Please also refer to notes 12, 14 and 29 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 over the calculation of fair value. In particular, they comprised the approval processes for products and valuation models, as well as the independent price verification.

Using comparisons with third-party sources, we tested the fair values that were directly available in an active market. Furthermore, we performed procedures to evaluate the assumptions used and tested the valuation of financial instruments using independent valuation models. Based on a sample we reperformed the valuation of financial instruments.

Our audit procedures did not lead to any reservations concerning the fair value measurement of financial instruments.



Goodwill and other intangible assets

Area of focus Vontobel Holding AG accounts for business combinations using the acquisition method, whereby the net assets of the acquired business 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 tested annually for impairment or more frequently if indicators of impairment are present. 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 2021, Vontobel Holding AG reports goodwill totaling CHF 484.8 mn and other intangible assets totaling CHF 62.2 mn. Due to the judgment that goes into the identification and the valuation of goodwill and other intangible assets this is an area of particular importance from an audit perspective.

The corresponding accounting principles applied are explained by Vontobel Holding AG on pages 130, 131 and 134 of the annual report. Please also refer to note 18 of the notes to the consolidated financial statements.

Our audit response

During the course of our audit, we examined the valuation model used for the goodwill impairment test as well as significant assumptions. In particular, they comprised valuation multipliers related to assets under management. We assessed these assumptions on the basis of current market conditions.

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

PARTIES

THE ISSUER'S REGISTERED OFFICE

Gotthardstrasse 43
CH-8002
Zurich, Switzerland

OUR GUARANTOR'S REGISTERED OFFICE

Gotthardstrasse 43
CH-8002
Zurich, Switzerland

SPONSOR

Vontobel Limited
1901 Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

AUDITORS TO THE ISSUER AND THE GUARANTOR

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich