

VONTOBEL

deritrade[®] MIP

**Financial Products going digital
a new & better client offering**

Gerhard Meier - May 2015

Performance creates trust

Financial Products

What are they

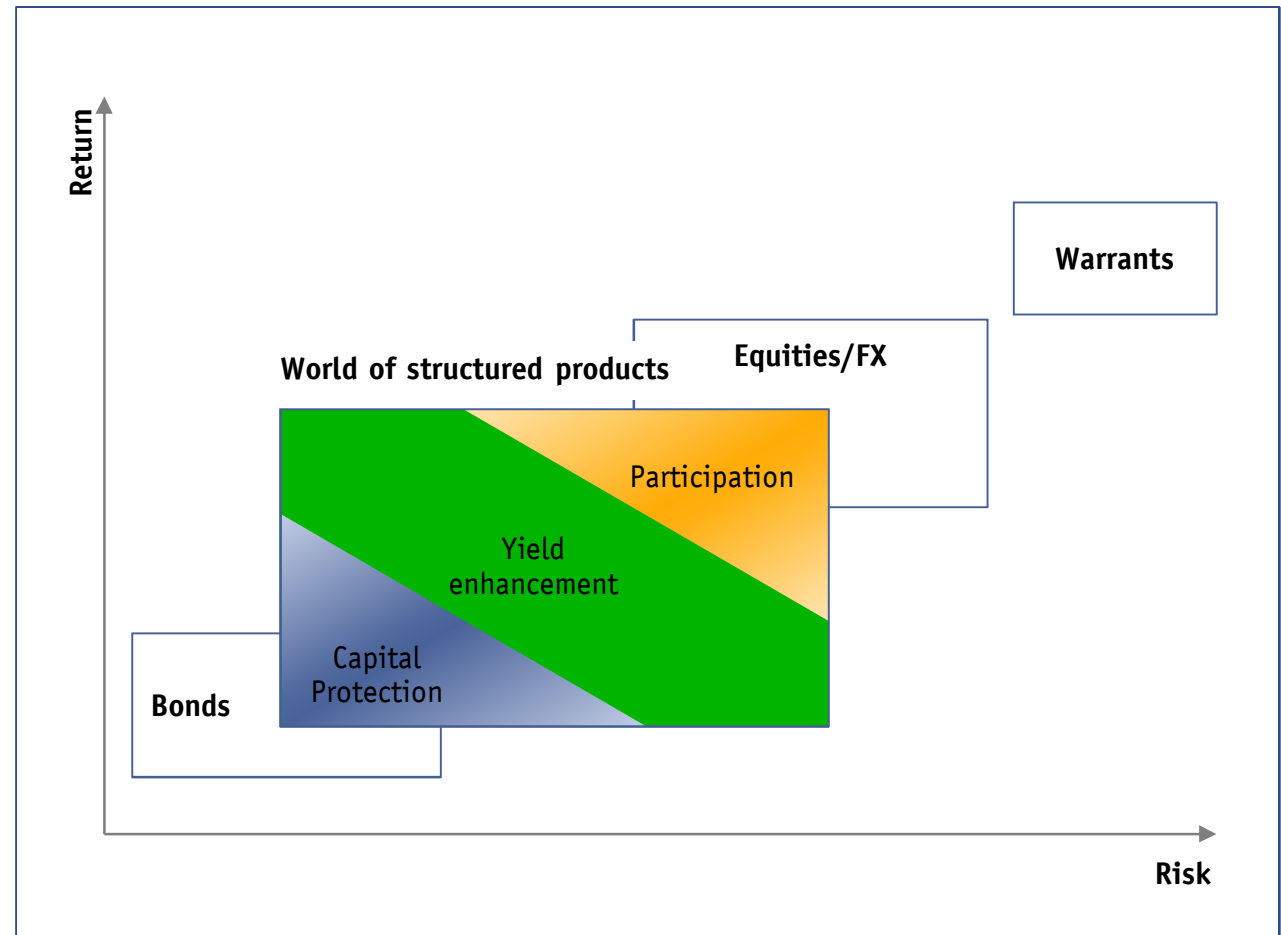
- Combining a bond and an underlying (shares, FX etc)
- Wrap into a fungible security
- Issuer risk like any bond

Why buy them

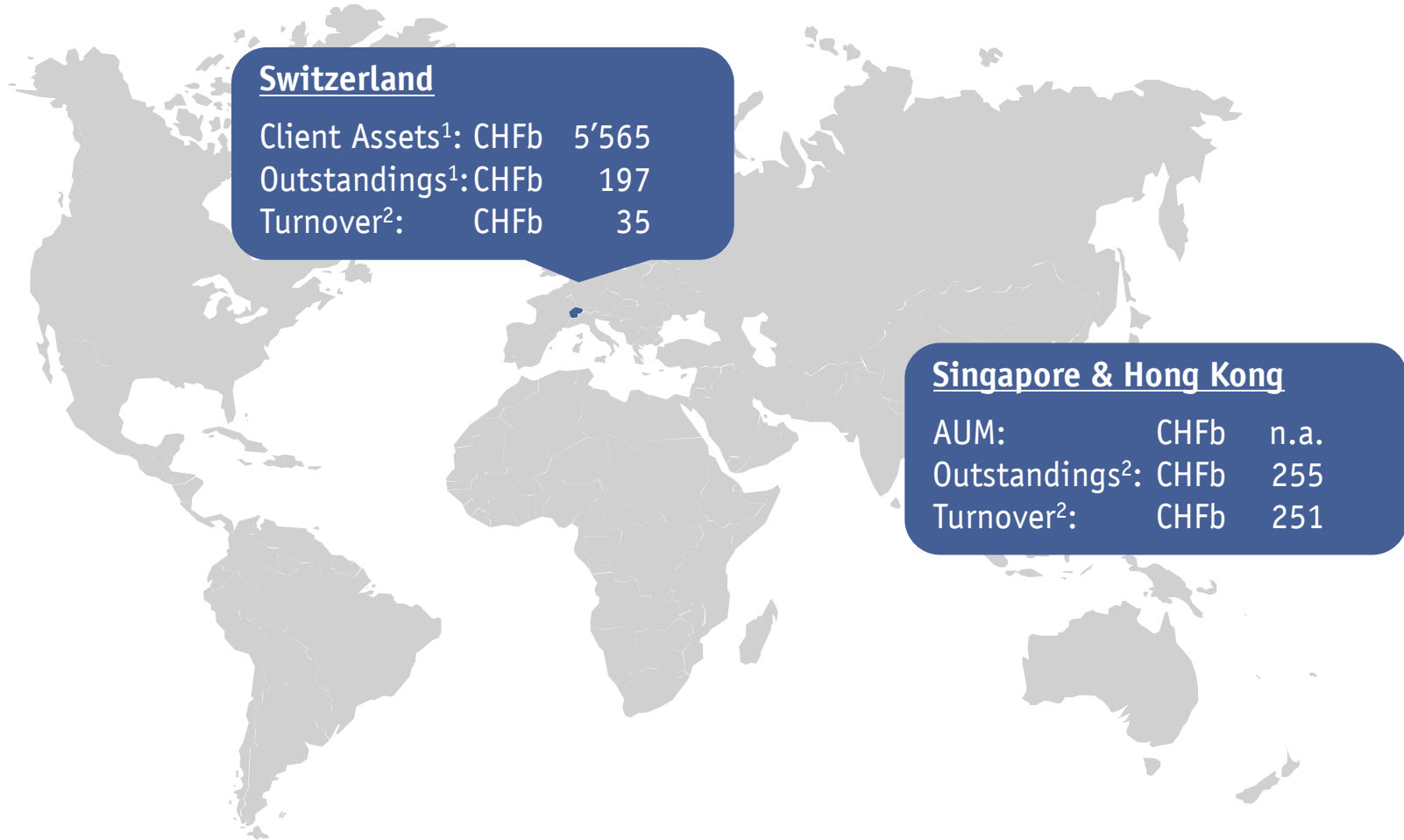
- Highly flexible investment product
- Risk / return calibrated to client need

How to use

- In client portfolio context
- Short tenors, yield generation
- Theme based investment



Financial Products – significant market

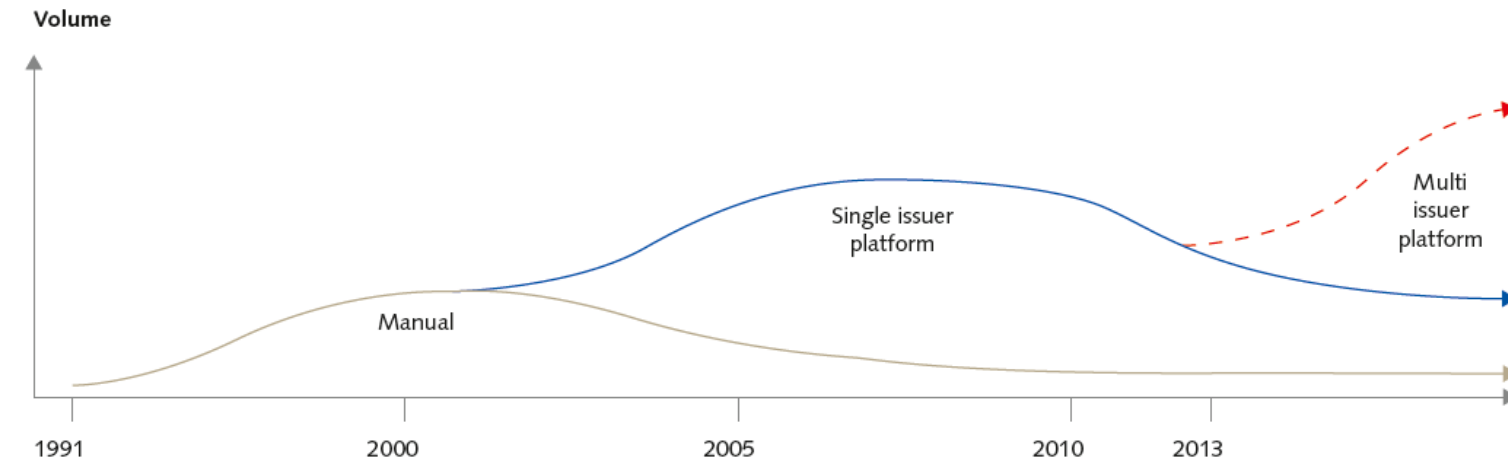


¹ Source: Swiss National Bank

² Source: Vontobel estimations

A paradigm shift changing an industry

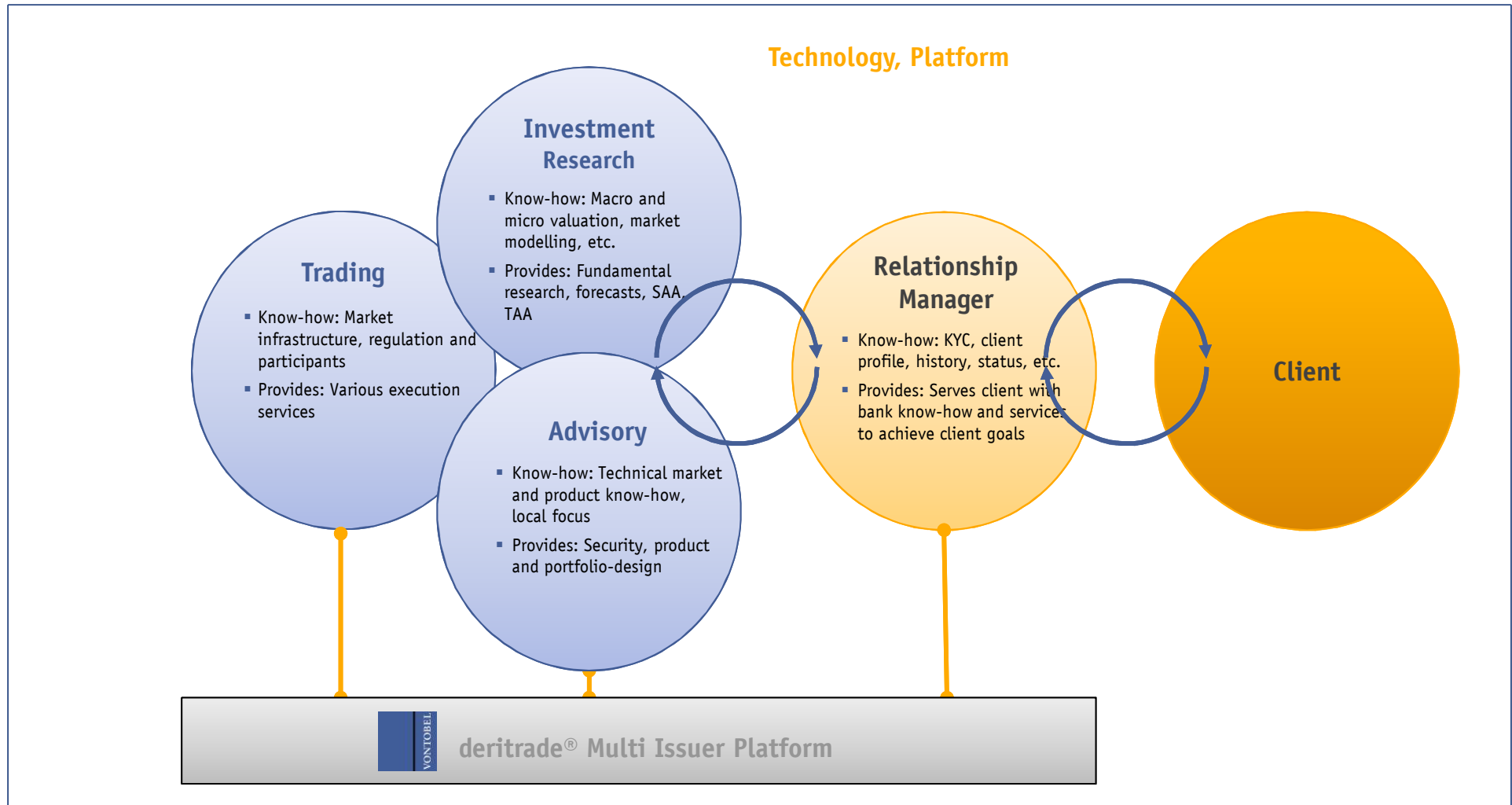
Life cycle development



	Manual	Single issuer platform	Multi issuer platform
#issuers/platforms	~ 20	~ 6	VT live
Production costs	High	Low	Much lower
Scalability	No	Yes	Yes
Tailor-made offering	No	Yes	Yes
Price competition (best execution)	No	No	Yes

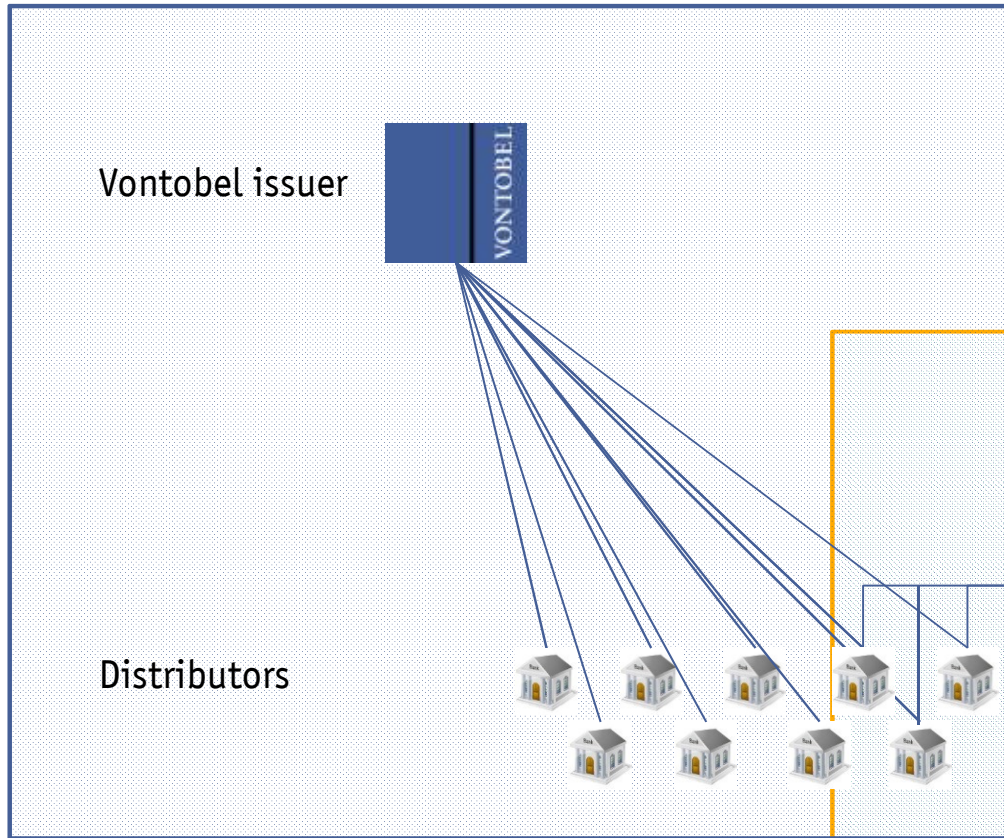
Source: Vontobel, 2014

Digital Ecosystem – bringing it all together

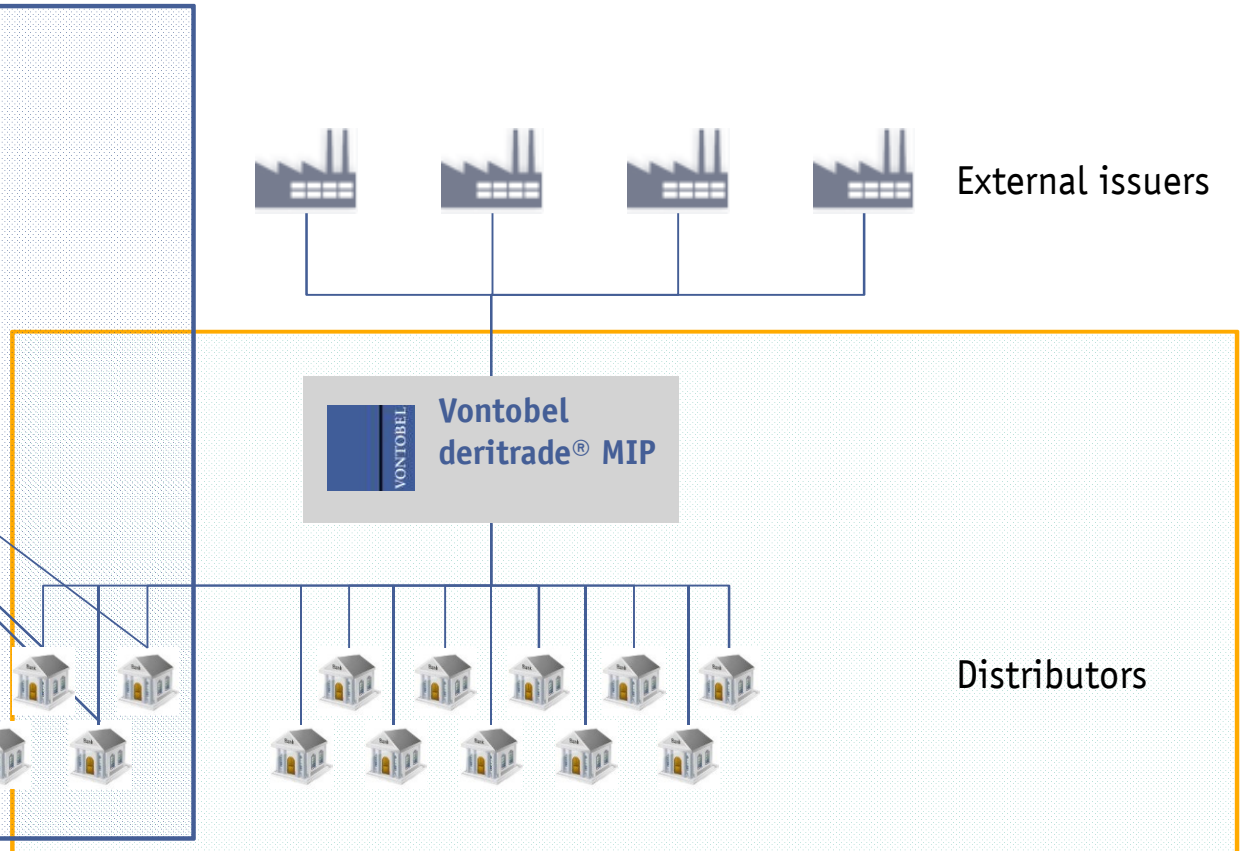


Disruptive, high volume business model

Standard business model



Leveraging revenue growth



▶ High entry barriers – natural network effects – significant cost reductions for all participants

Value Driver – cost and scalability

Lower cost

- From CHF 3'500 down to CHF 10

Lower investment amount

- From 3 – 5 mio down to 20'000

Better client offering

- More yield for same risk
- Tailor-made product

	Key Process steps	RM	SP desks	Operations
Pre Trade	<ul style="list-style-type: none"> Decision support Price discovery Pre Trade docs 	deritrade deritrade deritrade	deritrade deritrade deritrade	deritrade deritrade deritrade
Trade & Execution	<ul style="list-style-type: none"> RFQ Execution Confirmation & Docs 	deritrade deritrade deritrade	deritrade deritrade deritrade	deritrade deritrade deritrade
Product Delivers & Client Booking	<ul style="list-style-type: none"> Static data delivery Static data opening Client booking support 	deritrade deritrade deritrade	deritrade deritrade deritrade	deritrade deritrade deritrade
Product Life Cycle	<ul style="list-style-type: none"> Product retrieval Daily Valuation Corp Action support RM notifications 	deritrade deritrade deritrade deritrade	deritrade deritrade deritrade deritrade	deritrade deritrade deritrade deritrade
Redemption & Repayments	<ul style="list-style-type: none"> Pre notice to RM Final Notice to RM and Ops 	deritrade deritrade	deritrade deritrade	deritrade deritrade
Trade Reporting & MIS	<ul style="list-style-type: none"> Online trade reporting User agnostic reporting and MIS 	deritrade deritrade	deritrade deritrade	deritrade deritrade

Automating a complex and multi-dimensional process

Value Driver – client experience

Empower client advisors

- Bring the offering to point of sale
- Provide decision support tools

Involve clients

- To create the product
- To define product risk / return
- To better understand the investment

Better client offering

- Increased accessibility
- Increased buying convenience
- More return for the risk

Product Finder
VBMGE@vontobel.ch, Vontobel Financial Products CH

Dashboard Product Finder Pricer Matrix Secondary Market Reporting My Deritrade Create A New Product

Category: Yield
Type: Defender Vonti
Asset Type: All
 Include Multi Underlyings

Curr/Market: CHF Switzerland
Sector: All Sectors
Underlyings:

Coupon: 7 %pa 15 %pa
Min - Max

Barrier: 80 %
Buffer 20%
Strike 100%

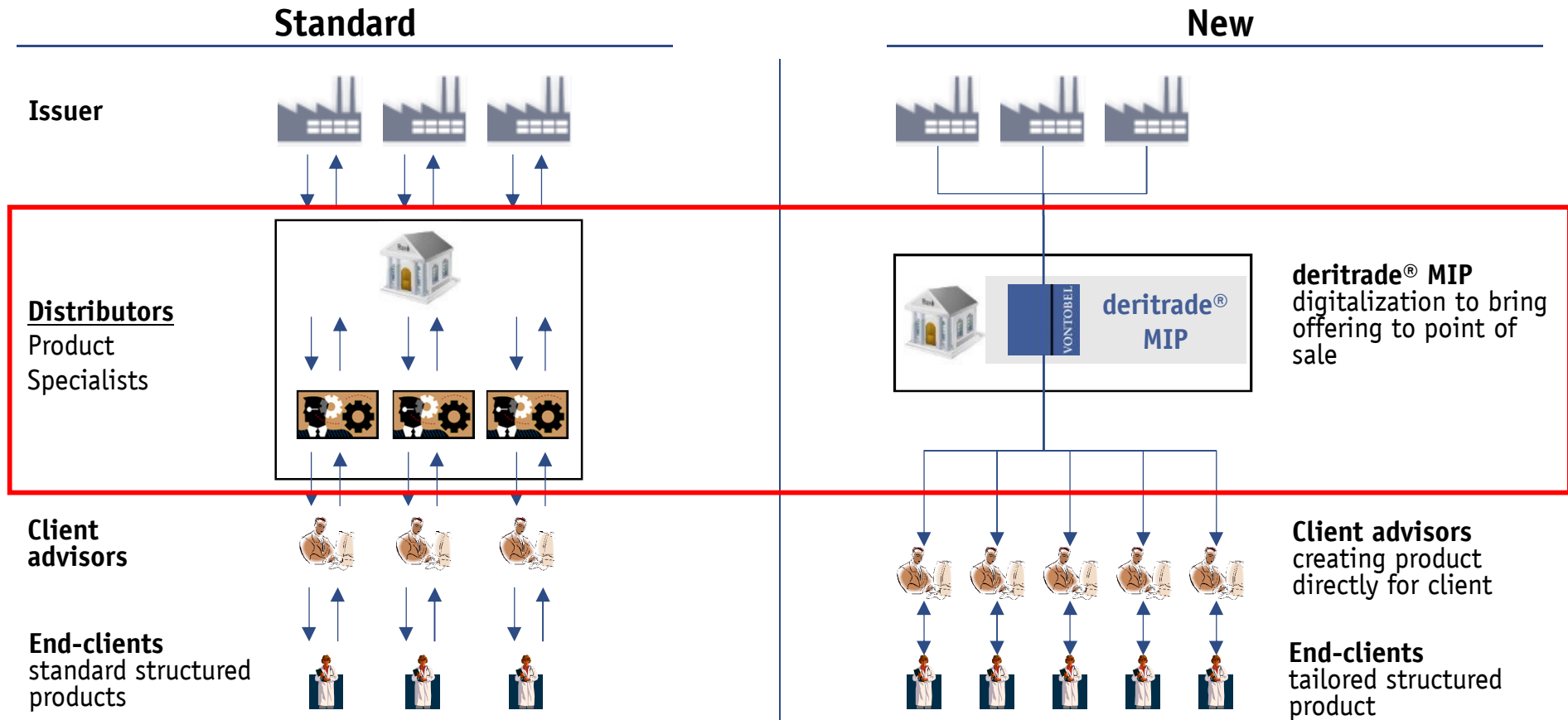
Tenors: 3 Months 6 Months
 9 Months 1 Year
 18 Months 2 Years

Your selection returned:
22 underlyings
35 prices

All Tenors	3 Months			6 Months		
	14.6% CLARIANT	10.3% DUFRY	10.0% CREDIT SUISSE	12.4% CLARIANT	11.0% LOGITECH	10.3% BASILEA
	9.3% BASILEA	9.2% UBS GROUP	9.0% SCHMOLZ + BICKENBACH	10.2% DUFRY	10.0% CREDIT SUISSE	9.8% SCHMOLZ + BICKENBACH

ISSUER	COUPON P.A.	Show Details
Issuer 1	7.9200 % 4.1880 % absolute	Indication Only EUR 500000.00
Issuer 2	6.7300 % 3.5879 % absolute	Indication Only EUR 500000.00
Issuer 3	6.7500 % 3.6000 % absolute	Indication Only EUR 500000.00
Issuer 4	5.8034 % 3.1112 % absolute	Indication Only EUR 500000.00
Issuer 5	7.3125 % 3.9000 % absolute ★★	Indication Only EUR 500000.00

Digitalization - more efficient distribution



Existing distribution is manual (costly) and offers limited value add

Switzerland – growing a new franchise

Issuers

1. Deutsche Bank
2. Morgan Stanley
3. Société Générale
4. UBS
5. Vontobel
6. ZKB
7. Undisclosed name

Distributors

25 Banks

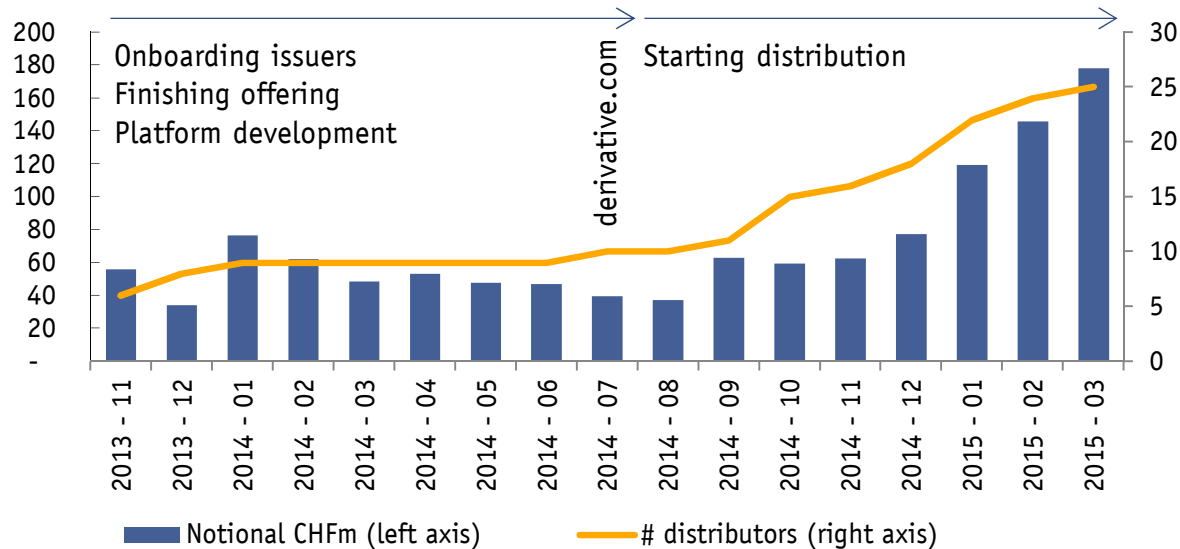
- | | | |
|--------------------|--------------------------|-----------------------|
| ▪ Vontobel PB | ▪ Zuger KB | ▪ Bonhote |
| ▪ Centrum | ▪ LGT | ▪ Lienhardt & Partner |
| ▪ Vadian | ▪ Hypo Lenzburg | ▪ EEK |
| ▪ Berenberg | ▪ Rothschild Bank | ▪ Acrevis Bank AG |
| ▪ Undisclosed name | ▪ Schwyzer KB | ▪ Landolt & Cie |
| ▪ Regio Männedorf | ▪ Bank in Zuzwil | ▪ Walliser KB |
| ▪ Volksbank | ▪ Bank Thalwil | ▪ Banque Cramer |
| ▪ Regio Solothurn | ▪ Bankhaus Jungholz | |
| ▪ Bank Zimmerberg | ▪ B. Cant. Neuchateloise | |

Cooperations

- Raiffeisen
- **UBS Wealth Management**
(go live Q2/2015)

External Asset Managers

- >300 External Asset Managers



Summary:

- Number of banks: 25
of which cooperations 2
- External Asset Managers: >300

Market potential:

- Addressable AuM¹: >CHF 1,000 bn
- Annual issues¹: CHF 35 bn
- Annual secondary volume¹: CHF 20 bn

¹ Vontobel estimates

APAC – Swiss technology export.....

Key value proposition

- **Price discovery is already automated** in APAC, MIP will reduce existing costs and complexity
- **Technology and knowhow-driven** handling of trades **will reduce current high cost for distributors**
- MIP will bring the product offering to the point of sale via a purpose-built user interface, further reducing costs
- MIP will **introduce a new level of front to back automation**, resulting in a paradigm shift

Strategy & status

- **Structured products are a buyers market, MIP is addressing the overriding need for lower costs on the distribution side**
- **Leveraging of Swiss platform, adjusted for APAC-specific needs. Technology already operational**
- **Building the offering** (issuers & APAC products)
 - Vontobel issuer live
 - Issuer 2 (undisclosed name), signed MoU¹, work underway
 - Issuer 3 (undisclosed name), signed MoU¹, work underway
 - Ongoing discussions with 5 more issuers
- **Building the distribution franchise**
 - Distributor 1 (undisclosed name), signed LoI²
 - Distributor 2 (undisclosed name), signed LoI²
 - Distributor 3 (undisclosed name), signed LoI²
 - Distributor 4 (undisclosed name), signed LoI²
 - Distributor 5 (undisclosed name), signed LoI²
 - Ongoing discussions with 8 more distributors

Paradigm shift area



¹ Memorandum of Understanding

² Letter of Intent

Seeing is believing.....

Have a look at the real thing – live demos outside in the foyer



Vontobel
Multi Issuer Platform
Fully automated tailor-made solutions for structured products

Seeing is believing.....

Have a look at the real thing – live demos outside in the foyer



Vontobel
Multi Issuer Platform
Fully automated tailor-made solutions for structured products

Curriculum Vitae



Gerhard Meier, Managing Director

Global Head deritrade® Multi Issuer Platform, Bank Vontobel AG

Gerhard Meier joined Bank Vontobel in November 2013 assuming overall responsibility for deritrade® Multi Issuer Platform globally, the leading platform for Structured Products. Previously he worked 14 years for UBS, both on the Wealth Management and Investment Bank side, building the UBS Structured Products Platform “Equity Investor” from scratch. Before joining UBS, Gerhard Meier played a key role in setting up and developing EBS to the leading global FX trading platform. In addition, he has profound knowledge of the Reinsurance market, Credit Risk systems and Consumer eCommerce solutions.

Gerhard Meier holds a diploma in business administration, and attended various educational and training programs in sales, reinsurance, banking, market and credit risks in Switzerland, UK, USA and Asia

Disclaimer

This document was produced by Bank Vontobel AG (hereafter “Vontobel”) with the greatest of care and to the best of its knowledge and belief. However, Vontobel provides no guarantee with regard to its content and completeness and does not accept any liability for losses which might arise from making use of this information. The opinions expressed in this document are those of Vontobel at the time of writing and are subject to change at any time without notice. If nothing is indicated to the contrary, all figures and data are unaudited. This document is provided for information purposes only. It does not constitute an offer or a recommendation to buy or sell financial instruments or banking services. This document may not be reproduced either in part or in full without the written permission of Vontobel. It is expressly not intended for persons who, due to their nationality or place of residence, are not permitted access to such information under local law. Copyright © 2015 Bank Vontobel AG and/or its affiliates. All rights reserved.
