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Vontobel Investor Day 2017: Vontobel increases profitability targets and defines ambitious new growth targets for 2020 based on a focused strategy and a strong corporate purpose underpinned by clear values

- **Ambitious targets for growth, profitability, capital and dividends defined for 2020 based on Vontobel's client-driven and long-term oriented strategy with five key strategic priorities**
- **Group 2020 targets: Outgrow market in all core activities with top-line growth and net new money growth of 4–6% (2017 target: 3–5%); generate higher return on equity of more than 12% (2017 target: more than 10%), clearly exceeding the cost of capital; achieve a cost/income ratio of less than 75%; maintain very strong capital position with CET1 capital ratio of more than 12% and total capital ratio of more than 16%; and distribute profits not used for organic growth and M&A to shareholders, with a target payout ratio of more than 50%**
- **Wealth Management: Capture high-growth markets, drive innovation through technology and further enhance client experience with investment-led content and client-specific solutions. 2020 targets: Outgrow the market, with net new money growth of 4–6%; protect gross margin of more than 65bps; ensure profitable growth with cost/income ratio of less than 75%**
- **Asset Management: Continue to build on high-conviction asset management which has translated into outstanding product offering currently comprising 37 4-star or 5-star funds across all boutiques; leverage global distribution network to reach all relevant client segments and capitalize on market trends such as solution capabilities and digitization to realize growth. 2020 targets: Continue to outgrow the market with 4–6% net new money growth; protect gross margin of more than 40 bps; ensure profitable growth with cost/income ratio of less than 65%**
- **Financial Products: Drive future growth through international expansion, with entry into new markets in APAC and growth of market share in Europe; continue state-of-the-art digital innovation to become a leading provider of investment and leveraged products globally. 2020 targets: Grow operating income to more than CHF 300 million; ensure profitable growth with cost/income ratio of less than 65%**
- **Maintain comfortable capital position and proven execution capabilities in order to complement organic growth with value-creating acquisitions**

As part of its proven cyclical strategy process, Vontobel has defined another set of ambitious targets for its next growth phase in the period to 2020. According to these targets, Vontobel plans to outgrow the market in all core activities, with top-line growth and net new money of 4–6%; to generate a return on equity of >12%, clearly exceeding the cost of capital; to achieve a cost/income ratio of <75%; to maintain a very strong capital position with a CET1 capital ratio of >12% and a total capital ratio of >16%; and to distribute profits not used for organic growth and M&A to shareholders, with a target payout ratio of >50%. In parallel to this strategic planning, Vontobel has sharpened its corporate profile by refining its vision and values and has strengthened the basis for its continued successful development and growth.

In recent years, Vontobel has developed into a globally active wealth and asset manager. Advised client assets more than tripled from 2002 to mid-2017. Today, 58% of advised client assets stem from clients outside its Swiss home market. With its well-diversified book of business comprising wealth management, asset management and financial products, coupled with significant investments in technology and four acquisitions in the last three years, Vontobel is well positioned to pursue its growth path as it profits from the creation of global wealth.

Zeno Staub, CEO of Vontobel, stated: “As global wealth continues to grow in a multipolar and increasingly uncertain world, this is creating opportunities for wealth and asset managers that address major industry trends such as the transformation of business through digital innovation and the shift from products to solutions based on specific client needs. We have already delivered growth across all our business lines in the last few years but we are now aiming higher. We have sharpened our value proposition and defined ambitious new goals based on our business model and core competencies and we are ready to embark on the next phase of growth.”


Vontobel’s strategy includes five strategic priorities to successfully generate growth and it defines ambitious targets for all businesses for 2020

Based on Vontobel’s client-driven and long-term oriented strategy as an internationally active specialist in wealth and asset management that is dedicated to growth and innovation, five strategic priorities have been defined for the next three years. A great client experience has become essential to meet the expectations of today’s and tomorrow’s clients. The first strategic priority is therefore to *deliver the unique Vontobel experience*. In this way, Vontobel will generate superior value for clients and create a stronger emotional connection to the brand.

Empower people is the second strategic priority that has been defined. An ownership mindset forms the backbone of Vontobel’s culture. Through various initiatives, Vontobel wants to empower and foster entrepreneurship among its employees.

With its new positioning, Vontobel’s third strategic priority is to *create brand excitement among its clients*. It has sharpened its corporate profile and will introduce a new corporate design in September to strengthen its positioning and further increase confidence in the Vontobel brand.

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



Driving efficiency is the fifth strategic priority. Vontobel can transform top-line growth into superior bottom-line growth through tight cost management and by streamlining processes to achieve economies of scale. Vontobel operates in international markets, where it is subject to increasingly complex regulations, and it provides specialized products and services in response to rising client expectations. Vontobel's global platform strategy is the key to efficiently managing this complexity: It effectively combines a state-of-the-art infrastructure with centralized high-quality production processes in Switzerland and global distribution. Vontobel has a high degree of automation and efficiency, with a straight-through processing rate of >99%. Since Vontobel completely renewed its core banking platform system in the last decade, its resources can now be allocated to digital innovation, which not only drives a compelling client experience but also results in further efficiency gains.

Wealth Management aspires to become the leading Swiss wealth manager

Vontobel has actively shaped its Private Banking business in recent years. After refocusing its activities in 2013, it used its new earning power to grow the business organically. In 2017, Private Banking has maintained the trend and continued to achieve above-market growth, with an annualized net new money growth of over 5%. Its organic growth was complemented by the acquisition of Finter Bank in 2015 and the acquisition of a portfolio of Central and Eastern European clients from Notenstein La Roche in 2017. At the same time, Private Banking has expanded its business internationally with a newly established team for the Latin America business and by opening new locations for US clients in Geneva, Dallas and New York. It has also harnessed the potential of digitization and, in 2015, became the first private bank in Switzerland to launch a new private banking app that has since gained widespread acclaim.

Vontobel Private Banking aspires to become the leading Swiss wealth manager and to deliver personal and professional service to its clients with an offering that is tailored to their specific needs. Clients can access the best investment content, which is delivered through a sophisticated and holistic advisory process. This is supported by leading digital delivery and highly qualified relationship managers, with a value-based and transparent pricing system to enhance client value. Vontobel Private Banking is targeting continued overall organic net new money growth of 4–6%, while Switzerland, the US/Canada and selected Emerging Markets are targeted to grow by more than 10%. A gross margin of more than 65 bps and a cost/income ratio of less than 75% will ensure profitable growth.

External asset managers (EAMs) benefit from Vontobel's excellent global investment expertise and first-class competency in active asset management. The basic offering that was available to EAMs in 2009 has since been continuously developed and Vontobel today provides a full service offering. The latest initiative to be rolled out is a new digital platform that gives EAMs access to a pioneering solution compared to peer offerings. These investments have been rewarded with impressive growth averaging 16% p.a. in advised client assets since 2008. The business with EAMs is now ready for the next phase of growth and aims to achieve a 4-6% growth in net new money. Its enhanced service offering will be accompanied by the expansion of the franchise in Switzerland, the US and Asia. A gross margin of more than 55 bps and a cost/income ratio of less than 60% will ensure profitable growth.




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Asset Management to achieve growth by delivering high-conviction active management

Vontobel's active high-conviction asset management is continuing to prove successful, resulting in outstanding performance quality. The boutiques Quality Growth, Multi Asset and Vescore, Fixed Income/TwentyFour Asset Management, Thematic and Sustainable/ESG Investment are growing their addressable markets through Vontobel's broad distribution network that reaches all relevant client segments globally. Today, a total of 37 – i.e. more than half – of Vontobel funds have a 4-star or 5-star fund rating as of mid-June 2017. This rating reflects the strong investment results that Vontobel delivers for clients: 79% of assets under management outperformed their benchmark in the first half of 2017. The impressive growth in advised client assets averaging 16% p.a. since 2011 far exceeds the market average. The large exposure in Quality Growth equities was reduced to 32% as of mid-2017 from 53% at the end of 2014, and the Fixed Income and TwentyFour Asset Management boutiques have grown their share of advised client assets to 26% as part of Asset Management's diversification efforts. The Multi-Asset boutique and Vescore now account for 30% of advised client assets. The acquisition of Vescore in 2016 has strengthened the leading position of the existing Sustainable Investment team and contributed to further diversification.

The Asset Management industry has seen a shift from active to passive investing, driven in particular by lower fee models for passive investments. This will lead to an increased focus on investment capabilities, forcing non-differentiated asset managers to reconsider their fee models. With its diversified boutique model and its global high-conviction asset management approach, Asset Management is well positioned to cover major future growth categories and expand its business model to realize its 2020 target of 4–6% net new money growth. In the coming years, Asset Management aims to achieve further growth in all boutiques. With their diversified competencies, Vontobel's Fixed Income/TwentyFour Asset Management, Multi-Asset and Vescore boutiques will be able to expand both in Switzerland and internationally. After effectively managing the CIO transition, Quality Growth will focus on returning to a growth path. At the same time, Sustainable Investing aims to expand its leading position. Despite the change in product mix and general fee pressures, Asset Management wants to maintain the gross margin at over 40 bps and to achieve a cost/income ratio of below 65% to ensure profitable growth.

Financial Products to become a global leader



The Financial Products business has, for years, demonstrated a high level of innovation as well as technology and cost leadership while maintaining its close proximity to clients. Vontobel's state-of-the-art digital ecosystem allows it to rapidly enter new markets and serve new target groups. Financial Products has established itself as one of the leading providers of structured products and derivatives in Europe, with a market share of over 10% in Europe and 25% in its Swiss home market (measured in terms of the exchange-traded volume in the target segment). In the first half of 2017, a total of CHF 2.2 billion was purchased on Vontobel's leading multi issuer platform deritrade® MIP. This represents a significant increase of 29% compared to the same period of the previous year and is higher than the turnover on the SIX Swiss Exchange in the segment for yield enhancement products. Vontobel's multi issuer capabilities were expanded to Germany through the issuing platform 'mein-zertifikat.de'.

Going forward, Financial Products aspires to become a global leader for investment and leverage products. While protecting its leading position in Switzerland and its strong positions in Germany and the Nordics, Financial Products aims to strengthen its top position in Europe by gaining further market share in Italy, the Netherlands and France, as well as by rolling out deritrade® MIP in Europe. In addition, Financial Products will make its market debut in Hong Kong – one of the world's largest markets for leverage products in terms of trading volumes – on 5 September 2017. To complement its growth strategy, it will maintain a high pace of innovation by launching further digital solutions for clients.

Financial Products aims to grow its operating income to more than CHF 300 million by 2020. A cost/income ratio of less than 65% should ensure it can achieve profitable growth with a focus on high-returning businesses that generate a pre-tax return on allocated capital of more than 30%, based on BIS capital requirements of 8%.

"We are committed to long-term value creation by delivering strong and robust results and by providing our shareholders with attractive returns. Vontobel will continue to benefit both from the excellent, stable operating environment in Switzerland and the growth opportunities in its defined focus markets. In a world of increased uncertainty, stability itself becomes an asset. We will use our Swiss hub and all its advantages for the next phase of our international highly profitable growth", said Zeno Staub, CEO of Vontobel.

Vontobel

Vontobel's mission is to protect and build the wealth our clients have entrusted to us over the long term. Specializing in active asset management and tailor-made investment solutions, we provide responsible and forward-looking advice. In doing so, we are committed to Swiss quality and performance standards. With their good name, our owner families have stood by these principles for generations. As of end of June 2017, Vontobel held around CHF 208 billion of client assets. Around 1,700 employees worldwide provide first-rate, customized services for clients with an international focus. The registered shares of Vontobel Holding AG are listed on the SIX Swiss Exchange. The Vontobel families and the Vontobel Foundation hold the majority of shares and votes in the company. www.vontobel.com

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