



# LETTER TO SHAREHOLDERS

Comments on VZ Group's  
half-year results 2023

VZ Holding Ltd  
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# VZ GROUP: FIRST HALF YEAR 2023

## Dear Shareholder

Cooling of the economy

The interest rate hike over the past months has started to show its effects in the current year: economic growth has cooled noticeably, and inflation is decreasing. While most asset classes have gained in value in the first half of the year, the economy has contracted slightly, especially in the eurozone.

Profit rises by 12.1 percent

VZ Group's business continued to develop well in the past six months. As expected, growth was slightly weaker than in the first half of 2022 due to base effects: revenues rose from 205.1 to 224.3 million Swiss francs. This equals an increase of 9.4 percent, compared to 11.8 percent in the same period of the previous year. While management fees on assets under management grew only slightly, banking income developed positively, mainly thanks to higher interest rates. Overall, profit rose by 12.1 percent from 77 to 86.3 million francs.

Strong demand for financial consulting

The substantial increase in consulting fees reflects the fact that the demand for financial advice is growing and brings us many new clients. Despite strong market upheavals in the second half of 2022, a large number of clients again opted for one or more of our platform services, resulting in a net increase in the client base of around 4000. Net new money came in with 2.4 billion francs, a similar level as in the first half of the previous year.

Unchanged solid balance sheet

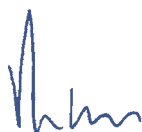
The 4.7 percent growth in the balance sheet total to 6.2 billion francs since the end of 2022 is mainly due to the increase in client deposits. Our balance sheet has an extremely low-risk structure, and our capital ratios remain well above the industry average.

Outlook

We expect demand for our financial consulting to continue to grow in the current year and conversion to platform services to remain at the same level. Due to the dip in the previous year's period, we expect significantly stronger growth in revenues and profit in the second half of the year – provided that no unexpected crises occur. For the entire 2023 financial year, an above-average increase in profit remains realistic from today's perspective. Therefore, a further rise in the dividend can be expected.

We thank all those involved with VZ, as well as those who help shape its development.

Zug, 16 August 2023



Matthias Reinhart  
Chairman of the Board of Directors



Giulio Vitarelli  
Chief Executive Officer

## «The profound changes in the pension system increase the need for competent advice.»

Adriano Pavone, Head of Media Communications, discusses the results and outlook for VZ Group with Giulio Vitarelli, Chief Executive Officer.

### **Mr Vitarelli, are you satisfied with the results of the first half of the year?**

Fundamentally, our business is functioning very well, and I am really satisfied with that. Some developments cannot be influenced, especially the financial markets or the policies of the central banks. In the first half of the year, the strong interest rate hikes over the past 18 months have become tangible: Inflation has dropped as intended, in return for which the central banks are accepting a slowdown in economic growth. In the meantime, there are signs that the global economy will recover after the current dip.

### **The shortage of skilled employees is a big issue across all industries. Do you have enough staff to achieve your goals?**

Well-trained financial consultants are indeed the prerequisite for the growth of our business in the coming years. So far, we have as many as planned, and we are confident that this will be the case in the next few years as well. We invest about two years to train

## «Demographic trends and our expertise are the basis for our future growth.»

university graduates and other young talents in order to enable them to assume responsibility for clients. That is why we are able to forecast the development of our consulting capacity quite accurately.

### **In the first half of the year, consulting fees rose at an above-average rate. Is that mainly due to the demographic development, or are there other reasons?**

Demography is indeed an important driver. There will be an above-average number of people retiring in the next ten years as well. At the same time, more and more of them realise how valuable it is to plan this transition carefully. Uncertainties such as those we have experienced in recent years, and the profound changes

in our pension system further increase the need for competent advice.

### **Does VZ also benefit from Credit Suisse's downfall?**

This debacle has definitely contributed to the uncertainty. We have noticed that it motivates some people to take a closer look at their finances and, if necessary, to seek independent advice. But that is not the main reason for our growth. More important are our excellent reputation, the growing brand recognition and also our presence in all major cities throughout Switzerland.

### **How many clients opt for further services after a consulting project is an important measure of your success. This key figure seems to be stagnating.**

Conversion reacts rather strongly to the market environment and sentiment. By mid-year, the number of platform clients exceeded 69'000, corresponding to a net increase of around 4000 and thus a similar number to the first half of 2022. The same development is reflected in the inflow of net new money. In times as difficult as we have experienced, we consider a constant increase in these key figures to be good.

### **The interest rate landscape has changed radically. How important is this for your results?**

With the rise in interest rates, our net interest income has roughly doubled. But in contrast to many competitors, it only accounts for about 12 percent of our revenues. For clients, on the other hand, the pressure to invest in securities has decreased. This aspect is relevant for the assessment of net new money.

### **In absolute terms, the insurance business has lost weight. What is the reason behind this?**

Since the implementation of the new accounting standard IFRS 17 at the beginning of the year, premiums are offset against claims and other costs. This change is reflected in the figures for the first half of the year, which is why the weight of this component has decreased. These changes have not altered the insurance business's contribution to our profit. At the same time, BVG Rück is included in the results for the first time.



With this new business unit, we are creating additional savings potential for our corporate clients.

**Based on the number of new clients, the balance sheet grew surprisingly little in the first half of the year.**

The reason for the modest growth is the transition from negative to positive interest rates. In the course of this change, we have further reduced our interbank business. This process is completed now, and we expect

**«Due to base effects, revenues and profits should grow more strongly in the current year than in previous years.»**

the balance sheet to grow in line with the number of clients again.

**Projects in connection with digitalisation account for a large part of your investments.**

**What's new in this area?**

The focus is on the further development of our financial portal. It is increasingly used and contributes significantly to winning over existing clients for additional platform services. In the ranking of the Lucerne University of Applied Sciences and Arts, we moved up from fifth to third place in terms of digitalisation.

This confirms that we are well on the way to our goal of becoming the most digitalised bank in Switzerland.

**Two members are leaving the Executive Board.**

**What is the background to these resignations?**

Tom Friess and Lorenz Heim have been with us since the beginning and have helped shape VZ on the Executive Board for over 20 years. Now they want to take a step back and assume new roles in the company. VZ Germany will be headed by Michael Huber and HypothekenZentrum by Michael Kunzmann. Both have been growing into these roles for many years. Within the Executive Board, Marc Weber will be responsible for the mortgage business while I assume the responsibility for the business in Germany.

**Looking at the international business, what is the situation?**

In Germany, we were able to strongly increase the marketing response in the last twelve months. Our market share there is much smaller than in Switzerland, but the growth rates are comparable. We are also on target in the United Kingdom. There we keep focusing on marketing and training, the development of an own asset management platform and the acquisition of additional IFAs.

**And how do you assess the development in the current year and beyond?**

In all areas demand for our services continues to grow. Barring external shocks, base effects will lead to significantly stronger growth in revenues and profit in the second half of this year compared with the second half of 2022. And for the financial year 2023 as a whole, we expect growth rates significantly above the average of the past years. From today's perspective, revenues and profit are likely to develop in line with the average of the last five years in the following years.

# KEY FIGURES

## Income statement

in CHF '000

	1H 2023	2H 2022 <sup>1</sup>	1H 2022 <sup>1</sup>
Revenues	224'324	198'811	205'089
Expenses	123'190	112'393	115'204
Operating profit (EBIT)	101'134	86'418	89'885
<b>Net profit</b>	<b>86'303</b>	<b>74'418</b>	<b>76'967</b>

<sup>1</sup> Retrospective restatement due to the implementation of IFRS 17 (details on page 14 of the financial report).

## Balance sheets

in CHF '000

	30.06.2023	31.12.2022 <sup>1</sup>	30.06.2022 <sup>1</sup>
<b>Total assets</b>	<b>6'224'743</b>	<b>5'945'986</b>	<b>6'025'327</b>
Equity	795'525	770'963	690'497
Net cash	703'517	686'276	581'606

<sup>1</sup> Retrospective restatement due to the implementation of IFRS 17 (details on page 14 of the financial report).

## Equity key figures

	30.06.2023	31.12.2022 <sup>1</sup>	30.06.2022 <sup>1</sup>
Equity ratio	12.8 %	13.0 %	11.5 %
Common equity tier 1 capital ratio (CET1)	24.1 %	25.2 %	23.5 %
Total eligible capital ratio (T1 & T2)	24.1 %	25.2 %	23.5 %

<sup>1</sup> Retrospective restatement due to the implementation of IFRS 17 (details on page 14 of the financial report).

## Assets under management

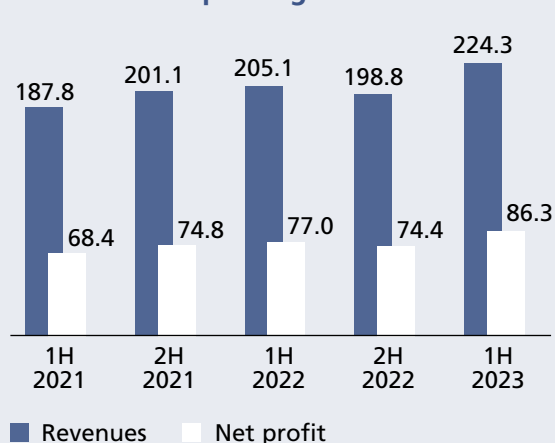
in CHF million

	30.06.2023	31.12.2022	30.06.2022
Assets under Management	42'580	39'108	37'646

## Employees

	30.06.2023	31.12.2022	30.06.2022
Full-time equivalents (FTE)	1'299.3	1'247.4	1'186.2

## Revenue and profit growth in CHF million



### **Alternative Performance Measures (APM)**

To measure our performance, we use alternative performance measures that are not defined under International Financial Reporting Standards (IFRS). Details can be found on page 38 of the half-year report 2023.

### **Download reports and press releases**

Our press release regarding the half-year results as well as the half-year report can be downloaded in the PDF format from our website: [www.vzch.com/reports](http://www.vzch.com/reports) (Investor Relations/financial reports).

The Letter to Shareholders is published in German, English and French. In case of inconsistencies, the German original version shall prevail.