



LETTER TO SHAREHOLDERS

Comments on VZ Group's
annual results 2023

VZ Holding Ltd
Innere Güterstrasse 2
6300 Zug

VZ GROUP: FINANCIAL YEAR 2023

Dear Shareholder

Prospect of a soft landing for the economy

Inflation rates around the world are approaching the target range. While economic growth is slowing, partly due to higher interest rates, the prospect of a soft landing remains intact. The stock market year 2023 was characterised by strong fluctuations in value, but turned out positively overall.

Profit increases by 23.5 percent

Against this backdrop, our business has developed well: Revenues rose from 403.9 million to 463.8 million Swiss francs. This corresponds to an increase of 14.8 percent. Fees from assets under management are our most important revenue component. They rose by 7.4 percent, while banking income increased at an extraordinary rate, mainly thanks to higher interest rates. As expected, growth accentuated in the second half of the year, due to the lower basis for comparison in the previous year.

Demand continues to rise

The rising demand follows a long-term trend based on demographic developments and is reinforced by the ongoing reforms to the Swiss pension system. In 2023, we were able to further expand our consulting capacity and branch office network, resulting in an increased reach in our target segment. This is evident from the strong growth in consulting fees of 19.2 percent. We once again gained a net total of 8000 new clients for our platform services. Due to the challenging market environment, net new money was slightly lower than in the previous year (4.4 billion compared to 4.6 billion francs).

Stable balance sheet and higher dividend

Our balance sheet total rose from 5.9 billion to 6.5 billion francs. This is mainly due to the increase in client deposits. Capitalisation remains well above the industry average. With a core capital ratio (CET1 ratio) of 26.2 percent, we are very solidly capitalised. The Board of Directors is proposing to the Annual General Meeting to raise the dividend from 1.74 to 2.24 francs per share. This will increase the payout ratio from 46 to 48 percent as planned.

Outlook

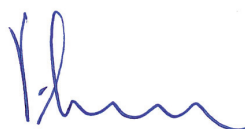
Over the next few years, we will continue to expand our consulting capacity to match the rising demand. If the financial markets remain stable, revenue and profit growth in the 2024 financial year should be in line with the long-term average. Due to base effects, we expect growth to be stronger in the first half of the year.

We would like to thank everyone who is associated with VZ and who help shape its future as well as those who have an interest in its development.

Zug, 29 February 2024



Matthias Reinhart
Chairman of the Board of Directors



Giulio Vitarelli
Chief Executive Officer

«More and more people are planning their retirement with our help.»

Adriano Pavone, Head of Media Operations, discusses the results and outlook for VZ Group with Giulio Vitarelli, the group's CEO.

Mr Vitarelli, you have taken over the operational management of VZ Group from Matthias Reinhart in 2023. How would you assess the first financial year under your leadership?

Overall, we are satisfied with the result. The markets were challenging, but we are ideally positioned with our business model and are able to pursue our proven strategy. More and more people are planning their retirement with our help, and this target group is growing steadily. We focus on the quality of our consulting, which is why we invest significantly in the further training of our experts. This pays off: Our high Net Promoter Score shows that our clients are exceptionally satisfied. This is the best possible basis for ensuring that a large proportion of them opt for one or more of our platform services after completing a consulting project with us.

«Security has priority for us and our clients. This is why we ensure that our risk ratios remain above average.»

Revenues have increased by 14.8 percent. What lies behind this above-average growth?

Around half of the growth in revenues is due to the rise in interest rates: The interest hike is the reason for the strong growth in the banking business. The other half of the growth is spread evenly across all other business units. I would like to highlight that consulting fees also saw an exceptionally strong increase of almost 20 percent. This is an indicator of how many new clients we are gaining – and thus the basis for our future growth.

Profit has grown even more. Does that mean that the profit margin is widening further?

No. We assume that the profit margin will not improve any further in the future. Our long-term

goal is a margin of at least 38 percent. The interest rate development has made 2023 an exceptional year. In future, our costs are likely to grow in line with revenues again.

How many clients use your banking and other services?

In 2023, we added a net total of over 8000 platform clients. Typically, consulting clients start with one of our five platforms and opt for additional services over time. Today, we support over 73'000 platform clients. A good 25 percent of these private households and companies use three or more platforms.

Net new money is slightly lower than in 2022.

What is the reason for this?

The end of negative interest rates has taken pressure off clients to immediately invest funds that become available. And the uncertain environment is reinforcing hesitant investment behaviour: We know from experience that our clients are more reluctant to invest during difficult market phases. In addition, homeowners amortised their mortgages more quickly than usual last year because interest rates have risen noticeably. All three factors slowed the growth of net new money.

The banking business contributes significantly to profit growth. Is that a trend?

This was a one-off event that will not be repeated. The first interest rate cuts are foreseeable in the current year already. With this interest rate outlook, a significant increase is unlikely, even if the balance sheet continues to grow. The banking result includes three components: net income from interest business, trading activities and commissions. As expected, net interest income grew disproportionately thanks to the sharp rise in interest rates. The result from trading and security commission business, on the other hand, is transaction-driven. Last year, these two components continued to decline because more and more clients are using all-in-fee models. Fee-based consulting and portfolio management will continue to be the two main drivers of our development.



Your balance sheet and risk ratios are very sound. Will it stay that way?

The balance sheet is growing in line with the number of clients who entrust their savings to our bank. We invest their money in very secure assets: in deposits with the Swiss National Bank, in our clients' prime Swiss residential mortgages and in bonds with the highest credit ratings. Security has priority for us and our clients. This is why we ensure that our risk ratios remain above average.

«Fee-based consulting and portfolio management will continue to be the main drivers of our development.»

Coming back to the front business: How important is the corporate client segment?

It is an important pillar of our Swiss business. Many decision-makers first come to us as private clients and then mandate us to optimise the pension schemes for their SMEs as well. When companies opt to join our collective foundations, we establish contact with the beneficiaries – and this in turn acts as an accelerator for our private client business.

What role do digitalisation and artificial intelligence play for VZ?

We continue to invest significantly in VZ Finanzportal, our digital client interface, for example in our

trading platform or in self-onboarding. In the medium term, we also want to offer all our services digitally and move up from third to first place among the most digitalised financial service providers in Switzerland. For the time being, we are primarily using AI in the areas of data processing and settlement.

How do you assess the situation in Germany and the UK?

In both markets, business is growing at a similar pace to Switzerland. Marketing, training and the acquisition of small independent financial advisors are our focus in the UK. At the same time, we are optimising the platforms used to manage the assets under management. In Germany, we record considerably more initial consultations, which brings us more clients.

Why do you want the dividend to increase at a higher rate than the profit?

We intend to increase the payout ratio to 50 percent by 2025. With the step from 46 to 48 percent, we are getting closer to this goal. In subsequent years, we want the dividend to grow in line with profits again. As before, we will use the retained earnings to strengthen our equity so that we can continue to finance our growth from our own resources in the future.

And finally: What is your outlook?

We assume that the demand for consulting will continue to increase due to demographics and the challenges in the pension system. Therefore, we plan to continue to increase our consulting capacity on an ongoing basis. If the financial markets remain stable, revenue and profit growth should return to the long-term average in the 2024 financial year. Due to base effects, growth will be stronger in the first half of the year than in the second.

KEY FIGURES

Income statement

in CHF '000

	2023	2022 ¹
Operating revenues	463'842	403'900
Operating expenses	244'922	227'597
Operating profit (EBIT)	218'920	176'303
Net profit	187'022	151'385

¹ Retrospective restatement due to the implementation of IFRS 17 (details on page 68 of the financial report).

Balance sheets

in CHF '000

	31.12.2023	31.12.2022 ¹
Total assets	6'535'708	5'945'986
Equity	926'117	770'963
Net cash	844'035	686'276

¹ Retrospective restatement due to the implementation of IFRS 17 (details on page 68 of the financial report).

Equity key figures

	31.12.2023	31.12.2022 ¹
Equity ratio	14.2 %	13.0 %
Common equity tier 1 capital ratio (CET1)	26.2%	25.2 %
Total eligible capital ratio (T1 & T2)	26.2%	25.2 %

¹ Retrospective restatement due to the implementation of IFRS 17 (details on page 68 of the financial report).

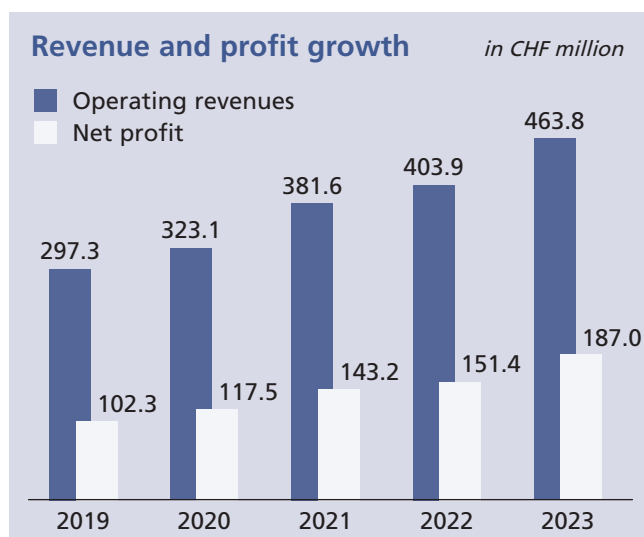
Assets under management

in CHF million

	31.12.2023	31.12.2022
Assets under Management	44'887	39'108

Employees

	31.12.2023	31.12.2022
Full-time equivalents (FTE)	1'390.7	1'247.4



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 194 of the Annual Report 2023.

Where to order and download the annual report 2023

The annual report is printed in German. You are welcome to order it by phone: +41 44 207 27 27 or by email: ir@vzch.com.

Our press release regarding the annual results as well as the annual report can be downloaded from our website in the PDF format: www.vzch.com/reports (Investor Relations/financial reports). The Letter to Shareholders is published in German, English and French. In the case of inconsistencies between these versions, the German original shall prevail.