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VZ Group

**1H 2011**

# **Results and Outlook**

Zurich, 18 August 2011

# Disclaimer

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## **Forward-looking statements**

This presentation contains forward-looking statements that involve known and unknown risks, uncertainties or other factors that may cause the actual results to be materially different from any future results, performance, or achievements expressed or implied by such statements. Against the background of these uncertainties, readers should not rely on such forward-looking statements. The company assumes no responsibility to up-date forward-looking statements or to adapt them to future events or developments.

- ▶ 1. Facts & figures
  - 1.1 Private client segment
  - 1.2 Corporate client segment
- 2. Financials
- 3. Outlook

# Summary 1H 2011

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## Economic environment/ milestones

- Turbulent market environment affects growth
  - stock markets downturn
  - strong Swiss franc
- Reluctant client response  
(more clients, but less consulting projects)
- NNM per consultant slightly below long-term goals
- Increase of consulting capacity from 60 to 67 FTE
- 4 additional branch offices
- Launch of additional online services

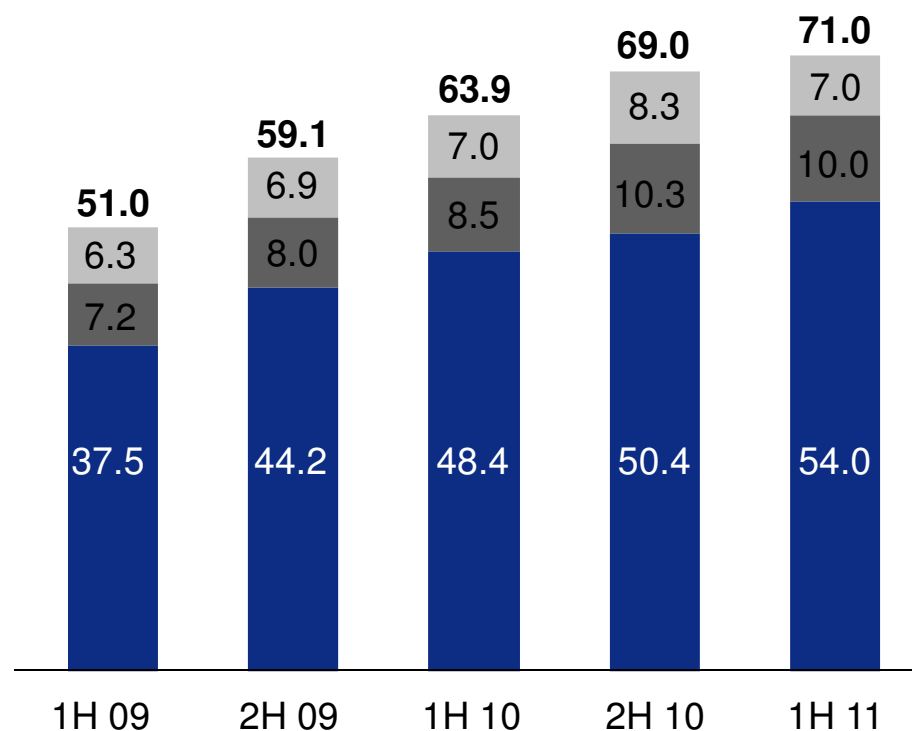
## Financials

- Top line +11.1% to CHF 71.0 million
  - consulting fees +1.6%
  - management fees +11.4%
  - banking revenues +17.5%
- Expenses at upper end of forecast
  - personnel expenses +14.9%
  - other operating expenses +12.3%
- EBITDA margin at 45.5% (2010: 48.0%)
- Bottom line +8.4% to CHF 25.1 million
- Balance sheet remains solid  
(BIS capital ratio at 24.6%)



# Revenues: growth affected by turbulent markets

in CHF million



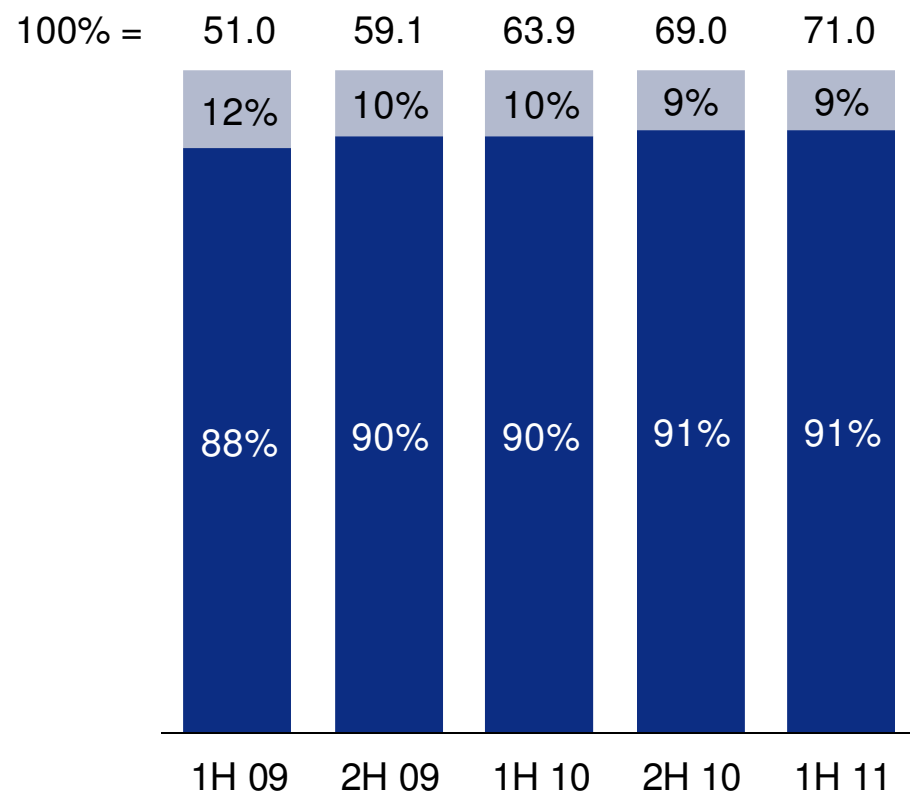
- Consulting fees and other revenues
- Banking revenues
- Management fees

- Overall +11.1% yoy
- Consulting fees +1.6% yoy
  - increased capacity
  - more, but reluctant clients
- Management fees +11.4% yoy
  - AuM +14.0% (average value)
  - management fees with private clients +12.3%
  - no performance fees in 1H11
- Banking revenues +17.5% yoy
  - increased number of clients
  - persistently low interest margin



# Revenues: 91% from private client segment

in CHF million



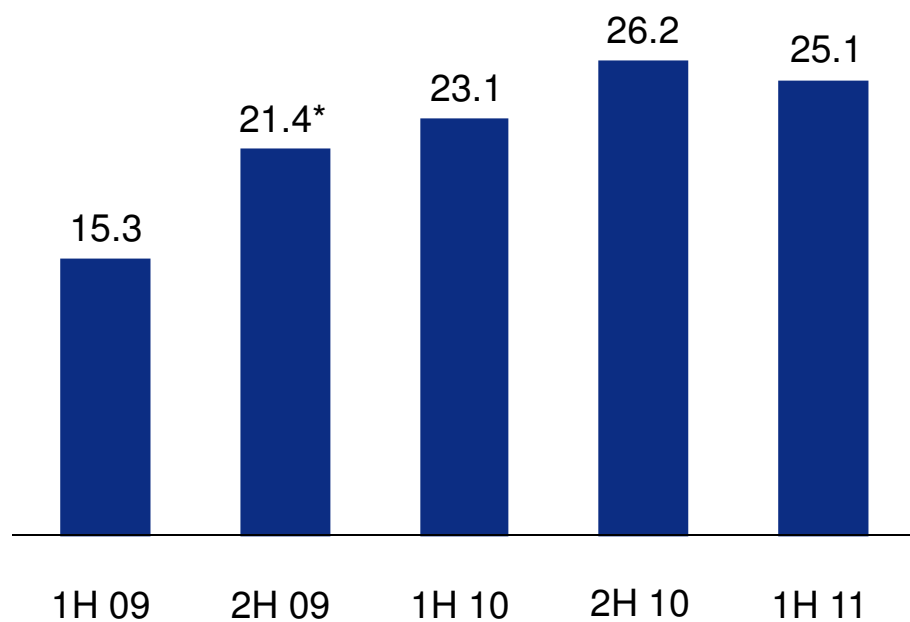
- Corporate client segment
- Private client segment

- Corporate client segment's share at 9%
  - private client segment +11.9% yoy
  - corporate client segment +3.3% yoy
- Banking revenues reported in private client segment



# Net profit: markets weigh on margin

in CHF million



- Operating margin (EBITDA) at 45.5% from 47.0% yoy
  - revenues +11.1% yoy
  - operating expenses +14.2% yoy
- Net profit +8.4% yoy
- Net profit margin at 35.3% from 36.2% yoy

\* adjusted for revaluation of pension liabilities

# Content

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1. Facts & figures
  - ▶ 1.1 Private client segment
  - 1.2 Corporate client segment
2. Financials
3. Outlook

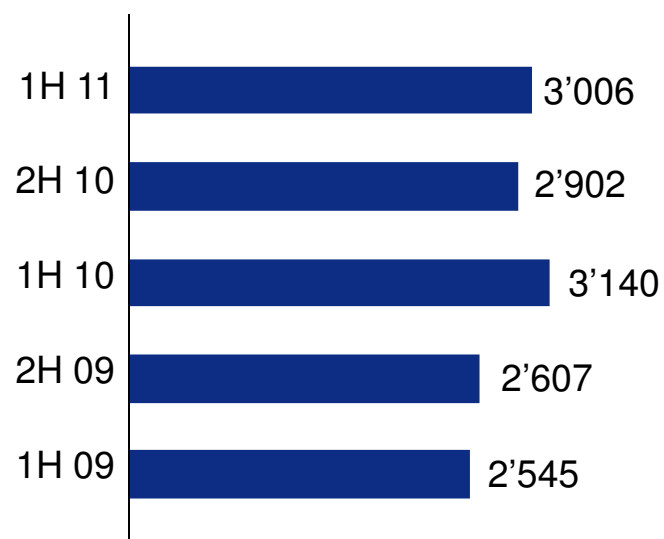




# Private client segment: more clients

## Financial consulting

# of consultancy projects



- initial meetings +1.6% yoy
- consultancy projects -4.3% yoy
- consulting fees +2.3% yoy

## Wealth management

in CHF million

	30.6.09	31.12.09	30.6.10	31.12.10	30.6.11
AuM total	5'912	6'717	7'205	7'758	8'117
- PM mandates	4'083	4'752	5'097	5'413	5'585
- Other*	1'829	1'965	2'108	2'344	2'532
NNM total (6 months)**	410	530	595	590	528
Number of WM clients total	10'013	10'801	11'797	12'612	13'734

\* Incl. mortgages under management and portfolios under client management

\*\* NNM for the 6 months preceding the reporting date



# Private client segment: capacity as main driver

## Capacity growth

Full-time equivalents (FTE) with client and budget responsibility

	2009	2010	2011	2012e
<b>Financial consulting</b>	52.6	60.0	67.0	ca. 80.0
<b>Wealth management</b>	30.0	34.9	36.0	ca. 40.0

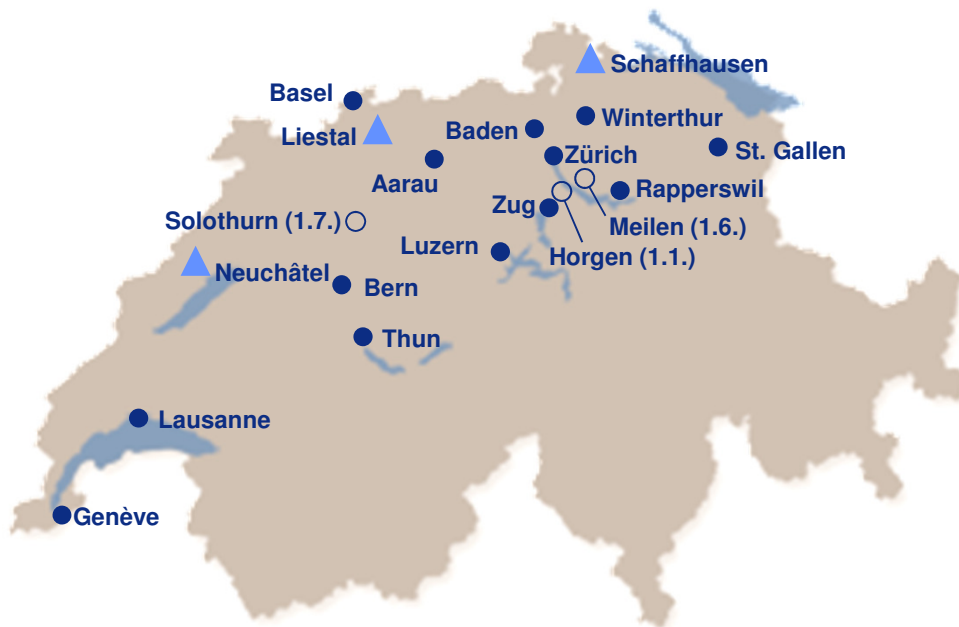
## Financial consulting performance

NNM per financial consultant (FTE)

	2008	2009	2010	1H11
	13.5 mio.	17.9 mio	19.9 mio.	15.7 mio. annualised

# Branch offices

## Switzerland



- branch offices
- ▲ satellites
- New branch offices in 2011

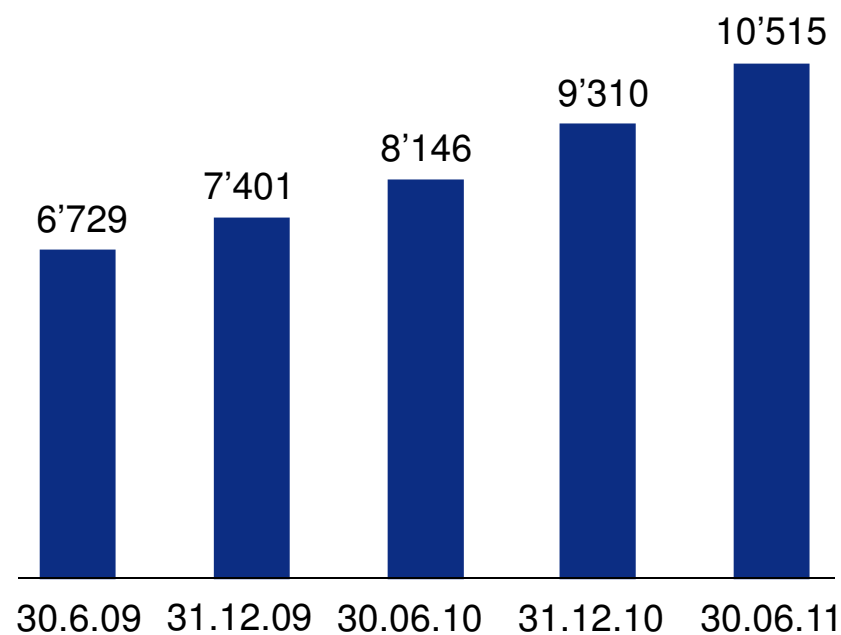
## Germany





# VZ Depository Bank: steady client inflow

## Number of clients



- +29.1% clients since 30.6.10  
+12.9% clients since 31.12.10
- +17.5% banking revenues yoy
- Cash deposits total of CHF 696 m
- Assets: low risk profile
  - 49% money market (2010: 47%)
  - 39% Swiss prime residential mortgages (2010: 41%)
  - 12% CHF bonds (2010: 12%)
- Average time to maturity: 1.19 years



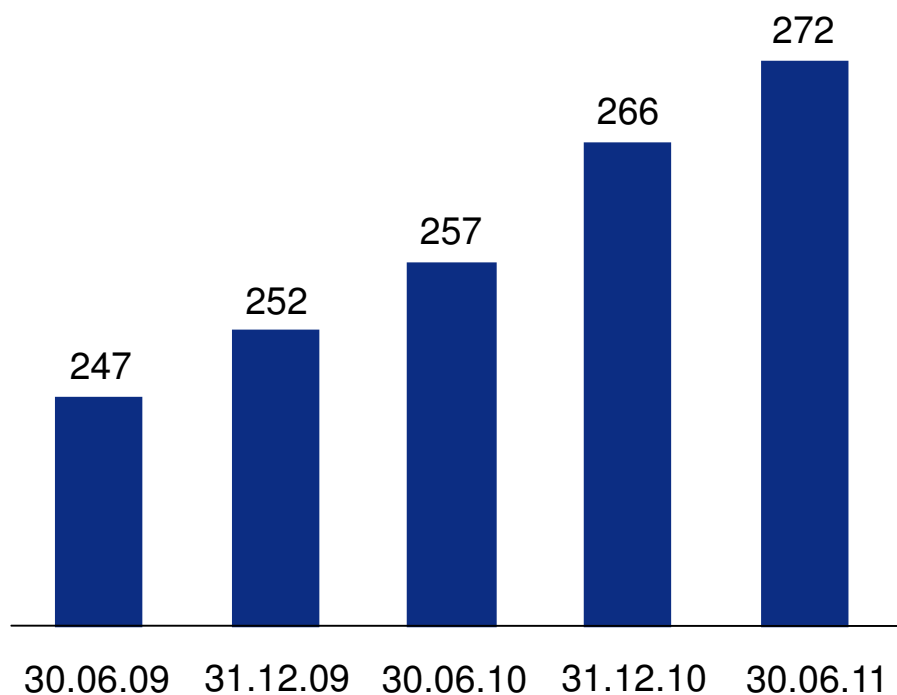
1. Facts & figures
  - 1.1 Private client segment
  - ▶ 1.2 Corporate client segment
2. Financials
3. Outlook



# Corporate client segment: focus on synergies

## Premium volume under management

in CHF million p.a.



- Revenues +3.3% yoy
- EBIT margin at 15.4% (1H10: 14.0%)
- Soft insurance market leads to lower revenues per client
- Synergies with private client segment
  - referrals of management members and employees to financial consulting services
  - innovative executive benefit solutions for entrepreneurs and senior management
    - individual investment strategies
    - tax optimisation
  - know-how transfer on pension fund and benefit planning topics



1. Facts & figures
  - 1.1 Private client segment
  - 1.2 Corporate client segment

▶ 2. Financials

3. Outlook



# Income statements – unaudited (1)

in CHF million*	1H 09		2H 09 adjusted**		1H 10		2H 10		1H 11		yoy 1H 11	
Consulting fees	6.1	6.5	6.8	8.0	6.9	+1.6%						
Management fees	37.5	44.2	48.4	50.4	53.9	+11.4%						
Banking revenues	7.2	8.0	8.5	10.3	10.0	+17.5%						
Other operating revenues	0.2	0.4	0.2	0.3	0.2	–						
<b>Total operating revenues</b>	<b>51.0</b>	<b>59.1</b>	<b>63.9</b>	<b>69.0</b>	<b>71.0</b>	<b>+11.1%</b>						
Personnel expenses	22.6	23.6	24.9	26.6	28.6	+14.9%						
Other operating expenses	8.4	7.7	9.0	8.6	10.1	+12.3%						
<b>Total operating expenses</b>	<b>31.0</b>	<b>31.4</b>	<b>33.9</b>	<b>35.2</b>	<b>38.7</b>	<b>+14.2%</b>						
<b>EBITDA</b>	<b>20.0</b>	<b>27.7</b>	<b>30.0</b>	<b>33.7</b>	<b>32.3</b>	<b>+7.5%</b>						

\* numbers may differ slightly from the published income statements due to rounding differences

\*\* adjusted for the reduced personnel expenses due to a revaluation of pension liabilities





# Income statements – unaudited (2)

in CHF million\*

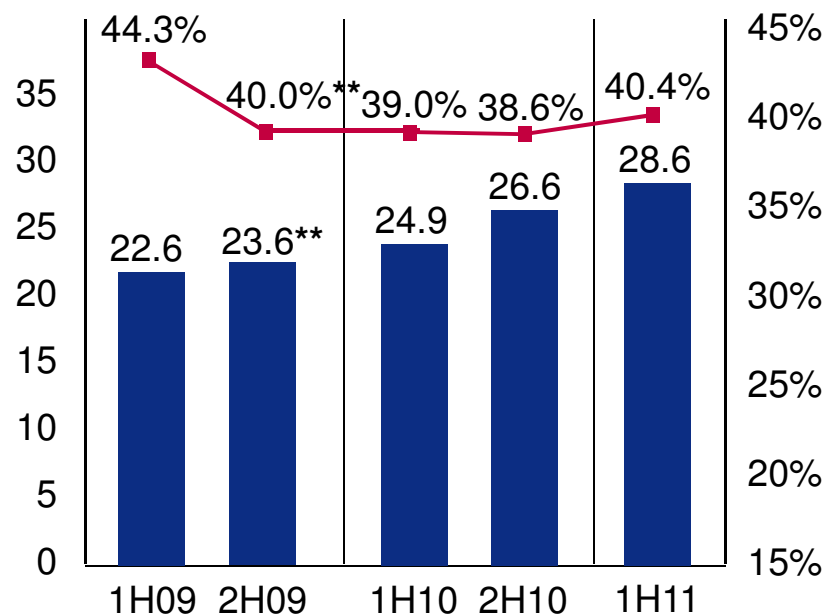
	1H 09	2H 09 adjusted**	1H 10	2H 10	1H 11	yoy 1H 11
<b>EBITDA</b>	20.0	27.7	30.0	33.7	32.3	+7.5%
Depreciation and amortisation	1.2	1.1	1.2	1.2	1.4	+20.1%
<b>EBIT</b>	18.8	26.6	28.9	32.5	30.9	+7.0%
Net finance income	0.0	0.0	-0.3	0.0	-0.1	–
<b>Profit before income tax</b>	18.8	26.6	28.6	32.4	30.8	+7.7%
Income tax	3.5	5.3	5.4	6.2	5.7	+5.1%
<b>Net profit</b>	15.3	21.4	23.1	26.2	25.1	+8.4%

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# Personnel expenses

in CHF million\*



- Personnel expenses
- Personnel expense ratio (personnel expenses / revenues)

- +14.9% yoy

- Personnel development

	30.06.10	31.12.10	30.06.11
HC	456	504	522
FTE	393.3	432.0	457.5

- since 30.06.10: + 64.2 FTE (+16.3%)
- since 31.12.10: + 25.5 FTE (+5.9%)

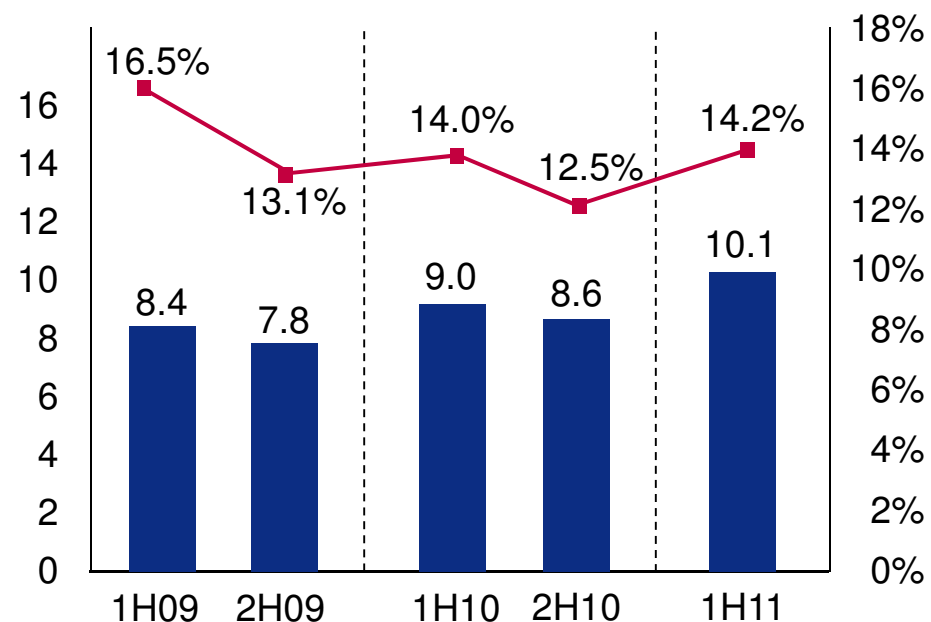
- Personnel expense ratio stable at around 40%

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# Other operating expenses

in CHF million\*



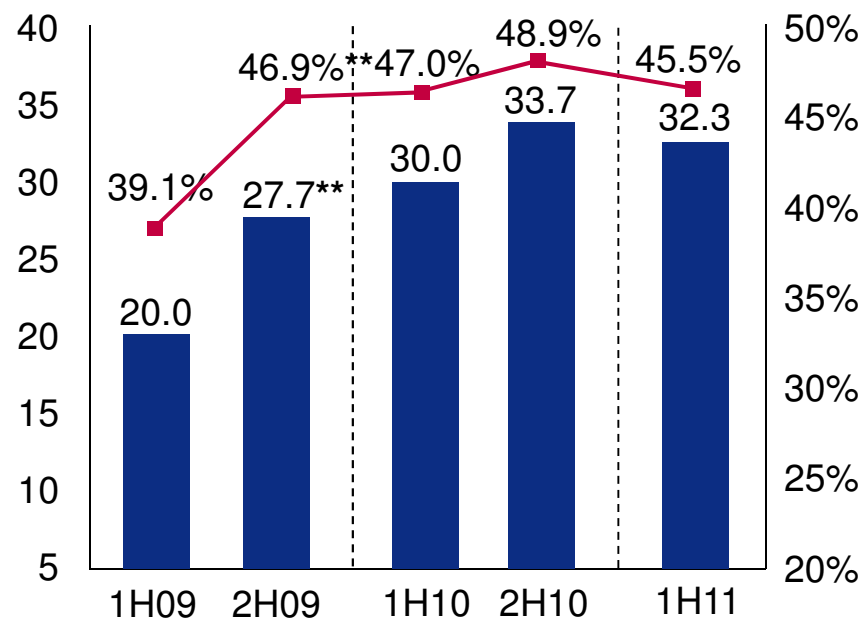
- +12.3% yoy
- Increased capacity
- New branch offices
- Additional online services

- Other operating expenses
- Other operating expense ratio (other operating expenses / revenues)

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# EBITDA and margin

in CHF million\*



■ EBITDA

—■ EBITDA margin (EBITDA / revenues)

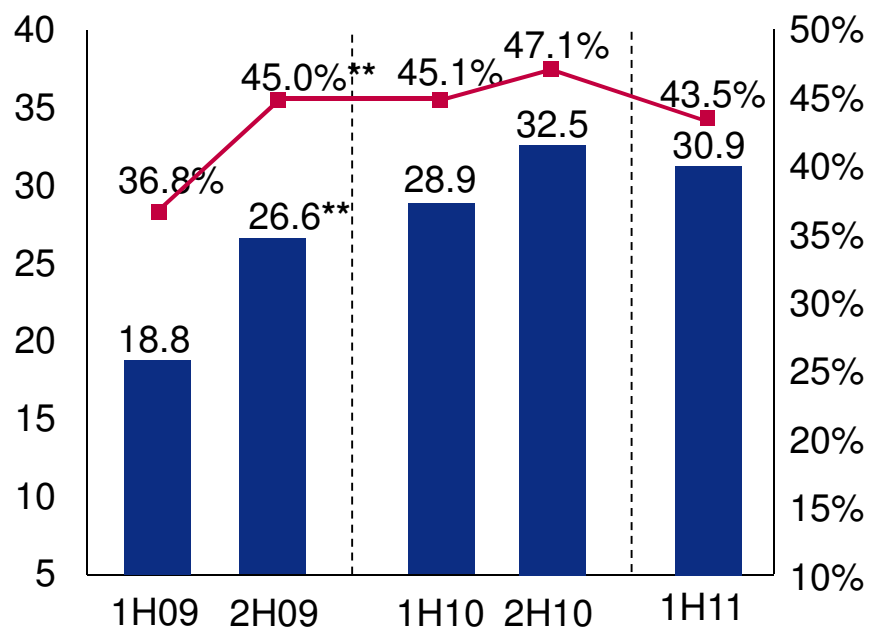
- EBITDA +7.5% yoy
- EBITDA margin at 45.5%
- Margin in line with long-term expectation

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\*\* adjusted for the reduced personnel expenses due to a revaluation of pension liabilities

# EBIT and margin

in CHF million\*



■ EBIT

—■ EBIT margin (EBIT / revenues)

- EBIT +7.0% yoy
- EBIT margin at 43.5%
- Margin in line with long-term expectation

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\*\* adjusted for the reduced personnel expenses due to a revaluation of pension liabilities



# Balance sheets

in CHF million\*

	30.6.10	31.12.10	30.6.11
Cash & cash equivalents	342.8	257.8	325.2
Short-term investments	233.4	124.6	109.0
Marketable securities	0.7	0.8	0.8
Swiss prime residential mortgages	291.7	326.4	331.9
CHF bonds	95.3	92.2	97.2
<b>Subtotal financial investments</b>	<b>963.9</b>	<b>801.8</b>	<b>864.1</b>
Property, equipment and intangibles	6.2	7.2	8.0
Other assets	31.2	31.3	37.1
<b>Total assets</b>	<b>1'001.3</b>	<b>840.3</b>	<b>909.2</b>
Customer deposits	843.1	654.4	696.4
Other liabilities	16.7	18.2	36.2
<b>Total liabilities</b>	<b>859.8</b>	<b>672.6</b>	<b>732.6</b>
<b>Total equity</b>	<b>141.5</b>	<b>167.7</b>	<b>176.6</b>

- Balance sheet total increases by CHF 68.9 m (+8.2%) since 31.12.10
- Financial assets:
  - Swiss prime residential mortgages (37% of total assets)
  - bonds (11% of total assets)
- Net cash position of CHF 153 m whereof CHF 116 m vested with VZ Depository Bank
- Excellent equity ratio

\* numbers may differ slightly from the published balance sheets due to rounding differences



# Equity & payout ratios

<b>Payout ratios</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Equity ratios</b>	<b>30.06.10</b>	<b>31.12.10</b>	<b>30.06.11</b>
in CHF million							
Net profit	34.3	37.6	49.3	Total equity (in CHF million)	141.5	167.7	176.6
Retained earnings	22.3	23.3	31.2	Equity ratio	14.1%	20.0 %	19.4%
Dividend total	12.0	13.4	18.1	BIS Tier I	19.2%	25.4 %	24.6%
<i>Dividend per share</i>	<i>1.50</i>	<i>1.70</i>	<i>2.30</i>	BIS Tier II	19.2%	25.4 %	24.6%
<b>Payout ratios</b>	<b>35%</b>	<b>36%</b>	<b>37%</b>				

<b>Treasury shares</b>	<b>30.06.10</b>	<b>31.12.10</b>	<b>30.06.11</b>
Number (in '000)	134	147	119
Book value (in CHF million)	7.2	8.5	7.6



1. Facts & figures
  - 1.1 Private client segment
  - 1.2 Corporate client segment

2. Financials

- ▶ 3. Outlook





## Business development

- Increase consulting capacity from 67 (2011) to 80 FTE (2012) out of existing trainee pool
- Short term reduced recruiting efforts due to market uncertainties
- Focus on front-end productivity (consulting fees, NNM)
- Further develop online platform (e.g. mortgage services)
- Examine VZ Depository Bank's market entry in Germany based on the new Swiss-German double taxation treaty

## Financial targets

- Short term revenue visibility affected by current market volatility
- Revenues 2011: plus 6 to 10% (previous forecast: plus 15 to 20% if markets kept stable)
- Operating expenses confirmed
  - personnel expenses: plus 12 to 15%
  - other operating expenses: plus 9 to 12%
- Other P&L positions: no significant changes expected
- Mid-term targets: unchanged