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VZ Group

**2010**

# **Results and Outlook**

Zurich, 8 March 2011



## **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.

# Agenda

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

# Summary 2010



## Milestones

- Successful 2010 despite difficult environment
  - increased insecurity caused by debt crisis
  - strong Swiss franc
  - volatile financial markets
- Steady inflow of new clients
  - more consultancy projects (+17.3%)
  - more wealth management clients (+16.8%)
- Growth in financial consulting capacity (+14.1%)
  - below average because of headcount freeze in 2008/2009
  - successful recruiting of new talents to ensure future expansion
- NNM per consultant at upper end of long-term target corridor
- Funds under management (31.12.2010)
  - assets under management: CHF 7'758 million (31.12.2009: CHF 6'717 million)
  - insurance premium: CHF 266 million p.a. (31.12.2009: CHF 252 million)

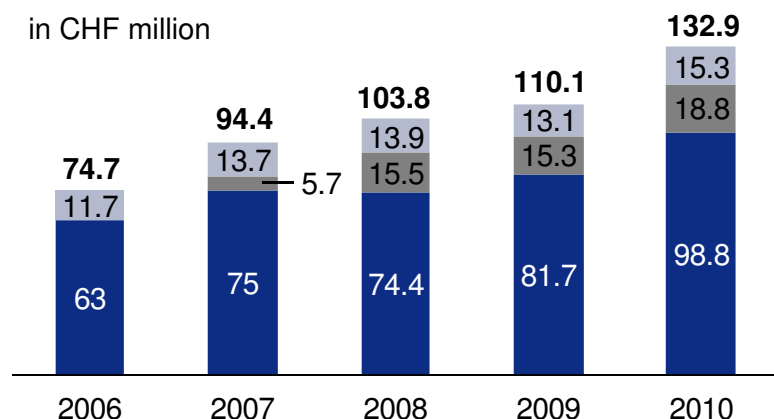
## Financials

- Top line +20.7% to CHF 132,9 million
  - management fees +20.9%
  - banking revenues +23.3%
  - consulting fees +18.3%
- EBITDA margin above expectation at 48.0%
- Costs on track as forecast
  - personnel expenses +11.5%
  - other operating expenses +8.7%
- Bottom line +34.4% to CHF 49.3 million (2009: adjusted)
- Stronger equity ratios due to
  - lower balance sheet total
  - additional equity

# Revenues: return to growth path in 2010

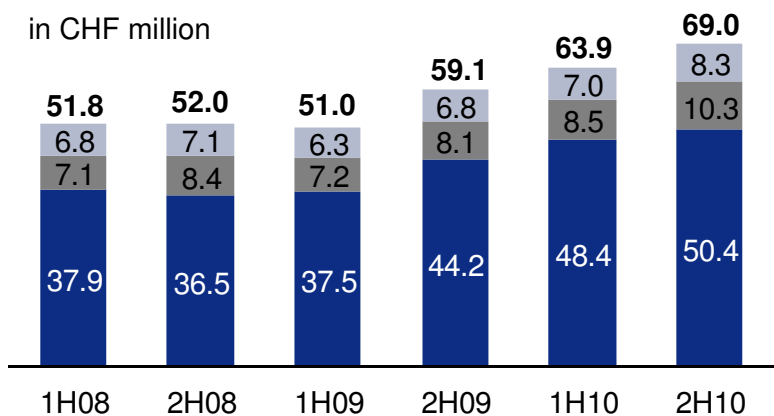
## Full years

in CHF million



## Half years

in CHF million

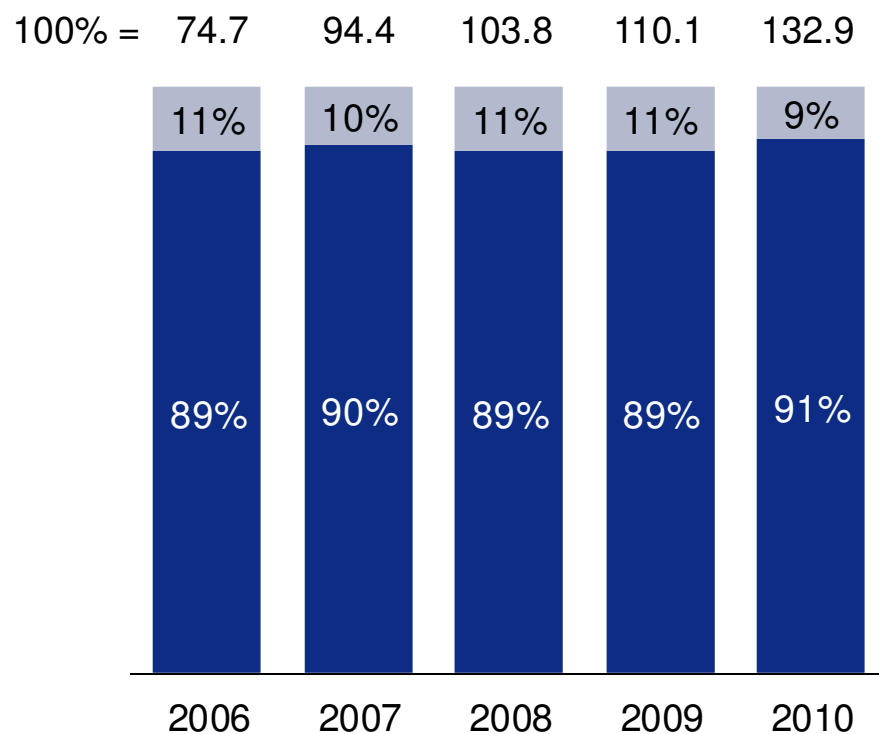


Consulting fees
  Banking revenues
  Management fees



- Total revenues +20.7%
- Management fees +20.9% yoy
  - AuM +18.9% (average)
  - higher portion of discretionary portfolio management mandates
  - small contribution of performance fees
- Banking revenues +23.3%
  - more clients on banking platform
  - continuously low interest margin
- Consulting fees +18.3%
  - increased capacity
  - higher demand from private clients
  - more comprehensive consulting projects
- 1H10 +25.3% yoy
  - inflated by basis effect (1H09 financial crisis)
- 2H10 +16.7% yoy
  - slowed down by strong Swiss franc

# Revenues: simular segment distribution

in CHF million

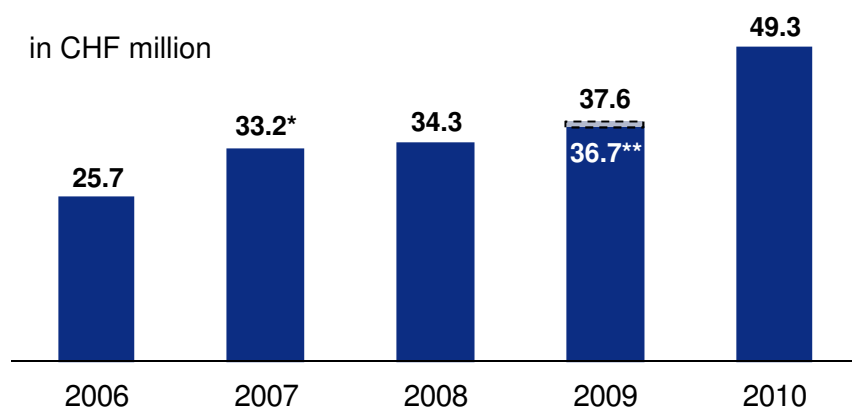


- Corporate client segment's share declines to 9%
  - private client segment +22.9% yoy
  - corporate client segment +3.3% yoy
- Banking revenues reported in private client segment

 Corporate client segment  
 Private client segment

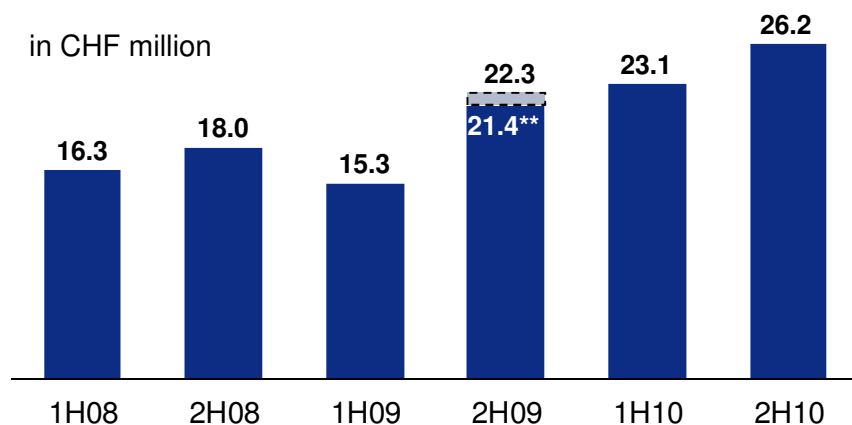
# Net profit: further leverage supports growth

## Full years



- Net profit +34.4% (2009: adjusted)
- Operational margin (EBITDA) 48.0% vs. 43.3% in 2009 (adjusted)
  - revenue growth rate 2010: +20.7%
  - operating expense growth rate 2010: +10.8% (2009: adjusted)
- Net profit margin 37.1% vs. 33.4% in 2009 (adjusted)

## Half years



- 1H10 +51.4% yoy
  - inflated by basis effect (1H09 financial crisis)
- 2H10 +22.3% yoy
  - slowed down by strong Swiss franc

\* adjusted for one-time costs (IPO and VZ Depository Bank)

\*\* adjusted by revaluation of pension liabilities

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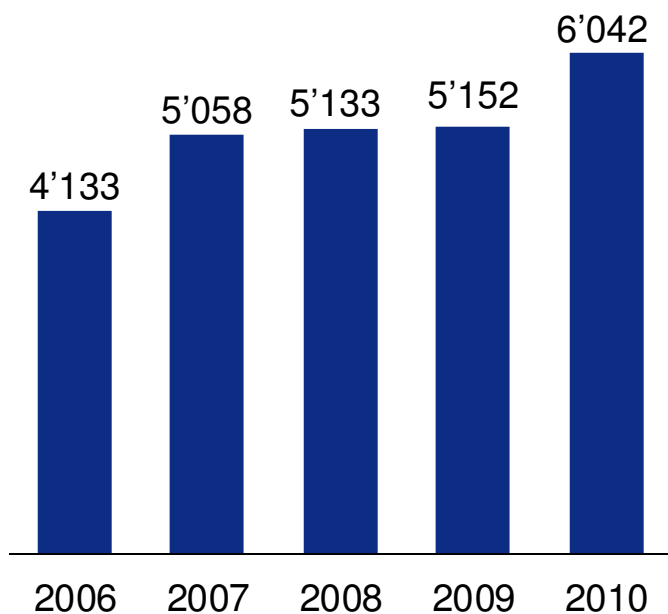




# Private client segment: steady inflow of new clients

## Financial consulting

# of consulting projects



- Initial meetings +10.2%
- Consulting projects +17.3%
- Consulting fees +21.7%

## Wealth management

in CHF million

	31.12.08	31.12.09	31.12.10
AuM	5'456	6'717	7'758
- PM mandates	3'751	4'752	5'413
- Other*	1'705	1'965	2'344
NNM (12 months)	590	940	1'185
Number of WM clients	9'541	10'801	12'612



AuM +15.5%  
 NNM +26.1%  
 WM clients +16.8%

\* Mortgages under management and portfolios under client management



# Private client segment: capacity growth continued

## Capacity growth

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

	2008	2009	2010	2011e
<b>Financial consulting</b>	43.8	52.6	60.0	ca. 70
<b>Wealth management</b>	29.0	30.0	34.9	ca. 38

## Financial consulting performance

NNM per financial consultant (FTE)

	2008	2009	2010	2011e
	13.5 mio.	17.9 mio	19.9 mio.	17–20 mio.

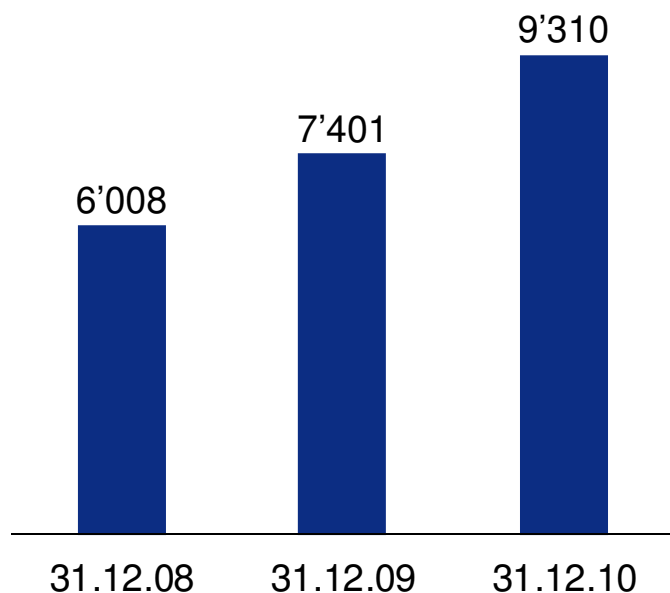
- Financial consulting capacity is the main driver behind the VZ business model
- Wealth management: responsible for long-term relationship with portfolio clients
- Current trainees assure future capacity increase





# VZ Depository Bank: growing client base

## Number of clients



- Number of clients +25.8%
- Overall banking revenues +23.3%
- Net interest margin still low, slight improvement in 2H10
- More than 85% of all wealth management clients use VZ bank's custodian services
- Higher investment ratio within client portfolios and decrease of cash deposits from CHF 725 million (31.12.2009) to CHF 654 million (31.12.2010)
- Assets: low-risk profile, short time to maturity
  - 47% money market (2009: 62%)
  - 41% Swiss prime residential mortgages (2009: 28%)
  - 12% bonds (2009: 9%)
  - average time to maturity 1.2 years

# Agenda

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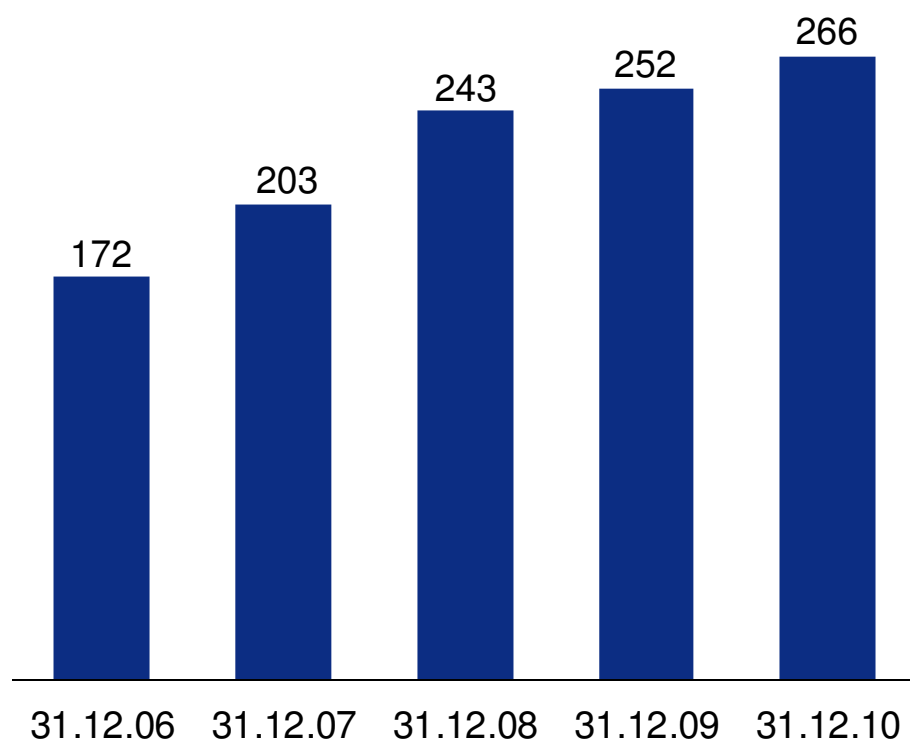


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# Corporate client segment: upswing still deferred

## Premium volume under management

in CHF million p.a.



- Revenues +3.3%
- Economic downturn still affects revenue growth
  - 1H10 +2.6% yoy
  - 2H10 +3.9% yoy
- Lower insurance premiums per client
  - clients downsized in the economic crisis
  - prices for insurance coverage erode
- EBIT margin declines to 16.7% (2009: 21.8%)
  - measures in order to increase profitability initiated

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# Financials: income statements (1)

in CHF million\*

	2008	2009	adjusted**	2010	2010 yoy adj
Consulting fees	13.3	12.5		14.8	+18.3%
Banking revenues	15.5	15.3		18.8	+23.3%
Management fees	74.4	81.7		98.8	+20.9%
Other operating revenues	0.6	0.6		0.5	n.r.
<b>Total operating revenues</b>	<b>103.8</b>	<b>110.1</b>		<b>132.9</b>	<b>+20.7%</b>
Personnel expenses	43.0	45.1	46.2	51.6	+11.5%
Other operating expenses	16.5	16.2		17.6	+8.7%
<b>Total operating expenses</b>	<b>59.5</b>	<b>61.3</b>	<b>62.4</b>	<b>69.2</b>	<b>+10.8%</b>
<b>EBITDA</b>	<b>44.3</b>	<b>48.8</b>	<b>47.7</b>	<b>63.7</b>	<b>+33.7%</b>

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

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





## Financials: income statements (2)

in CHF million\*

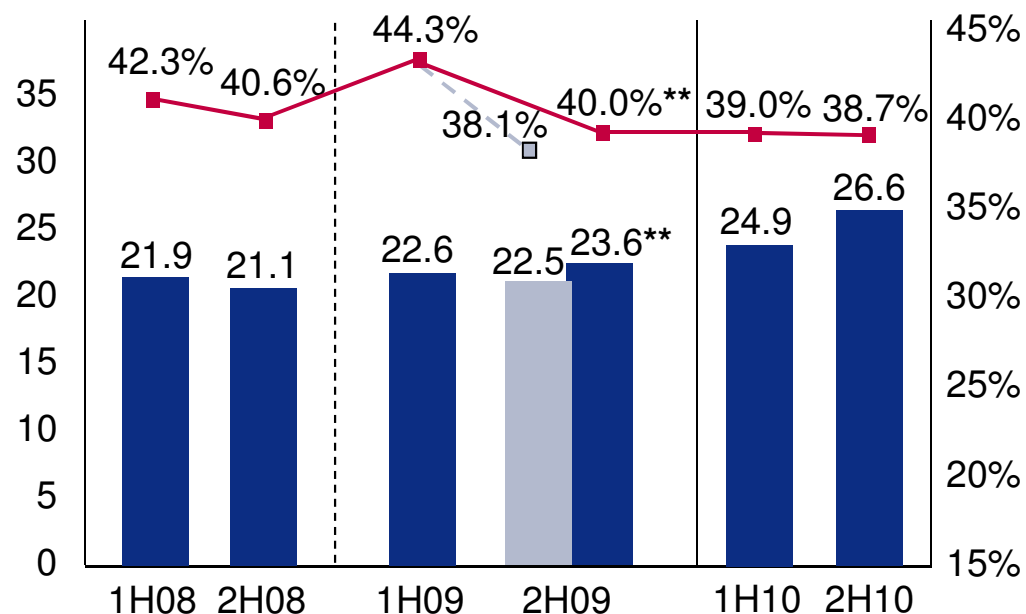
	2008	2009	adjusted**	2010	2010 adj yoy
<b>EBITDA</b>	<b>44.3</b>	<b>48.8</b>	<b>47.7</b>	<b>63.7</b>	<b>+33.7%</b>
Depreciation and amortisation	2.3	2.3		2.3	+3.1%
<b>EBIT</b>	<b>42.0</b>	<b>46.5</b>	<b>45.4</b>	<b>61.4</b>	<b>+35.2%</b>
Net finance income	+0.3	-0.1		-0.4	n.r.
<b>Profit before income tax</b>	<b>42.3</b>	<b>46.4</b>	<b>45.3</b>	<b>61.0</b>	<b>+34.7%</b>
Income tax	8.0	8.8	8.6	11.7	+36.2%
<b>Net profit</b>	<b>34.3</b>	<b>37.6</b>	<b>36.7</b>	<b>49.3</b>	<b>+34.4%</b>

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

# Financials: personnel expenses

in CHF million\*



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

- **Personnel development**

	31.12.09	31.12.10
HC	431	504
FTE	370	432

- **Accelerated recruiting in 2H10**

1H10	+6.4% (FTE)
2H10	+9.8%

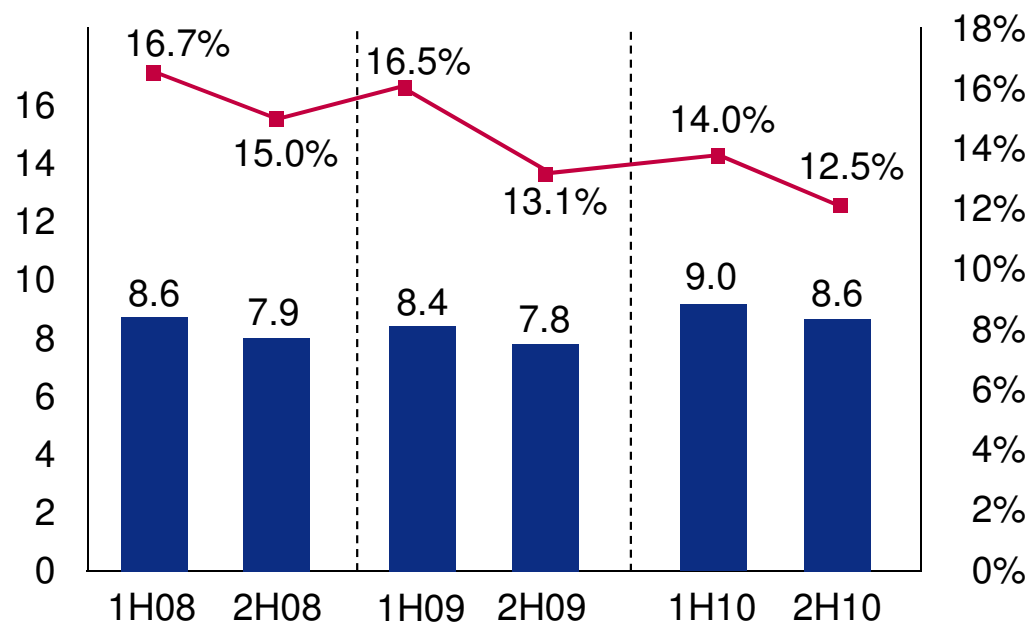
- Stable personnel expense ratio below 40.0%

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# Financials: other operating expenses

in CHF million\*



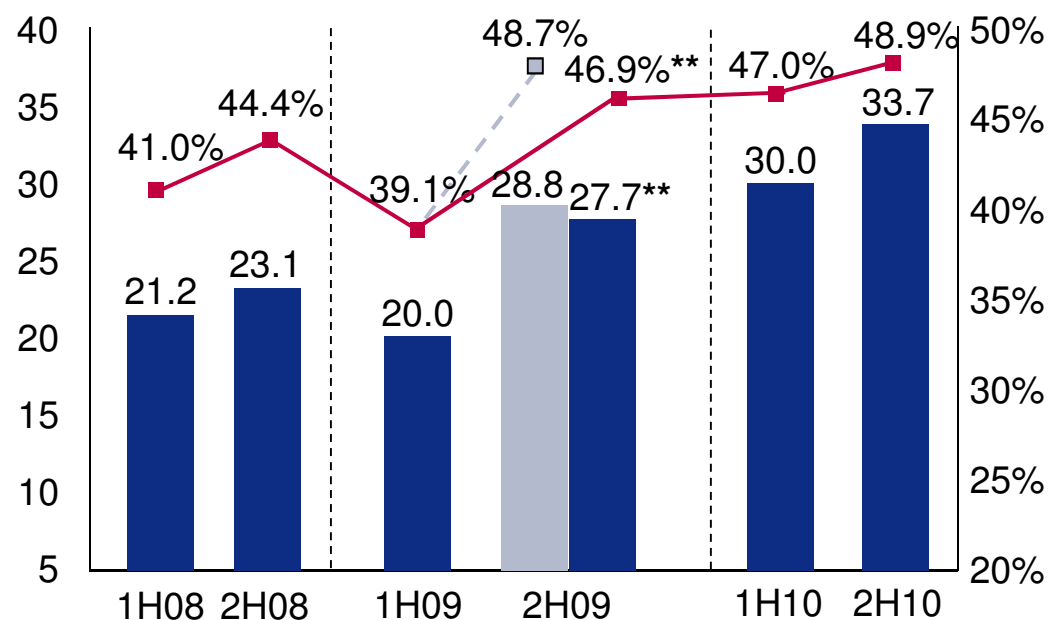
- Other operating expenses
- Other operating expense ratio (other operating expenses / revenues)

- Marketing expenses typically lower in 2H
- Business expansion causes higher other operating expenses in 2010
- Tangible economies of scale

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

# Financials: EBITDA and margin

in CHF million\*



■ EBITDA

—■ EBITDA margin (EBITDA / revenues)

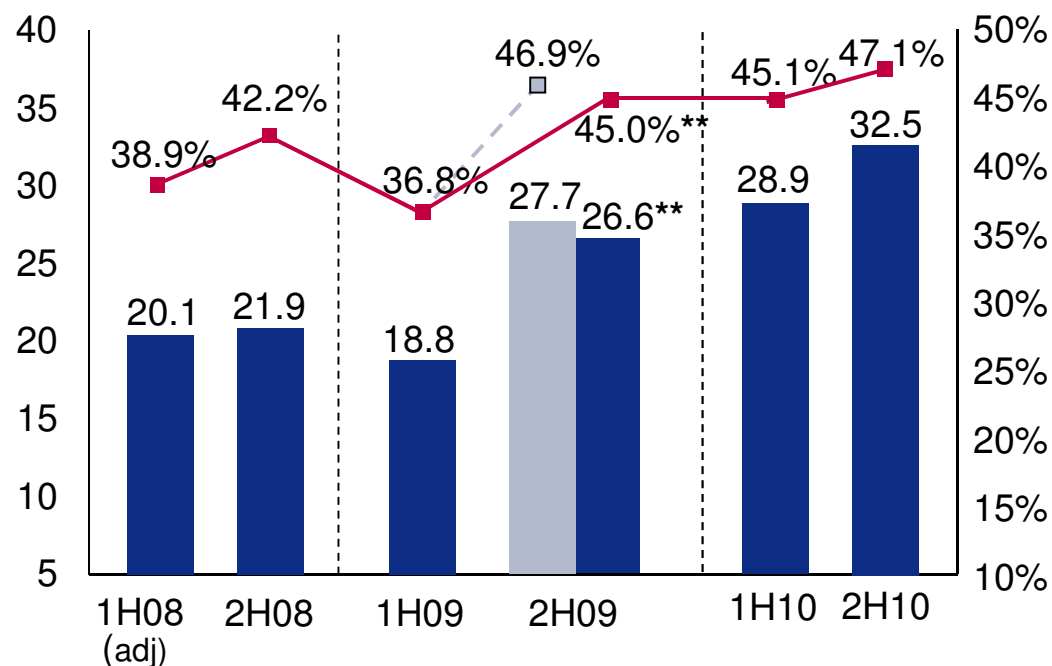
- EBITDA +33.7% to CHF 63.7 million from CHF 47.7 million (2009: adjusted)
- EBITDA margin 48.0% in 2010 vs. 43.3% in 2009 (adjusted)
- 45% margin realistic long term target

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

# Financials: EBIT and margin

in CHF million\*



■ EBIT

—■— EBIT margin (EBIT / revenues)

- EBIT +35.2% to CHF 61.4 million from CHF 45.4 million (2009: adjusted)
- EBIT margin 46.2% in 2010 vs. 41.2% in 2009 (adjusted)
- 43% margin realistic long-term target

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



# Balance sheets

in CHF million\*

	31.12.09	31.12.10	
Cash & cash equivalents	364.1	257.8	<ul style="list-style-type: none"><li>• Balance sheet total declines in 2010 due to higher investment ratio in client portfolios with VZ Depository Bank</li><li>• No interest-bearing liabilities besides client money with VZ Depository Bank</li></ul>
Short-term investments	168.1	124.6	
Marketable securities	0.8	0.8	
Swiss prime residential mortgages	235.6	326.4	
CHF bonds	76.6	92.2	
<b>Subtotal financial investments</b>	<b>845.2</b>	<b>801.8</b>	<ul style="list-style-type: none"><li>• Further diversification of financial investments in order to reduce counterparty risks</li></ul>
Property, equipment and intangibles	6.6	7.2	
Other assets	23.7	31.3	<ul style="list-style-type: none"><li>• Average time to maturity 1.2 years as at 31.12.10</li></ul>
<b>Total assets</b>	<b>875.5</b>	<b>840.3</b>	
Customer deposits	725.4	654.4	<ul style="list-style-type: none"><li>• Net cash position of CHF 147.6 million whereof CHF 105.5 million vested with VZ Depository Bank</li></ul>
Other liabilities (non interest-bearing)	16.8	18.2	
<b>Total liabilities</b>	<b>742.2</b>	<b>672.6</b>	
<b>Total equity</b>	<b>133.3</b>	<b>167.7</b>	

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



# Equity & payout ratios

Payout ratios	2008	2009	2010	Equity ratios	31.12.08	31.12.09	31.12.10
in CHF million							
Net profit	34.3	37.6	49.3	Equity ratio	14.5%	15.2%	20.0%
Retained earnings	22.3	23.3	31.2	BIS Tier I	22.7%	21.9%	25.4%
Dividend total	12.0	13.4	18.1 <sup>1,2</sup>	BIS Tier II	22.7%	21.9%	25.4%
<i>Dividend per share</i>	<i>1.50</i>	<i>1.70</i>	<i>2.30<sup>1</sup></i>				
<b>Payout ratios</b>	<b>35%</b>	<b>36%</b>	<b>37%</b>				
Total equity (31.12.)	111.6	133.3	167.7				

Treasury shares	31.12.08	31.12.09	31.12.10
Number (in '000)	32	130	147
Book value (in CHF million)	1.8	5.6	8.5

<sup>1</sup> Subject to the approval of the General Assembly (8.4.2011)

<sup>2</sup> Subject to the number of treasury shares at dividend payment date

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# Outlook 2011

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## Business development

- Expansion of branch network
  - Horgen (CH) 1.1.2011
  - Dusseldorf (D) 1.3.2011
  - Solothurn (CH) 1.7.2011
  - Meilen (CH) tbd
- Private client segment
  - grow consulting capacity to 80 – 85 (FTE) in 2012
  - keep NNM inflow per consultant (FTE) in target corridor of CHF 17 – 20 million
  - develop and enhance online services in order to tap new client segments
- Corporate client segment
  - further promote executive benefit solutions
  - focus on cross-selling

## Financial targets

- Revenues: plus 15 – 20%, if markets keep stable
- Operating expenses
  - personnel expenses: plus 12 – 15%
  - other operating expenses: plus 9 – 12%
- Balance sheets
  - keep low risk profile
  - increase equity in order to facilitate organic growth