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VZ Group

**1H 2010**

# **Results and Outlook**

Zurich, 19 August 2010



## **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

## Milestones

- Back on long-term growth path
- More clients, increased capacity, more consultancy projects
- Successful introduction of wealth management services to consultancy clients
- NNM per consultant in line with long-term goals
- Funds under management (30.06.2010)
  - AuM: CHF 7'205 m  
(31.12.2009: CHF 6'717 m)
  - insurance premium: CHF 257 m p.a.  
(31.12.2009: CHF 252 m p.a.)

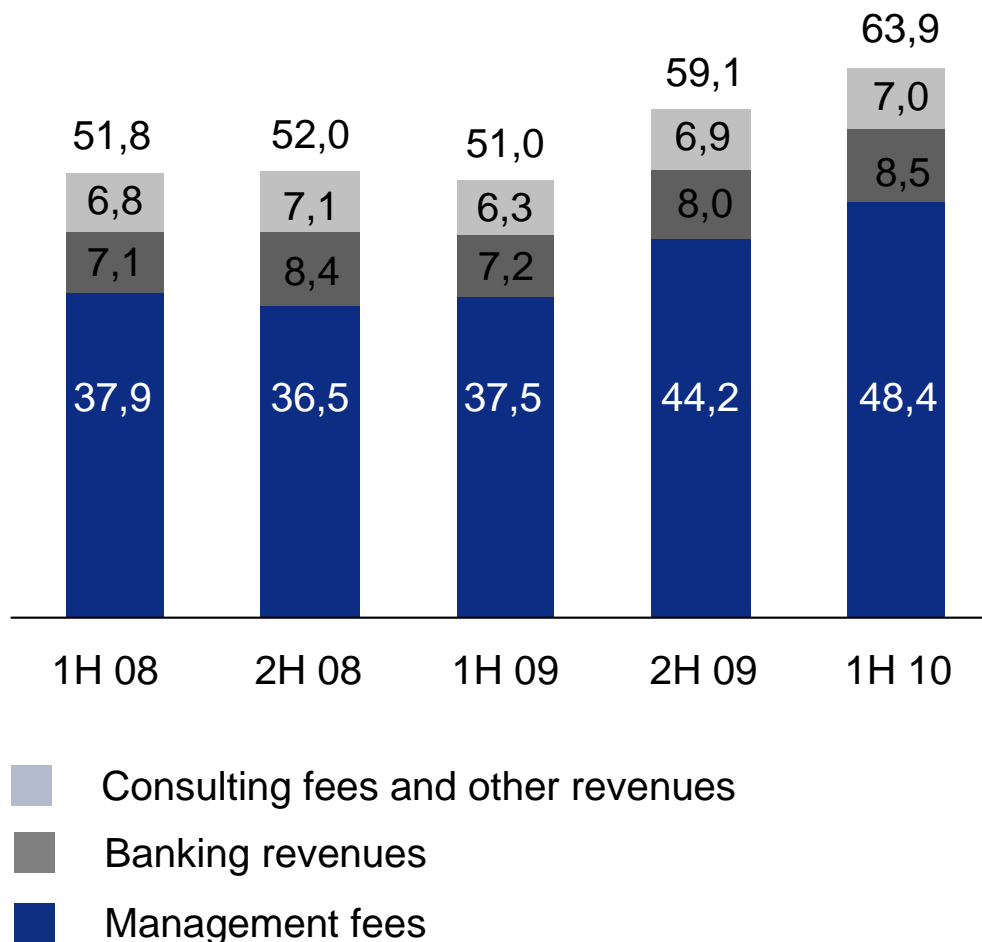
## Financials

- Top line +25,3% to CHF 63,9 m  
Bottom line +51,4% to CHF 23,1 m
- Management fees +29%
  - 1H09 affected by financial market turbulences
- Consulting fees +12,1%
  - increasing number of projects including introductory efforts for management services
- Costs on track as forecast in March:
  - personnel expenses +10,3%
  - other operating expenses +6,2%
- Unchanged solid balance sheet despite growth of balance sheet total to CHF 1 bn

# Revenues: positive development

## Revenues by type

in CHF million

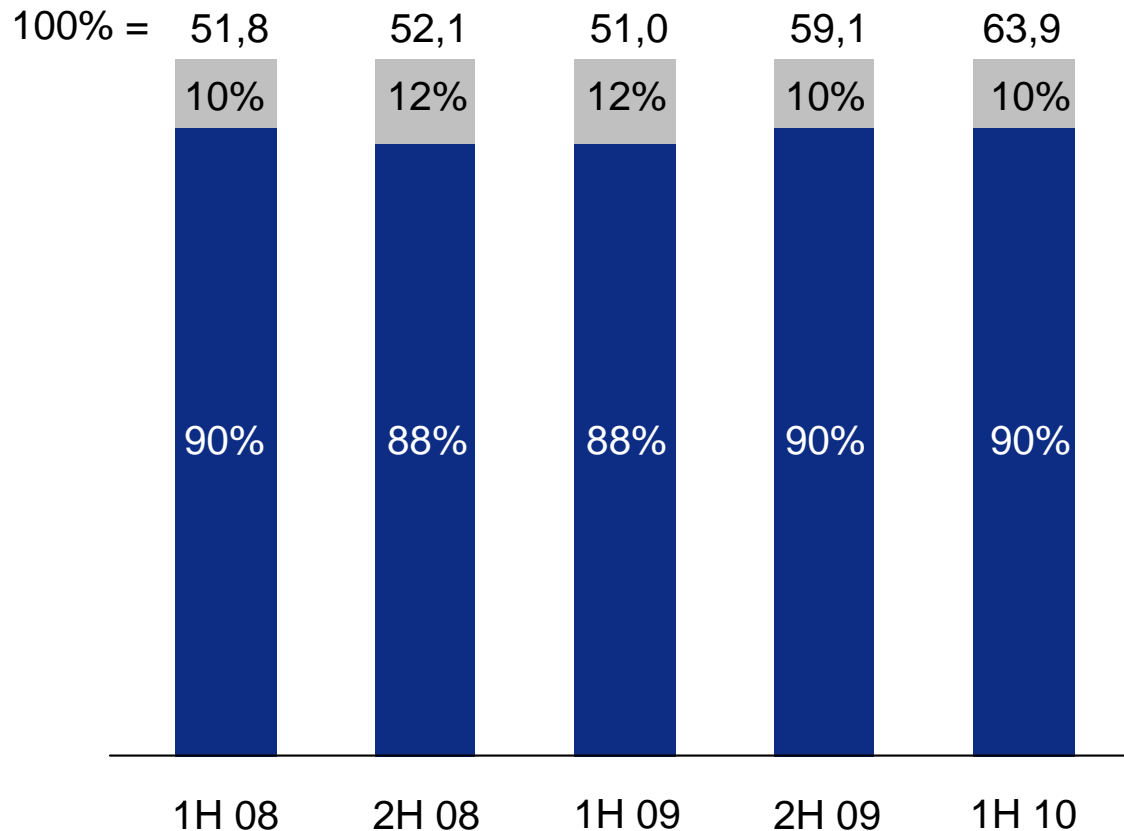


- +25,3% yoy  
+8,2% to 2H09
- Management fees +29% yoy  
+9,6% to 2H09
  - AuM +22,5% (average value)
  - higher portion of portfolio management mandates
  - small contribution of performance fees
- Banking revenues +17,7%
  - continuously low interest margin
  - increased number of clients on banking platform
- Consulting fees +12,1%
  - increased capacity
  - higher demand from private clients



# Revenues: 90% from private client segment

in CHF million



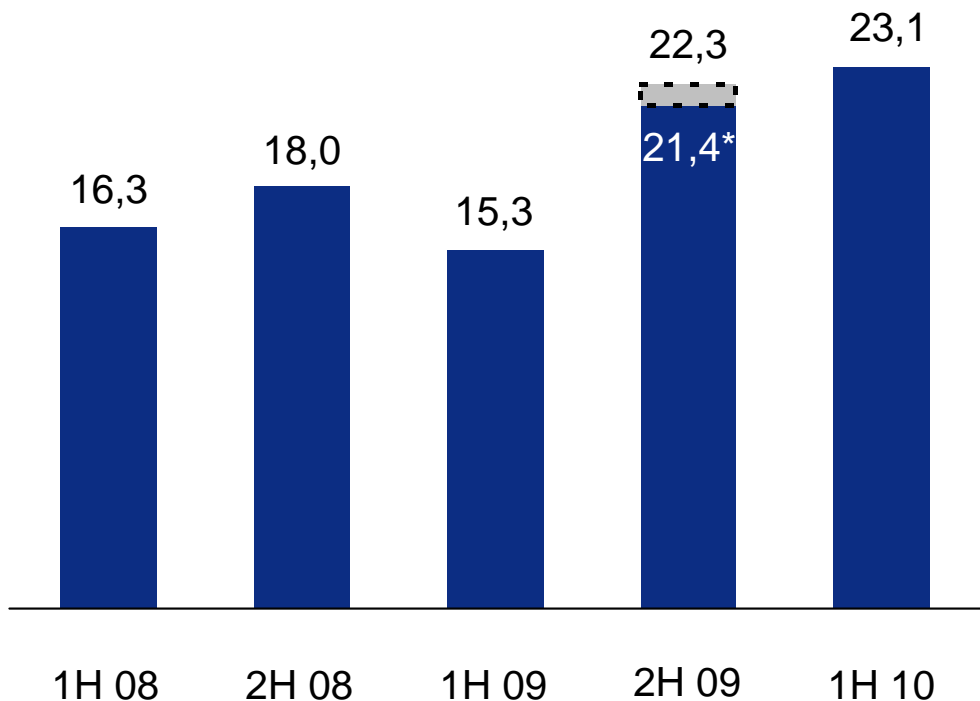
- Corporate client segment
- Private client segment

- Corporate client segment's share declines to 10%
  - private client segment +28,3% yoy
  - corporate client segment +2,6% yoy
- Banking revenues reported in private client segment

# Net profit: growth accelerated by underlying effect

## Net profit

in CHF million



- +51,4% yoy  
+7,9% to 2H09 (adjusted)
- Operating margin (EBITDA)  
– from 39,1% to 47,0% yoy  
– unchanged to 2H09 (46,9% adjusted)
- Net profit margin  
– from 29,9% to 36,2% yoy  
– unchanged to 2H09 (36,3% adjusted)

\* adjusted for revaluation of pension liabilities

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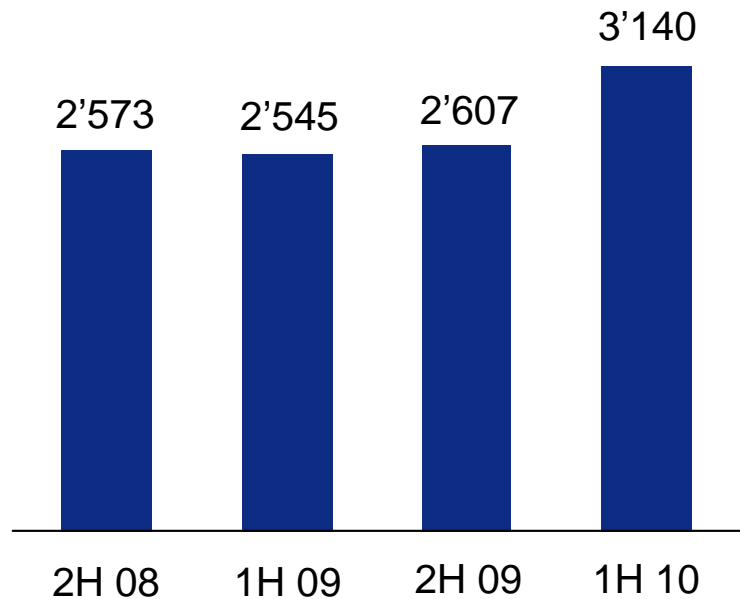




# Private client segment: undiminished growth

## Financial consulting

# of consultancy projects



- initial meetings +11,8% yoy (potential new clients)
- consultancy projects +23,4% yoy
- billable hours +14,7% yoy

## Wealth management (WM)

in CHF million

	31.12.08	30.6.09	31.12.09	30.6.10
AuM total	5'456	5'912	6'717	7'205
- PM mandates	3'751	4'083	4'752	5'097
- Other*	1'705	1'829	1'965	2'108
NNM total (6 months)**	283	410	530	595
Number of WM clients total	9'541	10'013	10'801	11'797

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

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

# Private client segment: capacity growth on track

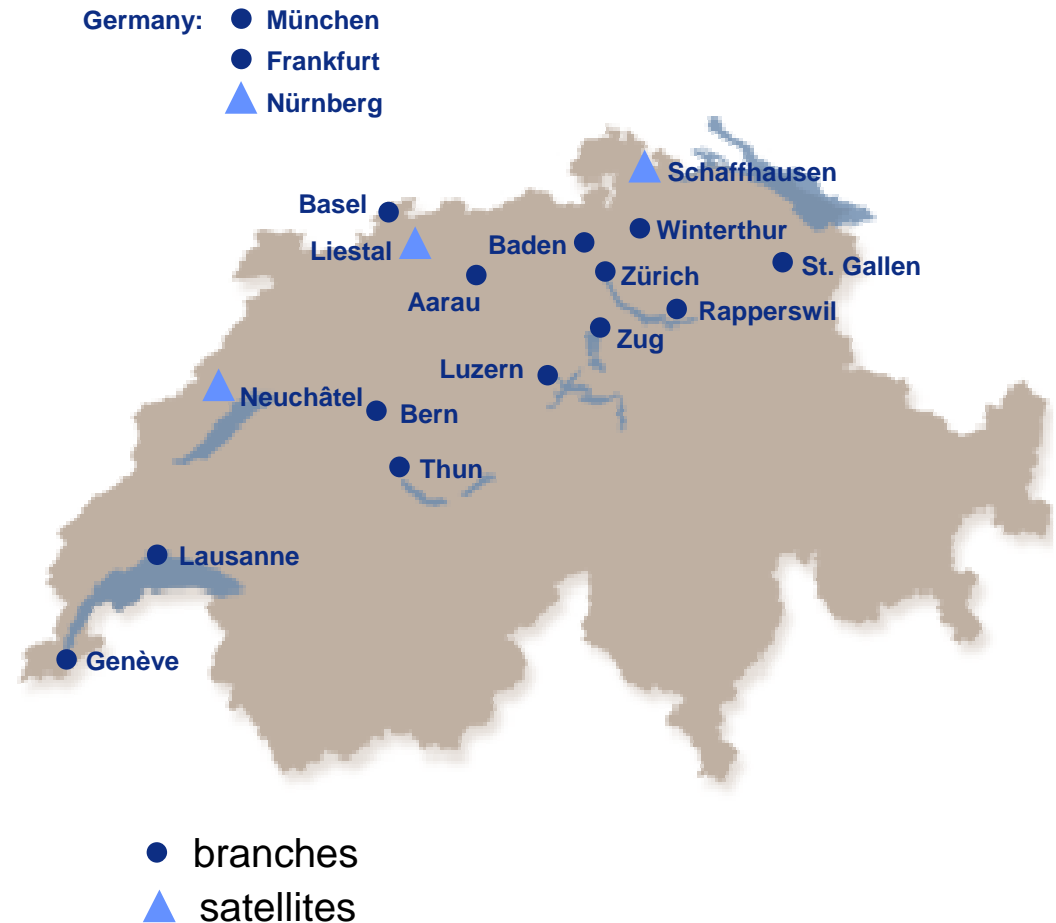
## Capacity growth

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

	2008	2009	2010
<b>Financial consulting</b>	43,8	52,6	60,0
<b>Wealth management</b>	29,0	30,0	34,9

- 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

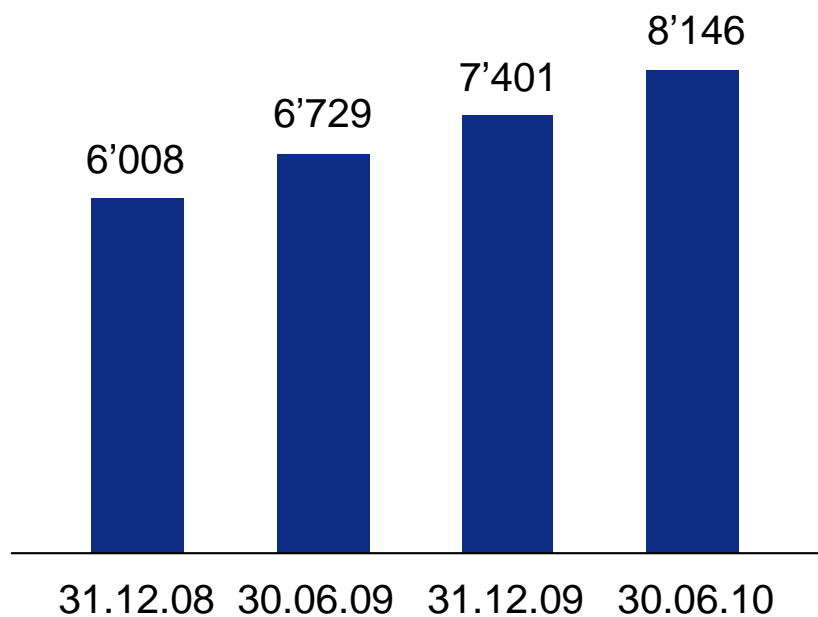
## Branches and satellites



Additional branches and satellites planned for 2011

# VZ Depository Bank: steady client inflow

## Number of clients



- +21,1% clients since 31.6.09  
+10,1% clients since 31.12.09
- +17,7% banking revenues yoy  
+6,1% to 2H09
- +CHF 118 m cash deposits to CHF 843 m since year-end
- Assets: low risk profile
  - 58% money market
  - 29% Swiss prime residential mortgages
  - 10% CHF bonds
- Average time to maturity: 0,92 years

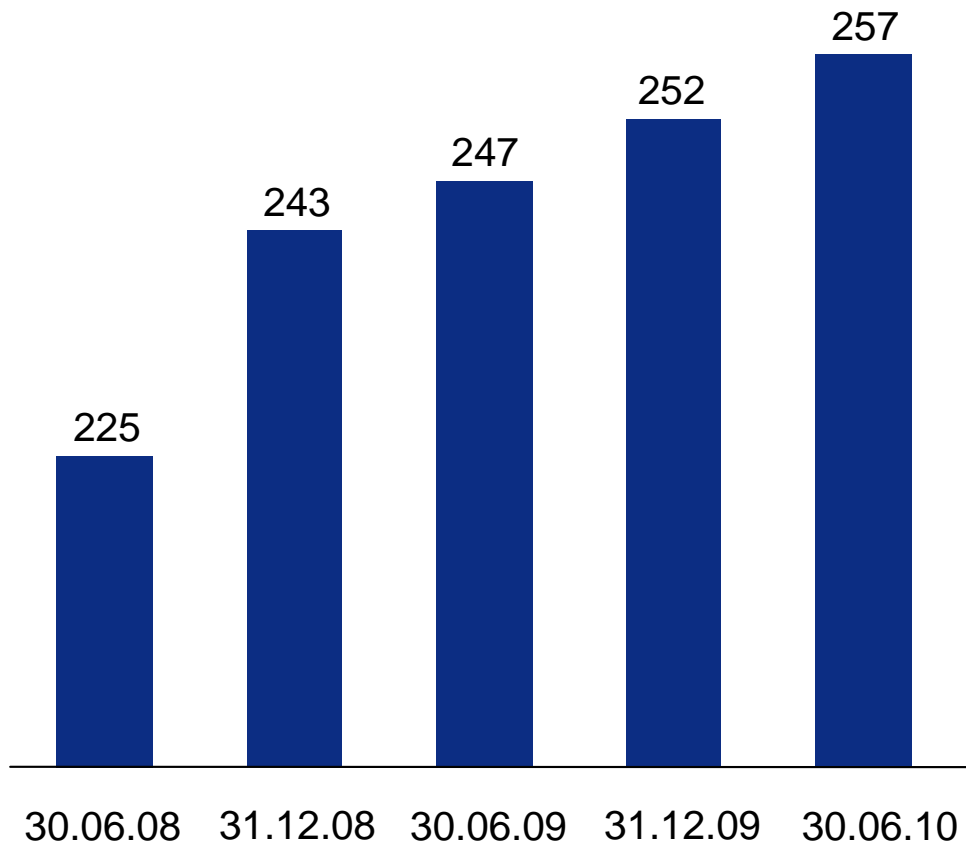


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# Corporate client segment: deferred upswing

## Premium volume under management

in CHF million p.a.



- Revenues +2,6% yoy  
-1,4% to 2H09
- EBIT margin declines to 14,0%  
(2H09: 23,7%, 1H09: 19,9%)
- Lower insurance premiums per client as a result of cost cutting and downsizing
- Revenue base will recover as soon as clients resume investing and increasing their headcount
- Synergies with private client segment
  - know-how transfer on pension fund and benefit planning topics
  - referrals of management members and employees to our financial consulting services
  - innovative executive benefit solutions for entrepreneurs and senior management
    - individual investment strategies
    - tax optimisation

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# Financials: income statements – unaudited (1)

in CHF million\*

	1H 08		1H 09			1H 10		yoy 1H 10
		2H 08		2H 09	2H 09 <i>adjusted**</i>			
Consulting fees	6,5	6,8	6,1	6,5		6,8	+12,1%	
Management fees	37,9	36,5	37,5	44,2		48,4	+29,0%	
Banking revenues	7,1	8,5	7,2	8,0		8,5	+17,8%	
Other operating revenues	0,3	0,3	0,2	0,4		0,2	-4,8%	
<b>Total operating revenues</b>	<b>51,8</b>	<b>52,1</b>	<b>51,0</b>	<b>59,1</b>		<b>63,9</b>	<b>+25,3%</b>	
Personnel expenses	(21,9)	(21,2)	(22,6)	(22,5)	(23,6)	(24,9)	+10,3%	
Other operating expenses	(8,7)	(7,8)	(8,4)	(7,7)		(9,0)	+6,2%	
<b>Total operating expenses</b>	<b>(30,6)</b>	<b>(29,0)</b>	<b>(31,0)</b>	<b>(30,3)</b>	<b>(31,4)</b>	<b>33,9</b>	<b>+9,2%</b>	
<b>EBITDA</b>	<b>21,2</b>	<b>23,1</b>	<b>20,0</b>	<b>28,8</b>	<b>27,7</b>	<b>30,0</b>	<b>+50,3%</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



# Financials: income statements – unaudited (2)

in CHF million\*

	1H 08	2H 08	1H 09	2H 09	2H 09 <i>adjusted**</i>	1H 10	yoy 1H 10
<b>EBITDA</b>	<b>21,2</b>	<b>23,1</b>	<b>20,0</b>	<b>28,8</b>	<b>27,7</b>	<b>30,0</b>	<b>+50,3%</b>
Depreciation and amortisation	(1,1)	(1,2)	(1,2)	(1,1)		(1,2)	-2,1%
<b>EBIT</b>	<b>20,1</b>	<b>21,9</b>	<b>18,8</b>	<b>27,7</b>	<b>26,6</b>	<b>28,9</b>	<b>+53,6%</b>
Net finance income	0,0	0,4	0,0	0,0		(0,3)	–
<b>Profit before income tax</b>	<b>20,1</b>	<b>22,3</b>	<b>18,8</b>	<b>27,6</b>	<b>26,6</b>	<b>28,6</b>	<b>+52,4%</b>
Income tax	(3,8)	(4,3)	(3,5)	(5,3)	(5,1)	(5,4)	+56,9%
<b>Net Profit</b>	<b>16,3</b>	<b>18,0</b>	<b>15,3</b>	<b>22,3</b>	<b>21,4</b>	<b>23,1</b>	<b>+51,4%</b>

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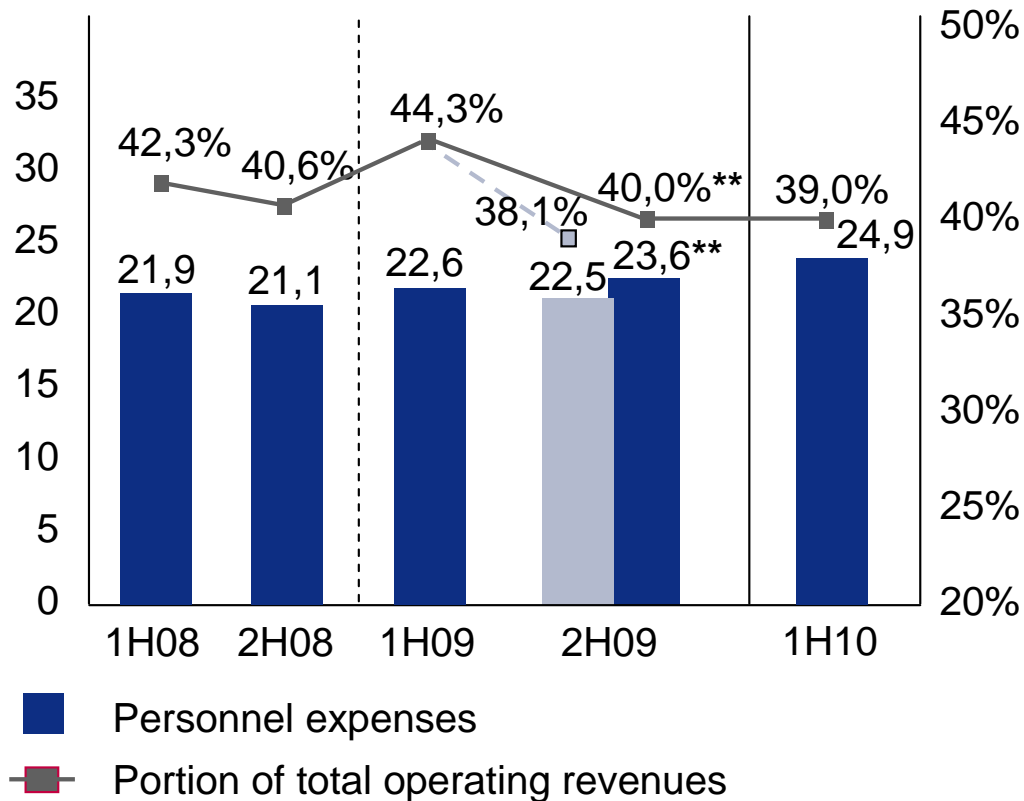
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# Financials: operating expenses (1)

## Personnel expenses

in CHF million\*



- +10,3% yoy
- Headcount freeze lifted in summer 2009
- +30,3 FTE since mid 2009 (+8,4%)
- Personnel expense ratio stable at around 40%

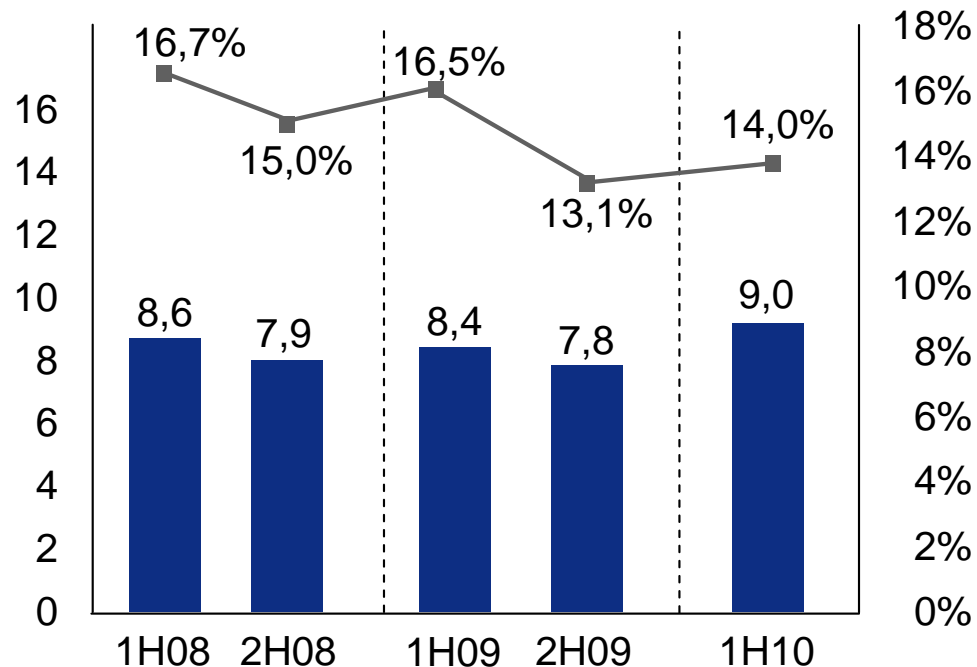
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# Financials: operating expenses (2)

## Other operating expenses

in CHF million\*



■ Other operating expenses

—■ Portion of total revenues

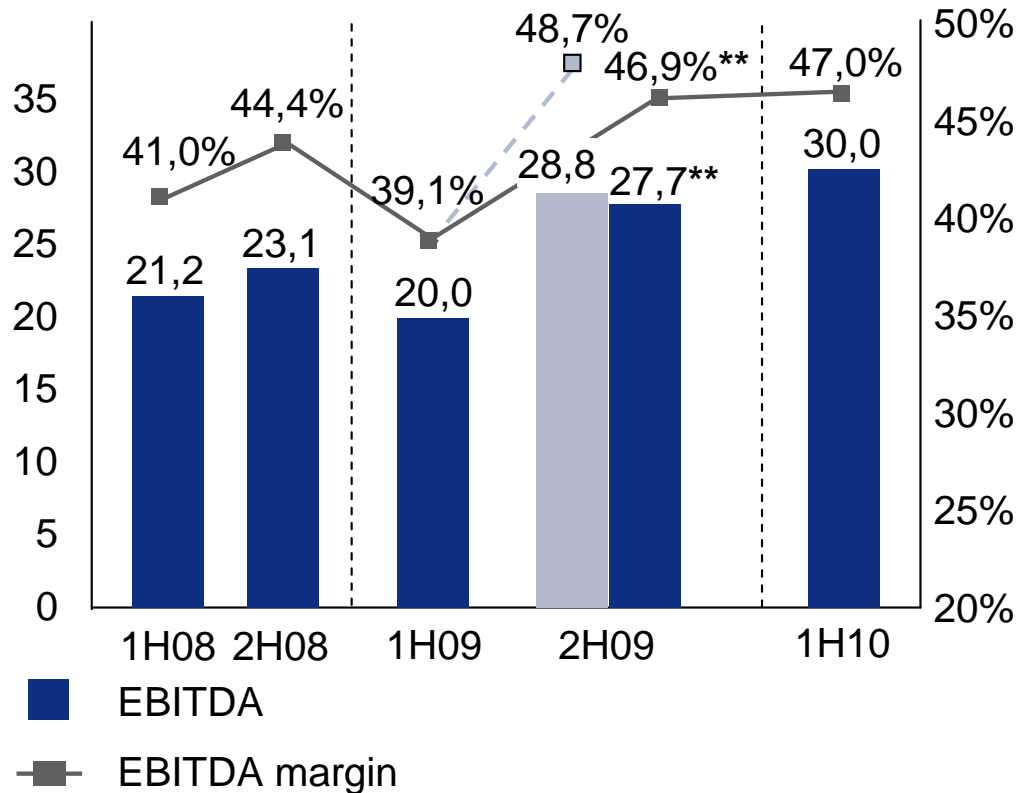
- +6,2% yoy
- Result of increased capacity

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# Financials: EBITDA and margin

## EBITDA

in CHF million\*



- EBITDA +50,3% yoy  
+8,3% to 2H09 (adjusted)
- EBITDA margin stable at 47%
- Margin at the upper end of the long-term expectation

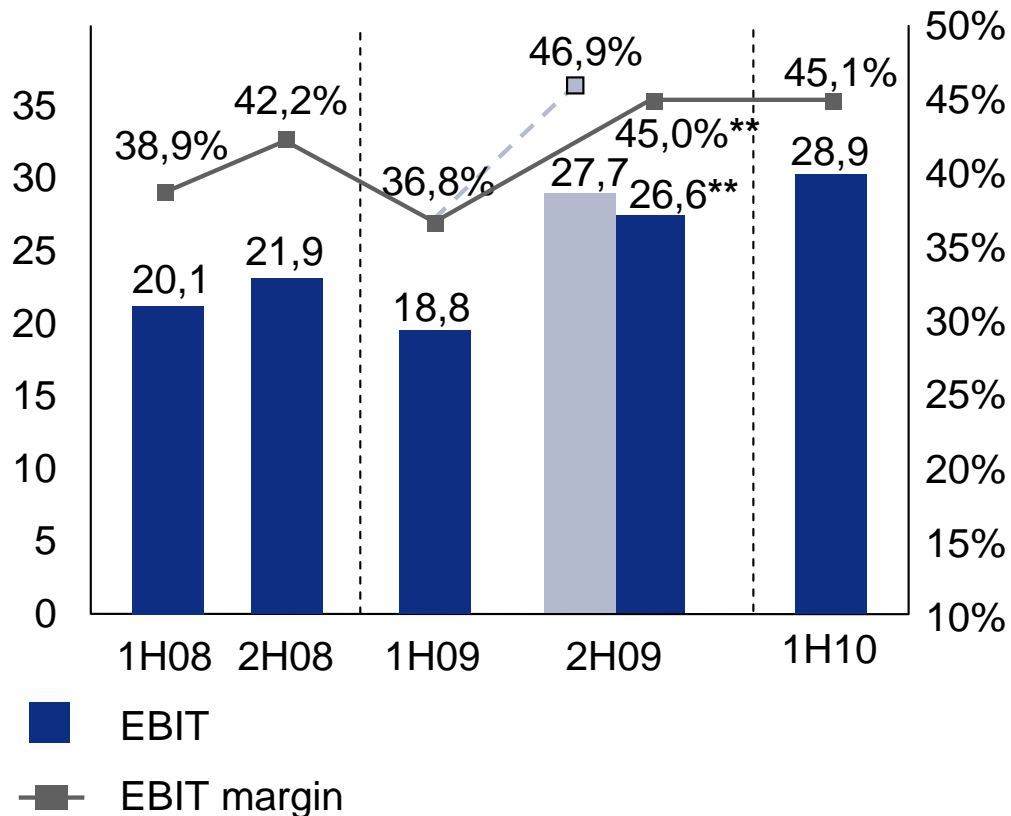
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# Financials: EBIT and margin

## EBIT

in CHF million\*



- EBIT +53,6% yoy  
+8,5% to 2H09 (adjusted)
- EBIT margin stable at 45,1%
- Margin at the upper end of the long-term expectation

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# Balance sheets

in CHF million\*

	30.6.09	31.12.09	30.6.10
Cash & cash equivalents	347,3	364,1	342,8
Short-term investments	99,0	168,1	233,4
Marketable securities	0,9	0,8	0,7
Swiss prime residential mortgages	190,5	235,6	291,7
CHF bonds	30,2	76,6	95,3
<b>Subtotal financial investments</b>	<b>667,9</b>	<b>845,2</b>	<b>963,9</b>
Property, equipment and intangibles	6,9	6,6	6,2
Other assets	23,3	23,7	31,2
<b>Total assets</b>	<b>698,1</b>	<b>875,5</b>	<b>1'001,3</b>
Customer deposits	568,9	725,4	843,1
Other liabilities (non interest-bearing)	17,4	16,8	16,7
<b>Total liabilities</b>	<b>586,3</b>	<b>742,2</b>	<b>859,8</b>
<b>Total equity</b>	<b>111,8</b>	<b>133,3</b>	<b>141,5</b>

- Balance sheet increase due to
  - higher customer deposits (CHF +118 m)
  - more equity capital (CHF +8 m)
- No interest-bearing liabilities besides client money with VZ Depository Bank
- Financial assets:
  - Swiss prime residential mortgages (29% of total assets)
  - bonds (10% of total assets)
- Net cash CHF 121 m
- Excellent equity ratio

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



# Equity & payout ratios

Payout ratios	2007	2008	2009	Equity ratios	30.6.09	31.12.09	30.6.10
in CHF million							
Net profit adjusted	33,2	34,3	36,7	Equity ratio	16,0%	15,2%	14,13%
Retained earnings	21,2	22,3	23,3	BIS Tier I	21,4%	21,9%	19,18%
Dividend total	12,0	12,0	13,4	BIS Tier II	21,4%	21,9%	19,18%
<i>Dividend per share</i>	<i>1,50</i>	<i>1,50</i>	<i>1,70</i>				
<b>Payout ratios</b>	<b>36%</b>	<b>35%</b>	<b>37%</b>				
Total equity (31.12.)	91,6	111,6	133,3				

Treasury shares	30.6.09	31.12.09	30.6.10
Number (in '000)	102	130	134
Book value (in CHF million)	3,6	5,6	7,2

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## Business development

- Increase recruiting efforts in order to attract consulting talents
- Plan next branch offices and satellites
- Improve productivity (consulting fees, NNM)
- Broaden online services including e-banking
- Enhance profitability within the corporate client business

## Financial targets (unchanged)

- Revenues: plus 15 to 20%, provided that markets continue to normalise
- Operating expenses
  - personnel expenses: plus 10 to 15%
  - other operating expenses: plus 6 to 10%
- Other P&L positions:  
no significant changes expected
- Mid-term targets: unchanged