



LETTER TO SHAREHOLDERS

Comments on VZ Group's
annual results 2021

VZ Holding Ltd
Innere Güterstrasse 2
6300 Zug

VZ GROUP: FINANCIAL YEAR 2021

Dear Shareholder

The economy continues to recover

Despite the pandemic and supply bottlenecks, the global economy continued to grow strongly in 2021, while the upward trend on the stock markets even accelerated. After inflation increased noticeably in many countries, several central banks plan to gradually scale back their support measures in the current year.

Net profit rises by 21.9 percent

The strong increase in stock market prices contributed to VZ Group's good annual results. However, our business depends primarily on demographic trends and only secondarily on the economy and financial markets. Operating revenues increased by 18.3 percent in the year under review, from 328.7 to 388.9 million Swiss francs. The main driver of growth are the fees from assets under management, which account for around two-thirds of revenues. They increased by 24.4 percent compared to 2020. Profit grew by 21.9 percent, from 117.5 to 143.2 million francs. Because costs increased at a slower rate, net profit grew more than operating revenues. This results in both the EBIT and net profit margins being higher than in the previous year.

Growing demand confirmed

In total, more than 8000 new clients opted for one or more of our management services in 2021. Compared to the previous year, this is a 27.4 percent increase, and the high growth rates in the first half of the year were confirmed in the second half. Net new money also increased strongly in 2021, from 3.2 to 4.8 billion francs.

Exceptionally solid balance sheet

Compared to the industry, our safety and balance sheet ratios are well above average, even though the balance sheet is growing strongly. At the end of 2021, total assets reached 5.8 billion francs (2020: 5.0 billion). The increase is almost exclusively due to the growing number of clients. On the reporting date, our equity capital amounted to 700 million francs, which corresponds to a core capital ratio of 25.2 percent. The Board of Directors proposes to the Annual General Meeting to increase the dividend from 1.23 to 1.57 francs per share. This will increase the share of distributed profit from 42 to 44 percent. In the long term, we are aiming for a payout ratio of 50 percent.

Outlook

We expect demand to remain strong in the current year. If the economy and stock markets normalise, revenues and net profit should continue to grow in step. Matthias Reinhart will hand over the operational management of VZ Group to Giulio Vitarelli on 1 January 2023 and will take over the chairmanship of the Board of Directors from Fred Kindle at the following Annual General Meeting.

We would like to take this opportunity to thank all our employees, whose unwavering perseverance made a very good result possible in the second pandemic year.

Zug, 3 March 2022



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chief Executive Officer

«Our proven business model is the basis for the good results in 2021.»

Adriano Pavone, Head of Media Operations, discusses the results and outlook for VZ Group with Matthias Reinhart, Chief Executive Officer.

Mr Reinhart, how would you sum up the 2021 business year?

We can be very satisfied. The strong stock market performance helped, of course, but the basis for the good result is our proven business model. And the growing number of clients is the best evidence that we get quite a few things right.

Changes are on the horizon for the Board of Directors and Executive Board in 2023. How will the roles be distributed going forward?

I will move to VZ Group's Board of Directors and take over the chairmanship from Fred Kindle. And I am handing over the operational management to Giulio Vitarelli, who has successfully managed the front organisation in Switzerland with all branch offices since 2012. His successor is Philipp Heer, who has also helped shape VZ for years and is a member of the Group Executive Board as well. The proven management team in partly new roles speaks for the continuity and stability of our company.

«The growing number of clients is the best evidence that we get quite a few things right.»

Back to the results: Are there any new factors that explain the strong growth?

Of course, the extraordinarily good stock market performance helped. However, we specialise in what happens before, during and after our clients' retirement. This core competence makes us unique, and that is becoming more and more widely known in our target group. At the same time, the age group for which these topics are highly relevant is growing. Shrinking pensions, low interest rates and the upcoming reform of our pension systems are unsettling many and make it even more challenging to provide well for the time after retirement. That is why we enjoy a steadily growing demand for our financial consulting services.

Can you put a figure on that?

Last year, more than 24'000 clients sought advice from us for the first time, 18 percent more than in 2020. Many of them then opt for one or more of our management services: in 2021, we were able to win over 8000 new clients for these services. This means that at the end of the year we were serving 57'000 management clients – an increase by 16.6 percent year on year.

How much did the strong stock market year contribute to the good result?

That is not easy to calculate. As a rough estimate, I would attribute just under half of the growth rate to the stock market development. The rest is due to the growth of the entire business. Assets under management in particular have grown disproportionately. In good stock market phases, clients are more eager to make decisions and are more likely to conclude a management mandate. This experience has been confirmed last year as well.

EBIT and net profit are significantly higher. Does this indicate a new trend?

The EBIT margin reached 43.1 percent, the net profit margin 36.8 percent. This means that both figures are above our targets of 42 and 36 percent respectively. We expect the margins to converge again towards the target values in the coming years.

Net new money surged from 3.2 billion to 4.8 billion francs. How can this be explained?

The increase is mainly due to the fact that we have so many new clients. An additional factor are the negative interest rates that many banks charge on credit balances above a certain threshold. This increases the pressure on those clients to invest the money instead of leaving it sitting in the bank.

You must surely cut back in quality to grow so fast?

No, on the contrary. Quality is ensured along the entire value chain and even improves with increasing size. For many years we have been systematically measuring our clients' satisfaction at several points and also calculate the Net Promoter Score (NPS). Both satisfaction and NPS are above average and have continued to improve in recent years.



Can your IT keep up with this pace?

This is a key issue that has preoccupied us since the very beginning. In addition to face-to-face consulting, we process enormous amounts of data. That's why we are constantly enhancing our IT architecture to

«An exceptionally high equity base clearly signals how safe our clients' deposits are with us.»

ensure that it remains state of the art. In 2021, for example, we completely renewed the infrastructure for our e-banking. It is now much more agile, new features can be implemented more swiftly, and performance has improved noticeably for users.

VZ Finanzportal is at the core of your digitalisation strategy. What are the latest news there?

With the migration of the e-banking platform, we completed a complex technological conversion last year. The effort was worth it: the users carry out their financial transactions even more efficiently, and in the future, we will be able to make improvements more swiftly. The migration tied up more resources than planned, which is why we had to postpone the launch of the new trading platform to the first half of 2022.

Does it make sense that VZ Group's corecapital ratio is so much higher than that of your competitors?

It's a business decision. The high level of equity capital makes it evident how secure clients' deposits are with us. This is an important differentiating criterion and the reason why some clients choose to bank with us. Our successful business model allows us to «square the circle», so to speak: deposits are very safe with us, shareholders receive attractive dividends on a sustainable basis, and we can continue to finance our growth from our own funds.

VZ Group expanded to the UK last year. What is your positioning abroad?

We bought 50.1 percent of Lumin Group Ltd in May 2021, with the aim of acquiring the remaining shares by 2026. Lumin is an Independent Financial Advisor (IFA) with around 50 employees. Compared to VZ Group's business volume as a whole, this is a small stake, but it has the potential to grow – both organically and through the acquisition of additional IFAs. In contrast, in Germany we are focusing on purely organic growth. This is a longer path, which also leads to success.

What can shareholders expect in 2022 in the future?

We anticipate that the demand for our services and thus our client base will increase even more. As a result, revenues and profit should continue to grow at a rate similar to the average of recent years, both in the current year and beyond – assuming a stable stock market development. The margins of EBIT and net profit should again converge with the long-term targets. The Board of Directors proposes to the Annual General Meeting to increase the dividend from 1.23 to 1.57 francs. This corresponds to a payout of 44 percent of profit and will bring us gradually closer to the 50 percent ratio that we want to achieve in the coming years.

KEY FIGURES

Income statement

in CHF '000

	2021	2020
Operating revenues	388'866	328'702
Operating expenses	201'010	173'582
Operating profit (EBIT)	167'514	136'963
Net profit	143'204	117'452

Balance sheets

in CHF '000

	31.12.2021	31.12.2020
Total assets	5'770'792	4'973'249
Equity	699'684	616'657
Net cash	588'229	501'576

Equity key figures

	31.12.2021	31.12.2020
Equity ratio	12.1 %	12.4 %
Common equity tier 1 capital ratio (CET1)	25.2 %	26.6 %
Total eligible capital ratio (T1 & T2)	25.2 %	26.6 %

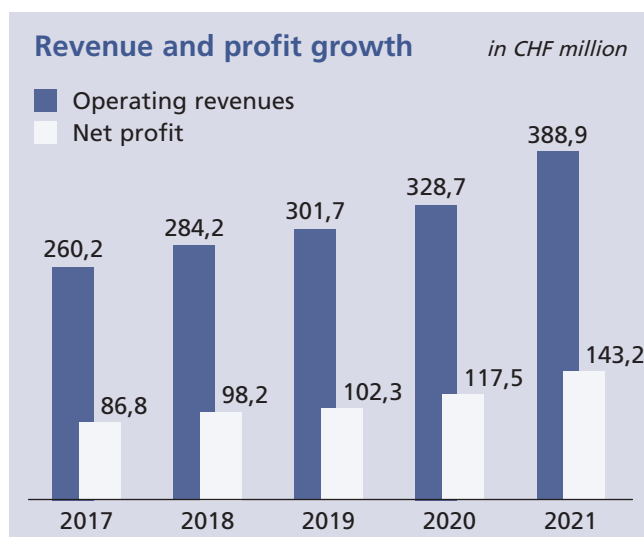
Assets under management

in CHF million

	31.12.2021	31.12.2020
Assets under Management	39'002	31'459

Employees

	31.12.2021	31.12.2020
Full-time equivalents (FTE)	1'142.5	1'035.7



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 174 of the Annual Report 2021.

Where to order and download the annual report 2021

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.