



# LETTER TO SHAREHOLDERS

Comments on VZ Group's  
annual results 2022

VZ Holding Ltd  
Innere Güterstrasse 2  
6300 Zug

# VZ GROUP: FINANCIAL YEAR 2022

## Dear Shareholder

Pressure on economies and exchanges	Ongoing supply bottlenecks and the war in Ukraine caused price levels to rocket in the year under review. Central banks increased interest rates significantly as a means to keep inflation under control. This slowed economic growth and led to losses across the financial markets for all asset classes.
Operating revenues up by 6.4 percent	In the second half of the year, the market correction had a negative impact on revenues from assets under management, and revenue growth slowed from +11.8 percent in the first half of the year to +1.4 percent in the second half. This resulted in an increase of 6.4 percent for the whole year, from 388.9 to 413.9 million Swiss francs. Our business is able to grow even in adverse conditions, because the economy and financial market performance have a limited impact on the demand for our services. In 2022, our EBIT and net profit margins were practically unchanged, while profits grew by 5.7 percent from 143.2 million to 151.3 million francs.
Continued strong demand	Clients typically opt for one or several of our platform services after a comprehensive consulting project with us. This was also the case last year: Around 7900 households and companies opted for one or more of our platforms, which is a similar level to the previous year. Despite the sharp correction on the financial markets, net new money remained approximately the same, at 4.6 billion compared to 4.8 billion francs in 2021.
Very stable balance sheet	Our balance sheet only grew from 5.8 to 5.9 billion francs, with two factors having a neutralising effect: With the additional clients, client deposits increased, while interbank business declined following the return to positive interest rates. Our capital ratios remain solid and well above the industry average. The Board of Directors proposes to the Annual General Meeting to increase the dividend from 1.57 to 1.74 francs per share. As a result, the pay-out ratio increases from 44 to 46 percent as planned.
Outlook	We expect demand to remain high in the current year. Provided there are no unexpected crises, our business should grow stronger than the long-term average, thanks to base effects. Growth is set to accelerate in the second half of the year. Also, our interest rate business will contribute more to the bottom line.

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, 2 March 2023



Fred Kindle  
Chairman of the Board of Directors



Giulio Vitarelli  
Chief Executive Officer

## «Once again, we have shown that our business can thrive even in difficult times.»

Adriano Pavone, Head of Media Operations, discusses the results and outlook for VZ Group with Giulio Vitarelli (G.V.), who has been VZ Group's CEO since 1 January, and his predecessor Matthias Reinhart (M.R.), who will stand for election as the Chairman of the Board of Directors at the upcoming Annual General Meeting.

### **Mr Vitarelli, Mr Reinhart: Are you satisfied with the 2022 financial year?**

**M.R.:** Given the dramatic events of the past twelve months and the considerable turbulence on the markets, the result is positive. Once again, we have shown that our business can thrive even in difficult times.

**G.V.:** Our business performance depends less on the economy and market trends than it does on demographics, and our market is continually growing: more and more people are realising that they need to plan their retirement carefully. And as long as our clients are satisfied with the advice we provide, a large portion of them will opt for our platform services.

## «We expect growth to accelerate in the second half of the year.»

### **Revenue growth slowed from 11.8 to 1.4 percent in the second half of the year. Is that a result of the poor financial market performance?**

**G.V.:** While we were still benefiting from the growth in assets under management from the prior period, the loss in value posted during the first half had a negative impact on the result in the second half of the year. Once financial markets reach equilibrium, revenues in the current year are likely to grow more strongly than the long-term average, thanks to base effects. We expect growth to accelerate in the second half of the year.

### **Despite the market correction, the profit margin remained almost the same. How is this the case?**

**M.R.:** We constantly have an eye on optimising our costs over the long term. Throughout the company, we focus on standardising and automating processes so that we can continue to be as lean and flexible as possible.

This helps us during a downturn, as we do not have any unnecessary fixed costs. At the same time, we have many sources of revenue that are not impacted by the market situation, such as consulting fees and revenues from our mortgage, corporate clients and insurance businesses. This helps to smooth out the fluctuations in revenues from assets under management.

### **It comes as a surprise that net new money is almost the same despite the downturn ...**

**G.V.:** This underlines the resilience of our business model. Clients do not come to us primarily for investment advice, but because they want to prepare carefully for their retirement. In the years around retirement, many investment decisions that are not linked to the current stock market situation but to the age of the clients have to be made.

**M.R.:** On the other hand, net new money fluctuates to a certain extent with market prices. Experience shows that our clients are more reluctant to invest during difficult market phases.

### **Can we assume that net new money per consultant will remain so high?**

**G.V.:** This ratio has been significantly above the long-term average for two years now. Also in 2022, it was clearly above the average of 17 to 20 million francs, coming in at over 22 million francs per consultant FTE. It is still too early to increase our expectations; we are currently collecting more evidence to determine whether this trend is likely to continue.

### **In 2022, around 7,900 clients started using your platforms. Is this a realistic number going forward?**

**G.V.:** We assume that both demand and our consulting capacity will grow continuously. This means that the number of new platform clients will continue to increase in the coming years.

### **How well are you performing as an asset manager?**

**M.R.:** Every single one of our clients pursues an individual investment strategy. Our investment style has proven itself. We adhere to a strategic asset allocation, continuously adjust the weighting with intelligent rebalancing and rely on index investments



that closely track the market. Compared to our competitors, our performance is consistently in the top third. In Germany, we were named best asset manager for the second time in a row – this shows that we are doing many things right.

## «Capital ratios remain high, and we can continue to finance our organic growth from our own means.»

### **Last year, the SNB returned to positive interest rates. How does that affect your business?**

**G.V.:** Clients receive interest on their accounts for the first time in years. This reduces the pressure to invest. For years, our balance sheet was geared towards negative interest rates. Now we have reduced our interbank business, while client deposits have increased. These effects roughly cancel each other out, with risks remaining low. From 2023 onwards, we expect a significantly higher interest result.

### **The corporate clients and pension fund business is growing strongly. Now VZ also plans to offer group insurance for disability and death: What risks does this entail?**

**G.V.:** VZ BVG Rück Ltd places around 90 percent of these risks on the reinsurance market. We pass on the vast majority of the margins from primary insurance to our corporate and pension fund clients. This makes our pension fund services even more attractive and we

are able to further strengthen our position in this segment.

### **How is business outside of Switzerland?**

**M.R.:** In Germany, we have made a leap forward in marketing success, and we have opened a branch office in Lörrach, which specialises in advice to cross-border commuters. In the UK, our focus is on establishing our marketing strategy, increasing our consulting capacity, acquiring small IFAs and developing an asset management platform.

### **Dividends are set to rise again. What can shareholders expect?**

**M.R.:** Over the medium term, we intend to pay out 50 percent of net profits. This year, the pay-out ratio increases from 44 to 46 percent. Over the long term, dividends are likely to grow in line with our profits. Retained earnings strengthen our equity. As a result, capital ratios remain high, and we can continue to finance our organic growth from our own means.

### **And finally: what is your business outlook?**

**G.V.:** Provided there are no external shocks, it appears that revenues and profits will grow faster in 2023 than they have on average in recent years. The key factor in this respect is the strong demand that is driving more and more clients to us. The changed interest rate environment also contributes to this positive trend. Over the long term, our competitive advantage will help us on a number of levels: our consulting expertise is unrivalled, and thanks to our cost-efficient platforms, we can offer our clients higher interest and lower fees and premiums.

## KEY FIGURES

### Income statement

in CHF '000

	2022	2021
Operating revenues	413'917	388'866
Operating expenses	216'051	201'010
Operating profit (EBIT)	176'225	167'514
<b>Net profit</b>	<b>151'319</b>	<b>143'204</b>

### Balance sheets

in CHF '000

	31.12.2022	31.12.2021
<b>Total assets</b>	<b>5'945'912</b>	<b>5'770'792</b>
Equity	771'268	699'684
Net cash	686'276	588'229

### Equity key figures

	31.12.2022	31.12.2021
Equity ratio	13.0 %	12.1 %
Common equity tier 1 capital ratio (CET1)	25.2 %	25.2 %
Total eligible capital ratio (T1 & T2)	25.2 %	25.2 %

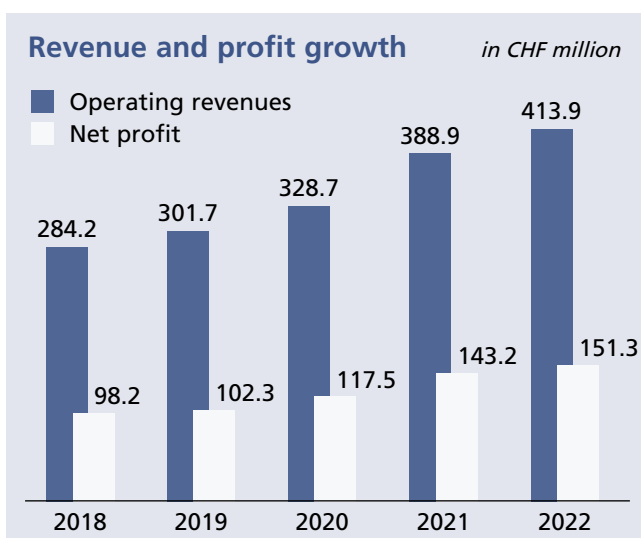
### Assets under management

in CHF million

	31.12.2022	31.12.2021
Assets under Management	39'108	39'002

### Employees

	31.12.2022	31.12.2021
Full-time equivalents (FTE)	1'247,4	1'142,5



### **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 2022.

### **Where to order and download the annual report 2022**

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](mailto: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](http://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.