



# LETTER TO SHAREHOLDERS

Comments on VZ Group's  
annual results 2020

VZ Holding Ltd  
Innere Güterstrasse 2  
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# VZ GROUP: 2020 FINANCIAL YEAR

## Dear Shareholder

Stock exchanges  
anticipate recovery

In 2020, social and economic activity was severely curtailed because of the Corona pandemic. The economic costs are enormous, and the crisis entails additional mountains of debt. After a sharp slump in the first quarter, a strong recovery set in, which was directly reflected in rising stock prices. The approval of several vaccines and the start of global vaccination campaigns are an important ray of hope, also for our clients.

8.9 percent increase  
in operating revenues

VZ Group's course of business depends more on demographic trends than on the economy and the financial markets. This is why our business can continue to develop well even in a difficult environment. In the 2020 financial year, operating income increased by 8.9 percent from CHF 301.7 to CHF 328.7 million francs. In the first half of the year, the increase was 7.4 percent, and in the second half, 10.4 percent. As expected, profit grew disproportionately, namely by 14.9 percent from 102.3 to 117.5 million francs. The disproportionate increase was also due to the lower tax rate, which fell from 17.7 to 14.0 percent compared to 2019. The Corona crisis affected the individual revenue components differently. Because on-site consultations were restricted, especially in the spring, consulting fees grew less strongly, and the slump in stock market prices in the first half of the year slowed the growth of revenues from portfolio management. On the other hand, VZ Depository Bank's transaction revenues decreased less than expected in this volatile phase.

6400 additional  
management clients

Despite the drastic cutbacks, we recorded a satisfactory number of new clients. The number of new management clients was 6400, compared with 5000 in the previous year. This represents a growth rate of almost 30 percent. At the same time, individual clients are using more and more services. VZ Finanzportal, which allows our clients to manage their assets online, plays an important role in this positive development. Net new money grew by 18.4 percent in 2020, from 2.7 to 3.2 billion francs.

Higher balance sheet  
and dividend

Total assets reached CHF 5.0 billion francs (2019: 4.1 billion), mainly due to the strong increase in the number of clients and the Swiss National Bank's higher exemption threshold. At 26.6 percent, the core capital ratio remains solid. VZ Group's Board of Directors proposes to the Annual General Meeting to raise the dividend from 1.02 to 1.23 francs per share. This will increase the payout ratio from 40 to 42 percent. In the long term, VZ Group aims to raise this ratio to 50 percent.

Outlook

For the current year, we expect a similar development in demand. If the markets remain stable, revenues and profits should again grow at a similar pace.

We would like to take this opportunity to thank all our employees, who made this good result possible with a great deal of flexibility, commitment and perseverance.

Zug, 5 March 2021



Fred Kindle  
Chairman of the Board of Directors



Matthias Reinhart  
Chief Executive Officer

## «We are grateful that our crisis-resistant business model allows us to safely weather times like these.»

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

### Mr Reinhart, how did VZ Group fare in the 2020 business year?

Measured against the difficult environment, we are very satisfied with the result – also compared to industries that suffer much more from the restrictions. We are grateful that our business model is crisis-resistant and allows us to safely weather times like these.

### What changed during the pandemic?

The lockdown in March triggered a digitalisation push among our clients. Since then, they have been much more open to using digital channels to interact with us. Our employees have been extremely flexible in responding to constantly changing conditions, and they also use electronic work tools even more routinely than before the pandemic. This will have a positive impact in the coming years because it streamlines communication in our entire business.

## «The lockdown has triggered a true digitalisation push.»

### And how is the extraordinary situation reflected in the figures?

It also leaves its mark on our income statement. However, compared to other sectors and many of our competitors, the impact is marginal. Especially in the first half of the year, the growth of consulting fees slowed down because on-site consultations were prohibited at times. And the heavy slump on the stock markets in the first two quarters put pressure on the value of assets under management and thus on the volume-based revenues derived from them. On the other hand, VZ Depository Bank's transaction revenues decreased less than expected because more trading took place during this phase.

### Despite the crisis, you have gained significantly more new clients. How do you explain this increase?

Yes, the influx of private and corporate clients is very satisfactory, both on the consulting and the management side of our business. 6400 new platform clients chose one or more of our management services. Compared to 2019, this corresponds to a growth rate of almost 30 percent. The reasons for this success are threefold: First, more and more people are approaching retirement, a core topic of our consulting services. Second, the uncertainty has fuelled the need for first-class advice. And third, it pays off that we constantly invest in the quality and further development of our services. All this is reflected in the rising demand.

### Is this a one-off effect, or can it be repeated in the future?

We expect that the demographic development will continue to drive our growth. Topics related to retirement and inheritance will become even more important. In recent years, we have continuously improved our services not only for portfolio management, but also in the areas of pension funds, mortgages and insurances. In these areas, we can offer more attractive prices and benefits than many competitors. This is a solid basis for the future.

### Net new money is an important growth component. Do you expect it to develop at a similar rate as the other key figures?

Theoretically, it should grow more or less in step with the other key figures. Last year, the number of clients increased by 15 percent, while net new money increased by 18 percent, slightly more than expected.

### Net profit increased by 15 percent, i.e. significantly more than the revenues. Is that due to lower taxes?

Yes, the lower tax rate contributed to the higher profit in 2020. Operating revenues grew by 8.9 percent, profit before tax by 9.9 percent – the increase after tax is 14.9 percent. Furthermore, we had our operating costs under control even in this difficult year.

### Can the organisation keep up with this growth?

We assume that demand will continue to grow and are constantly expanding our capacity. The most important factor is recruiting and developing qualified



staff both in the consulting and in the back-office areas. We also continue to expand our presence on-site: in Switzerland, new branch offices will be opening in Olten and Sion in 2021.

**The balance sheet has grown by almost one billion to 5 billion francs. Is that due to the many new clients?**

The deposits of new clients account for about 50 percent of the balance sheet growth. In addition, we are fully utilising the SNB's increased exemption threshold for deposits. As a result, the negative interest payments have practically disappeared from our operating expenses, which will also have a positive effect for our clients.

**«We expect revenues to grow at a similar pace in 2021 and the profit margin to remain roughly constant.»**

**Will this impact the balance sheet's risk profile?**

No. Keeping the risks low and even reducing them is very important to us. Thanks to the higher exemption threshold, we now hold about one third of the balance sheet total in our SNB account. Our mortgage portfolio is constantly growing and contains only Swiss residential mortgages with top credit ratings.

**How are your activities abroad progressing?**

We are well established in Germany and have been able to gain more new clients there as well. A project team in the UK is preparing our market entry

via a financial advisory business (IFA) . These preparations are at a fairly advanced stage.

**You intend to distribute 20 percent more profit to shareholders than in the previous year. Is that reasonable?**

Firstly, the profit growth was above average last year. And secondly, it is our goal to increase the payout ratio to 50 percent over the coming years. We consider this profit distribution to be appropriate in order to continue to finance

our growth and to remain attractive for our shareholders. In the long term, we aim to achieve a return on equity of around 20 percent with our dividend policy.

**What comes next, and where do you set your priorities?**

The focus remains on expanding our consulting capacity in order to meet the growing demand. Another high priority is the further digitalisation of all processes. Most visible for our clients is the financial portal, their interface to all our services. The more clients use these services, the more important the scaling effects will be, which we can in turn pass on to them through favourable prices.

**And how do you assess the current year?**

From today's perspective, revenues in all areas should continue to grow as solidly as in previous years. Only in the banking business, we expect that the long-term trend towards passive investments and all-in fees will lead to stagnating or slightly declining revenues. Overall, we expect expenses to develop in line with revenues again in the current year and that the profit margin will thus remain roughly constant.

# KEY FIGURES

## Income statement

in CHF '000

	2020	2019
Operating revenues	328'702	301'718
Operating expenses	173'582	159'340
Operating profit (EBIT)	136'963	124'750
<b>Net profit</b>	<b>117'452</b>	<b>102'305</b>

## Balance sheets

in CHF '000

	31.12.2020	31.12.2019
<b>Total assets</b>	<b>4'973'249</b>	<b>4'056'231</b>
Equity	616'657	549'774
Net cash	501'576	432'380

## Equity key figures

	31.12.2020	31.12.2019
Equity ratio	12.4 %	13.6 %
Common equity tier 1 capital ratio (CET1)	26.6 %	27.7 %
Total eligible capital ratio (T1 & T2)	26.6 %	27.7 %

## Assets under management

in CHF million

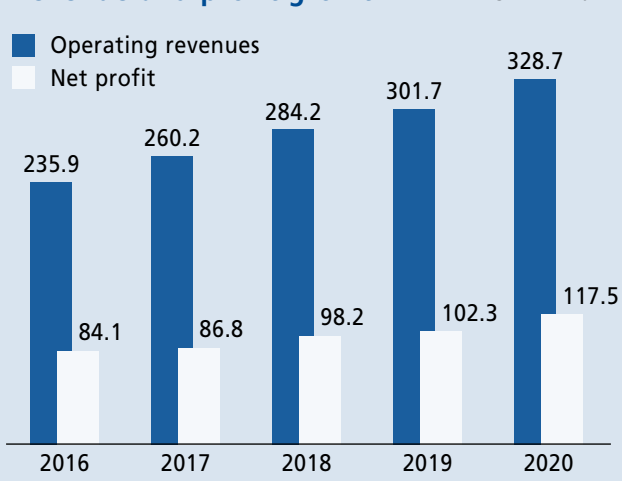
	31.12.2020	31.12.2019
Assets under Management	31'459	27'627

## Employees

	31.12.2020	31.12.2019
Full-time equivalents (FTE)	1'035.7	944.8

## Revenue and profit growth

in CHF million



### **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 172 of the Annual Report 2020.

### **Where to order and download the annual report 2020**

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: [vzch.com/reports](http://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.