



LETTER TO SHAREHOLDERS

Comments on VZ Group's
half-year results 2022

VZ Holding Ltd
Innere Güterstrasse 2
6300 Zug

VZ GROUP: FIRST HALF YEAR 2022

Dear Shareholder

Financial markets
under severe pressure

The war in Ukraine, supply bottlenecks and inflation are weighing on the economic outlook and led to a sharp decline in the value of all major asset classes in the first half of the year. Equities, bonds and real estate investments all lost value simultaneously, which hardly ever happens in market downturns.

Operating revenues
grow by 12 percent

Even in this unfavourable environment, VZ Group's business developed positively – primarily thanks to the momentum we have carried over from the previous year. Compared to the first half of 2021, operating revenues increased by 11.8 percent from 187.8 to 210 million Swiss francs. Two thirds thereof are management fees on assets under management. They grew by 11.5 percent from 120.4 to 134.3 million francs in the first half of the year, while profit increased by 12.6 percent from 68.4 to 77 million francs.

Over 4000 additional
platform clients

The demand for competent and comprehensive advice continues to increase, which is reflected in the growing consulting fees. In addition, more than 4000 clients opted for our management services following a consultation in the first half of the year. At 2.5 billion francs, net new money came in at a similar level as in the first half of 2021.

Rock-solid balance
sheet

Our balance sheet ratios are exceptionally solid, and the balance sheet has a very low-risk profile. Since the end of 2021, the balance sheet total has grown by 255 million to 6 billion francs. This increase is due to the growing number of clients. At 23.5 percent, our Common Equity Tier 1 (CET1) ratio is well above the industry average. Because the Swiss National Bank (SNB) has raised its interest rates and lowered its exemption threshold for cash deposits, we will significantly curb our interbank business. Despite a steadily increasing number of clients, we therefore project low balance sheet growth for the next 12 months.

Outlook

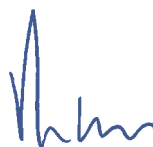
We expect demand for consultancy to remain strong in the second half of the year. However, the persisting uncertainty is likely to slow down the conversion to platform services. Due to the lower valuation of the assets under management, the fees on these assets will stagnate or grow slightly at most, while banking income is likely to decrease somewhat. All other revenues are expected to grow at a similar pace as in the first half of the year. For the entire business year 2022, we therefore forecast only slightly higher profit than in 2021. Beyond the current year, we expect to return to the usual growth as soon as the financial markets normalise.

We thank all those involved with VZ, as well as those who help shape its development.

Zug, 12 August 2022



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chairman of the Executive Board

«Because our business has a very reliable foundation, it grows even in difficult phases like the one we are going through.»

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

Mr Reinhart, the last six months have been devastating in many respects. How do you assess the situation and the outlook for your business?

Once again it has been confirmed that the demand for our advice does not depend on the economy, but mainly on demographics. That is why our consulting fees grow even in difficult phases like this. In addition, the trend to use several of our platforms is also favourable. Both show that our business is built on a very reliable foundation.

You earn your money primarily from portfolio management. The market upheavals certainly left their mark...

It's true: Two thirds of our operating revenues come from managing the assets that our clients entrust to us. The value of these assets is decisive for the long-term development of our revenues. However, changes in value are reflected in the revenues with a time lag.

«Our clients are prepared for short-term upheavals and stick to their investment strategy.»

The increase in revenues in the first half year is mainly due to the strong growth of the assets in the previous year. By the same token, revenues will grow at a slower pace in the second half of the year because of the strong correction we have experienced in the first six months.

What does this mean in terms of profit in the second half of the year?

In absolute numbers we expect a slightly lower profit than in the first half of the year. The decisive factor will be how the financial markets develop by the end of the year.

Does that mean you have to put the brakes on costs?

No, we invest in our long-term growth regardless of short-term fluctuations. In the medium term, a constant increase in demand is foreseeable. That is why we will expand our capacity to meet this demand. At the same time, we are continuously developing our services and investing in digitalisation to further extend our lead.

The interest rates have changed significantly in the last few months. How does that affect VZ?

The sum of all effects led to a lower valuation of the assets under management. If the SNB abandons negative interest rates, this will on the one hand take pressure off clients to invest liquid assets, which could dampen the growth of net new money. On the other hand, it would have a positive impact on our interest result.

Do your clients withdraw money when the stock markets are doing badly?

No, because our clients are long-term oriented. They usually pursue their investment strategy very consistently as they are well prepared for short-term upheavals. Unlike our competitors, we have very few clients who trade in a short-term and speculative manner.

Mortgages account for a large part of your balance sheet total. Are write-offs necessary because the risks have increased?

Our balance sheet is very low-risk. We invest half of our assets with the SNB and in a repo-eligible bond portfolio. Both are very safe and liquid. The other half is invested in residential mortgages held by clients. The average loan-to-value ratio is low, and there is also plenty of leeway in terms of affordability: even if property prices were to plummet, we do not expect any losses.

What are your experiences in the UK, one year after investing in Lumin?

We are very pleased with our entry into this new market. Our expectations have been confirmed, and we see great potential for development. The new colleagues fit in perfectly because we all share the same



ideas and goals. This match is encouraging, and we intend to develop our business as planned.

And what are your further plans in the UK?

There are four pillars: First, we want to grow organically. Our marketing expertise from Switzerland and Germany contributes to achieving this goal. Secondly, we are investing in the training and further education of new advisors in order to increase our consulting capacity. Thirdly, we are acquiring smaller Independent Financial Advisors (IFA), especially from owners who are looking for successors. And in the medium term, we are integrating the portfolio management into our platform. This will allow us to offer differentiated solutions at lower costs.

«Over the coming years, we expect revenues and profit to grow at a pace similar to the average of the past.»

What are the next steps in the digitalisation of your business?

The development is most visible within VZ Finanzportal, our digital client interface. In 2021 we migrated our e-banking to a more performant infrastructure. And a few months ago we launched «Finanzportal Pro», a professional trading platform. No other provider offers investors similar content and

tools at a comparable price. Next, we plan to introduce advanced payment services like those offered by the leading neo-banks.

How is the business with corporate clients evolving, and what's new there?

SMEs can use our corporate portal, for example for their pension scheme, their insurances and their personnel administration. This simplifies things greatly for them and provides another advantage. We are currently founding VZ BVG Rück: from 2023, we want to insure our collective foundations' disability and death risks directly on the reinsurance market. This will lower costs for the insured and increase our efficiency.

Next year you will hand over the management of VZ Group to Giulio Vitarelli and take over the chairmanship of the Board of Directors.

Is VZ ready for this change?

Yes: We have been preparing this transition for years. It has been carefully planned, communicated and initiated. We are fortunate that our set-up creates the best conditions to guarantee continuity and stability for all stakeholders.

And what is your outlook?

In the second half of the year, the market correction seen in the first half will be reflected in the weaker growth of management fees on assets under management, as well as in a more hesitant behaviour of our clients. However, every strong correction creates room for a strong recovery and opens up new investment opportunities. In the medium term, we expect a market recovery and continued growth. Over the years, we have strengthened our competitive position by expanding capacities and extending our market coverage. We also use the economies of scale from our platform service business to pass them on to our clients in the form of attractive prices. If no unexpected crises occur, we anticipate that revenues and profit will continue to grow over the coming years at a pace similar to the average of the last few years.

KEY FIGURES

Income statement

in CHF '000

	1H 2022	2H 2021	1H 2021
Operating revenues	209'978	201'111	187'755
Operating expenses	109'320	103'215	97'795
Operating profit (EBIT)	89'968	87'393	80'121
Net profit	77'031	74'826	68'378

Balance sheets

in CHF '000

	30.06.2022	31.12.2021	30.06.2021
Total assets	6'025'221	5'770'792	5'415'357
Equity	690'932	699'684	627'268
Net cash	581'606	588'229	479'769

Equity key figures

	30.06.2022	31.12.2021	30.06.2021
Equity ratio	11.5 %	12.1 %	11.6 %
Common equity tier 1 capital ratio (CET1)	23.5 %	25.2 %	23.2 %
Total eligible capital ratio (T1 & T2)	23.5 %	25.2 %	23.2 %

Assets under management

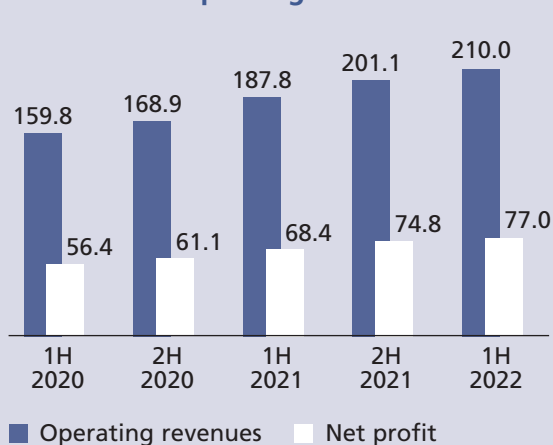
in CHF million

	30.06.2022	31.12.2021	30.06.2021
Assets under Management	37'646	39'002	36'354

Employees

	30.06.2022	31.12.2021	30.06.2021
Full-time equivalents (FTE)	1'186.2	1'142.5	1'089.2

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 27 of the half-year report 2022.

Download reports and press releases

Our press release regarding the half-year results as well as the half-year report can be downloaded in the PDF format from our website: www.vzch.com/reports (Investor Relations/financial reports).

The Letter to Shareholders is published in German, English and French. In case of inconsistencies, the German original version shall prevail.