LETTER TO SHAREHOLDERS

Comments on VZ Group's
half-year results 2024

VZ Holding Ltd
Innere Güterstrasse 2
6300 Zug

VZ GROUP: FIRST HALF YEAR 2024

Dear Shareholder

Positive sentiment outweighs risks

Despite geopolitical crises and relatively high interest rates, the global economy gained some momentum, and stock markets performed well in the first semester. A majority of companies are forecasting rising profits and expect interest rates to fall. The Swiss National Bank (SNB) has already lowered its key policy rate twice.

Profit rises by 19.1 percent

As expected, VZ Group's business has continued to develop well in the past six months. Compared to the first semester of 2023, revenues grew by 12.8 percent from 224.3 to 252.9 million Swiss francs. The SNB's policy rate cuts were reflected in net interest income, which increased by 19.3 percent compared to the first semester of 2023, but decreased by 4.4 percent compared to the second semester of 2023. With an increase of 19.1 percent, profit grew significantly from 86.3 to 102.8 million francs.

Good advice remains in high demand

The consulting fees rose less than in the same period of the previous year, but demand for financial consulting remains high. Following a consulting project, around 4200 clients opted for one or more of our platform services. At 2.3 billion francs, net new money came in at around the same level as the previous year. While many clients were still reluctant to invest in the first quarter, the mood has gradually improved over the second quarter.

Unchanged solid balance sheet

Since 31 December 2023, total assets have grown from 6.5 to 7.0 billion francs. The 7.8 percent increase can be attributed primarily to the growing number of clients. There were no changes to the low-risk structure: The majority of assets are invested with the SNB, in prime residential mortgages and in highly liquid bonds. At 25.0 percent, the core capital ratio remains above the industry average.

Outlook

The lower policy rate means that our net interest income will decrease in the second half of the year. Consequently, revenues and profit will grow at a slower rate in the second half of the year, as forecast. From today's perspective, growth over the entire 2024 financial year should be in line with the long-term average, provided the financial markets remain spared from crises. Given the healthy business situation, our shareholders can expect a further increase in the dividend.

We thank all those involved with VZ and help shape its development.

Zug, 16 August 2024

Matthias Reinhart
Chairman of the Board of Directors

Giulio Vitarelli
Chief Executive Officer

«Well-trained financial consultants are the most important resource for the growth of our business.»

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

Mr Vitarelli, how do you assess the result in the first half of the year?

Our business is working well, and demand for our financial consulting continues to grow. In the first six months, consulting fees did not grow as strongly as before but exceeded the previous period's high benchmark. On a net basis, around 4200 clients chose one or more platform services following a consulting project. The growing number of platform clients is a positive indicator and confirms that our business model creates value.

How do you define platform clients?

In the private client business, they are households that use at least one of our management services. These include portfolio management, account/custody management, mortgages, pension fund solutions and insurances. Corporate client are companies that have their occupational benefit schemes or their risk insurances managed by us.

«We expect the growth rates for revenues and profit to be in line with the long-term average.»

What makes you assume that demand for your services will continue to grow?

More and more people seek help on topics such as retirement and estate planning. Many are particularly concerned about the reforms to our social security systems. This trend reinforces the additional demand resulting from demographic developments. Over the years, we have also noticed that the share of people in our target group who seek professional advice and are prepared to pay a fee for it is increasing. Word is obviously getting around that this expense pays off.

In how far have you benefited from the stock market's good performance?

Positive developments on the stock markets support our results, as around two thirds of our revenues are generated with assets under management. In the first semester, revenues from this business grew by 13.9 percent. However, the most important driver behind this development is the influx of new clients.

When stock prices are on the rise, your clients apparently invest more ...?

That is correct. In difficult market phases, they are more hesitant, whereas in positive markets they become more decisive. Experience shows that it takes around six to nine months for a change in sentiment to be reflected in our figures. In the first quarter, many were still reluctant to invest, but sentiment has improved steadily in the second quarter. Overall, net new money in the first half of the year was roughly the same as in the first half of 2023, but higher than in the second half of 2023. This trend makes us optimistic for the coming months.

How do the SNB's policy rate cuts affect your figures?

In March and June, the SNB lowered its policy rate by 25 basis points each, and a further rate cut is expected in September. Our net interest income still increased compared to the first semester of 2023, but has already decreased compared to the second semester of 2023. This decline will continue in the second half of the current year, although the balance sheet is expected to grow further. As a result, it is unlikely that net interest income in 2024 will exceed the 2023 level. Nota bene, net interest income only accounts for around 13 percent of all our revenues – a significant difference between us and most banks.

Do you stand by your March statement that the profit margin will not improve any further? At the end of June, it was around 40 percent, well above your 38 percent target.

Yes, our targets are still valid. In the medium term, we expect an EBIT margin of 44 percent and a profit margin of 38 percent. 2023 was an exceptional year because interest rates rose sharply. This effect has had a noticeable impact on our net interest income in the past six months. However, interest income will normalise over the coming months.

«Clients prefer to entrust their money to a bank with high equity figures and low balance sheet risks.»

Your balance sheet is very security-oriented and the core capital ratios are unusually high. Why is that so important to you?

That's right: We invest a large proportion of our assets with the SNB, in our clients' prime Swiss residential mortgages and in bonds with the highest credit ratings. This structure is extremely low-risk. We also want to maintain our core capital ratio at around 25 percent. We know that many clients prefer to entrust their money to a bank with high equity figures and low balance sheet risks. That is why our security-oriented policy is a valuable selling proposition.

Where do you intend to grow in the coming years?

We have been investing in the organic growth of our company for as long as we have existed. The most important resource to achieve this goal are well-trained consultants. This will remain our focus in the future. Another focal point is our financial portal. The attractiveness of this digital client interface does a lot to encourage clients to use platform services. That's why we introduce new features every quarter, such as self-onboarding or additional personal finance functions. Our mobile banking is number one in the e.foresight ranking. This confirms that we are on the right track. At the same time, we are continuing to expand our local presence by enlarging our branch offices and increasing the density of our branch network in Switzerland and abroad.

What's new in Germany and the UK?

Business in Germany is developing in line with Switzerland, albeit at a lower level. It is particularly positive that we are achieving a significantly higher response rate with our marketing and are gaining more clients as a result. We will be opening our sixth branch in Germany in Berlin this fall. It will be the first step towards tapping into the north of the country. We are also on schedule in the UK. Our focus there remains on marketing, training new advisors and integrating additional Independent Financial Advisors (IFAs). The Lumin founders are gradually handing over operational management to the new management team. This will enable us to fully take over the company in 2026 as planned.

And finally: What is the outlook for the second half of the year and the following years?

Generally speaking, we are positive about the outlook. All signs point to a further increase in demand for our services in all areas. The decline in net interest income will slow down growth temporarily in the second half of this year and next year. However, as already mentioned, the proportion of the overall results is limited. If there are no external shocks, we currently expect the growth rates for revenues and profit in the current year to be in line with the average of previous years. In principle, this assessment also applies to subsequent years.

KEY FIGURES

Income statement

in CHF '000

	1H 2024	2H 2023	1H 2023
Revenues	252'877	239'518	224'324
Expenses	133'842	121'732	123'190
Operating profit (EBIT)	119'035	117'786	101'134
Net profit	**102'830**	**100'719**	**86'303**

Balance sheets

in CHF '000

	30.06.2024	31.12.2023	30.06.2023
Total assets	**7'044'352**	**6'535'708**	**6'224'743**
Equity	957'178	926'117	795'525
Net cash	844'263	844'035	703'517

Equity key figures

	30.06.2024	31.12.2023	30.06.2023
Equity ratio	13,6%	14,2%	12,8%
Common equity tier 1 capital ratio (CET1)	25,0%	26,2%	24,1%
Total eligible capital ratio (T1 & T2)	25,0%	26,2%	24,1%

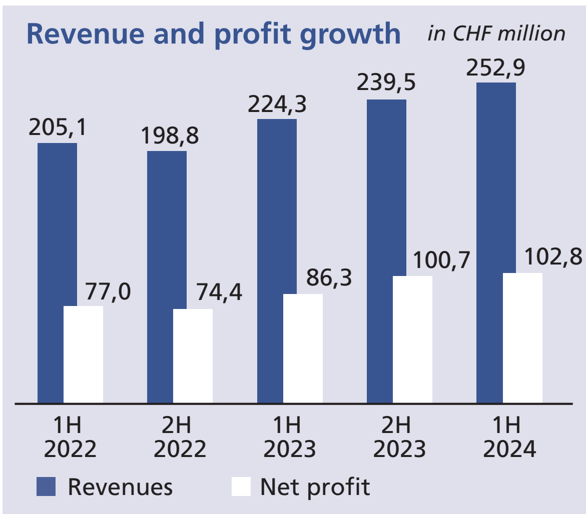
Assets under management

in CHF million

	30.06.2024	31.12.2023	30.06.2023
Assets under Management	49'573	44'887	42'580

Employees

	30.06.2024	31.12.2023	30.06.2023
Full-time equivalents (FTE)	1'451,3	1'390,7	1'299,3



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 28 of the half-year report 2024.

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.