



**HALF-YEAR REPORT 2017**  
**VZ GROUP**

# HALF-YEAR REPORT 2017

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# KEY FIGURES

## Income statement

in CHF million

	1H 17	2H 16	1H 16	2H 15	1H 15
Operating revenues	127.8	122.1	113.8	114.0	112.4
Operating expenses	71.1	65.7	63.0	61.5	58.3
Operating profit (EBITDA)	56.7	56.4	50.8	52.5	54.1
<b>Net profit<sup>1</sup></b>	<b>44.2</b>	<b>43.7</b>	<b>40.4</b>	<b>41.4</b>	<b>42.9</b>

1 Including minority interests.

## Balance sheets

in CHF million

	30.06.17	31.12.16	30.06.16	31.12.15	30.06.15
<b>Total assets</b>	<b>2'320.9</b>	<b>2'434.6</b>	<b>2'332.8</b>	<b>2'007.7</b>	<b>1'968.2</b>
Equity <sup>1</sup>	420.4	420.1	383.6	377.2	337.5
Net cash <sup>2</sup>	378.8	389.6	333.5	344.1	285.9

1 Including minority interests.

2 Cash & cash equivalents, short-term investments, marketable securities, financial assets less current liabilities due to customers, long-term debts and due to banks.

## Equity key figures

	30.06.17	31.12.16	30.06.16	31.12.15	30.06.15
Equity ratio <sup>1</sup>	18.1%	17.3%	16.5%	18.8%	17.2%
Common equity tier 1 capital ratio	26.7%	27.9%	26.5%	28.7%	26.8%
Total eligible capital ratio	26.7%	27.9%	26.5%	28.7%	26.8%

1 Equity compared to the consolidated balance sheet total.

## Funds under management

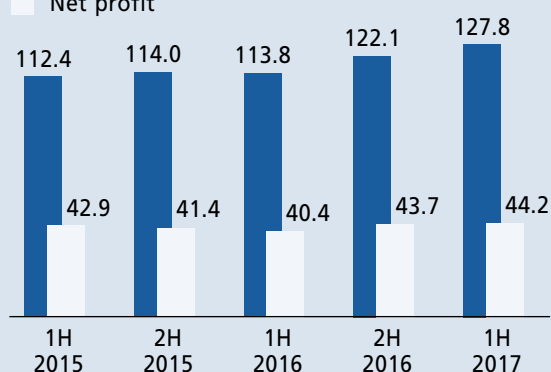
in CHF million

	30.06.17	31.12.16	30.06.16	31.12.15	30.06.15
Assets under Management	19'982	18'415	17'272	16'495	15'403

## Revenues and profit

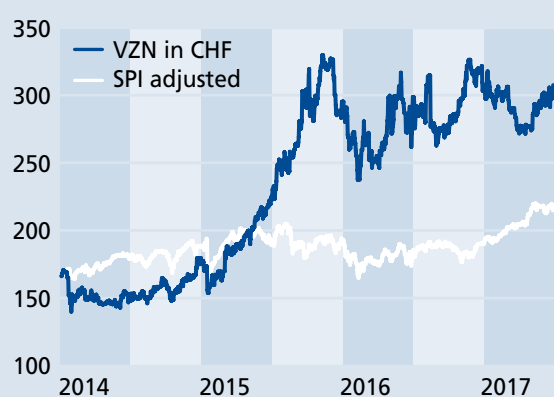
in CHF million

■ Operating revenues  
■ Net profit



## Share price VZ Holding N (VZN)

1.1.2014 to 30.6.2017



### Share statistics

	30.06.17	31.12.16	30.06.16
Shares issued	8'000'000	8'000'000	8'000'000
Registered shareholders	1'571	1'498	1'673
Share price in CHF	307.75	305.50	289.75
Lowest price in CHF	271.75	263.00	237.60
Highest price in CHF	318.00	326.50	317.00
Market capitalisation in CHF million	2'462	2'444	2'318

### Ownership structure

	30.06.17	31.12.16	30.06.16
Matthias Reinhart (direct and indirect)	60.90%	60.87%	60.86%
Members of the Board of Directors	1.42%	1.40%	1.37%
Other members of the Executive Board	2.97%	2.94%	3.31%
Employees <sup>1</sup>	0.37%	0.40%	0.40%
Mawer Investment Management Ltd	3.12%	3.12%	< 3.00%
Capital Group Companies, Inc.	3.00%	3.00%	3.00%
Deutsche Asset & Wealth Management GmbH	< 3.00%	< 3.00%	3.06%
Treasury shares	0.62%	0.35%	0.30%

<sup>1</sup> Only the locked-up shares listed in the share register held by VZ employees (including former employees) are shown.

### Employees

	30.06.17	31.12.16	30.06.16	31.12.15	30.06.15
Number of employees	915	892	830	812	773
Full-time equivalents (FTE)	793.7	771.5	718.3	702.9	666.5

# VZ GROUP: FIRST HALF YEAR 2017

## Dear Shareholders,

Revenues +12 percent,  
net profit +9 percent

VZ Group saw its revenues rise to CHF 127.8 million (+12.3 percent) during the first half of 2017 in year-on-year terms. Operating costs increased at broadly the same pace to CHF 71.1 million (+12.8 percent), resulting in an operating margin similar to that in the first half of 2016. Net profit rose to CHF 44.2 million (+9.3 percent). The difference reflects the higher depreciation resulting from investments in the expansion of our services and in their digitalisation.

Solid balance sheet

At CHF 2.3 billion, the balance sheet total has fallen slightly since the start of the year. The decline reflects more optimistic sentiment on capital markets. This encouraged clients to invest more, thereby reducing their cash holdings reported in the balance sheet. Even after the dividend payment in spring, VZ Group's equity remains constantly high.

Digitalisation

The launch of our financial portal last summer is beginning to generate positive results. In the long term, an increasing number of clients will use the opportunity to bundle all of their financial matters and to organise them electronically. This gives them an overview of all their investments and payment flows, their insurance policies, mortgages, taxes and their retirement provisioning. The growing range of services benefits both sides: With every service they use through this platform, clients save fees and premiums, while VZ expands its business opportunities.

VZ Depository Bank  
in Germany

In Germany, the newly-founded VZ Depository Bank is set to be launched. This will enable VZ Germany to transfer its portfolio management clients from third-party banks to the in-house banking platform over the second half of the year. Meanwhile, the launch of our financial portal in Germany will provide us with a good basis to attract new clients to our services.

Outlook

VZ Group's future growth will be driven by the steady broadening of its client base. The number of clients establishing a long-term relationship with us rose by around 2000 in the first six months to reach approximately 31'000. We are expecting slightly less momentum from capital markets during the second half of the year and cannot exclude substantial volatility. Overall, we expect revenues and profits to continue to grow, thanks to the higher number of clients. This should allow us to increase the dividend for the business year 2017.

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

Zurich, 11 August 2017



Fred Kindle  
Chairman of the Board of Directors



Matthias Reinhart  
Chairman of the Executive Board

## «WE ENCOURAGE EACH INDIVIDUAL CLIENT TO USE MORE AND MORE SERVICES THROUGH US»

Adriano Pavone, Head of Media Relations, discusses the results and outlook for VZ Group with Matthias Reinhart, Chairman of the Executive Board.

**Mr Reinhart, costs grew faster than profits during the first half of the year. Do you have a problem with costs?**

No. Income and operating income grew by roughly 12 percent, while profit rose by over 9 percent. The cost growth is largely attributable to depreciation and to costs that fall under the heading of investments. We are investing a great deal in the digitalisation of our services, in order to make our business fit for the future and to

### «We remain determined to protect our clients from negative interest rates»

enable further growth. The most important initiative is our financial portal. It is creating substantial added value for our clients, which will have a positive impact on our business.

**What value does the financial portal add?**

Our portal is a personal cockpit for our clients that gives them an up-to-date overview of their finances: cash and securities accounts, pension fund and pillar 3a, insurance policies and taxes, properties and mortgages, will and testaments. The portal enables you to do everything online and store your documents securely. We have completed an important phase of the development, and the first version of the financial portal has been online since last summer. Three further releases are planned over the coming twelve months, so that the full scope of functions is scheduled to be available a year from now. We will continue to develop the portal on an ongoing basis beyond this milestone: The more intensively it is used, the clearer the requirements and needs of the users will be. Technological developments are the second most important impulse that will continue to shape the portal.

**What does this mean for VZ?**

In simple terms, the value of each individual client will grow in step with the range of services on our plat-

forms: Each additional service our clients use generates additional business for us – ideally year for year. At the same time, clients will save fees and premiums, improve their retirement provisioning and invest their money more effectively: a classic win-win situation.

**Within the financial sector, long-term revenue growth averaging 12 percent is unusual – above all in this highly challenging environment with negative interest rates and ever tougher competition. How do you accomplish that?**

Firstly, we have been attracting large numbers of clients for many years, including the past six months. On average, the number of long-term customers is increased by 3000 to 4000 per year. Secondly, existing clients use more and more of our services. We have been focusing on cross-selling for the past eighteen months, and now we see the first signs that these efforts are paying off. Thirdly, the revenue base improved over the course of the first half of the year, because capital markets recovered. At the same time, however, we are feeling growing competitive pressure, and clients are increasingly price sensitive. These two trends lead to shrinking margins. In overall terms, we are very confident about the future because our services are in strong demand, and because the demographic development will continue to support this demand.

**How do the negative interest rates impact your figures?**

We pay negative interest on all short-term investments in the balance sheet. This is a burden, because we do not pass these costs on to clients. During the first half of the year, however, interest charges declined relative to the same period of the previous year. This is above all because the level of investment in the assets under management has risen. We remain determined to protect our clients from negative interest rates.

**Why have you been hiring fewer people in the past few months if business is performing so well?**

The number of employees increased disproportionately during the second half of 2016. We were somewhat more restrained in recent months, on account of the market situation. At the end of June we had 915 employees, and this figure will continue



to rise, above all on the consultancy side. In particular, we have been hiring an increasing number of private client consultants, who educate our clients about our service platforms. Where standardised processes are concerned, automation is increasing – for example in the back offices of our bank, our foundations and our insurance services. These effects of scale are one of the reasons why our services are so cost-effective. In Swiss franc terms, personnel costs are therefore expected to rise less than revenues, whereas other costs are likely to rise slightly faster.

### «As long as we continue to attract as many new clients, we will be able to grow»

#### Is outsourcing an issue then?

Yes, outsourcing can boost the efficiency of standardised procedures – such as settlement processes or maintaining the IT infrastructure. When it comes to interaction with clients though, we rely on our own resources and build up know-how in-house. This is where we differentiate ourselves from the competition, and our expertise remains the foundation of our success.

#### VZ recently secured a banking licence for Germany. What does this mean for the future?

To date, our German clients had to turn to other banks for services that VZ offers in Switzerland. In the medium term, we want to offer the same benefits to

our German clients. As soon as VZ Depository Bank Germany will be operational, we will be able to expand the range of services, thus enabling us to attract additional clients as well.

#### You reorganised your corporate client business last year. How has this business performed since then?

We have bundled occupational benefit schemes and risk management for corporate clients. VZ offers a unique service for companies, above all when it comes to occupational benefits. Our corporate client business is growing disproportionately, and we expect this

trend to accentuate. The Swiss pension system has a number of major reforms pending, requiring each individual to save up more capital. This is possible only if companies exhaust all the possibilities within the statutory framework and if they make their benefit schemes more flexible.

#### Can VZ continue to grow forever?

Definitely as long as we continue to attract around 4000 new clients every year and as long as a fair share of them entrust their assets to us. Today we have around 31'000 clients. This is a relatively small proportion of our target segment.

#### What may your shareholders expect next?

We launched a number of initiatives in recent years. It takes time and energy to turn these into successes, this will be our focus. Of course, digitalisation will continue to occupy a great deal of our attention. Towards the end of the year we will be launching a robo-advice app in Germany in order to gather experience in this particular field. And in the longer term we are planning to gain a foothold in further countries, too.

# FINANCIAL STATEMENTS VZ GROUP

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# CONSOLIDATED INCOME STATEMENTS

CHF '000

	Note	1H 2017	2H 2016	1H 2016
Consulting fees		10'518	9'717	9'042
Management fees				
On assets under management		89'827	85'681	81'587
Other management fees		9'293	8'849	8'975
Banking revenues		15'944	16'061	13'154
Net earned insurance premiums		2'033	1'482	845
Other operating revenues		141	317	155
<b>Total operating revenues</b>		<b>127'756</b>	<b>122'107</b>	<b>113'758</b>
Personnel expenses		(51'092)	(47'248)	(46'467)
Other operating expenses	7	(19'994)	(18'410)	(16'535)
<b>Total operating expenses</b>		<b>(71'086)</b>	<b>(65'658)</b>	<b>(63'002)</b>
<b>EBITDA</b>		<b>56'670</b>	<b>56'449</b>	<b>50'756</b>
Depreciation and amortisation		(4'079)	(3'668)	(3'152)
<b>EBIT</b>		<b>52'591</b>	<b>52'781</b>	<b>47'604</b>
Finance expense		(60)	(81)	(75)
Finance income		49	101	69
<b>Net finance income</b>		<b>(11)</b>	<b>20</b>	<b>(6)</b>
<b>Profit before income taxes</b>		<b>52'580</b>	<b>52'801</b>	<b>47'598</b>
Income taxes		(8'416)	(9'101)	(7'174)
<b>Net profit</b>		<b>44'164</b>	<b>43'700</b>	<b>40'424</b>
Attributable to:				
Shareholders of VZ Holding Ltd		44'135	43'682	40'410
Non-controlling interests		29	18	14
Basic earnings per share (CHF)		5.55	5.48	5.08
Diluted earnings per share (CHF)		5.53	5.45	5.05

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CHF '000

	1H 2017	2H 2016	1H 2016
Net profit recognised in the income statement	44'164	43'700	40'424
<b>Other comprehensive income, which can be reclassified to the income statement</b>			
Cumulative translation adjustments	470	(113)	25
Tax effects	0	0	0
<b>Total other comprehensive income (net of tax), which can be reclassified to the income statement</b>	<b>470</b>	<b>(113)</b>	<b>25</b>
<b>Other comprehensive income, which can not be reclassified to the income statement</b>			
Remeasurement of defined benefit obligation	(725)	(7'744)	(1'222)
Tax effects	153	1'523	258
<b>Total other comprehensive income (net of tax), which can not be reclassified to the income statement</b>	<b>(572)</b>	<b>(6'221)</b>	<b>(964)</b>
<b>Total comprehensive income</b>	<b>44'062</b>	<b>37'366</b>	<b>39'485</b>
Attributable to:			
Shareholders of VZ Holding Ltd	44'033	37'364	39'471
Non-controlling interests	29	2	14

# CONSOLIDATED BALANCE SHEETS

CHF '000

	Note	30.06.2017	31.12.2016	30.06.2016
<b>Assets</b>				
Cash and cash equivalents		521'629	758'335	694'884
Short term investments		168'600	157'369	207'459
Marketable securities at fair value		71	43	57
Trade receivables		4'876	4'396	4'346
Other receivables		24'921	13'465	25'099
Accrued income and deferred expenses		36'459	33'615	32'553
Other current assets		5'640	4'679	2'969
<b>Current assets</b>		<b>762'196</b>	<b>971'902</b>	<b>967'367</b>
Financial assets		1'531'186	1'435'365	1'342'656
Investments in associates		404	403	411
Property and equipment		14'013	15'193	13'211
Intangible assets		9'584	9'367	7'981
Deferred tax assets		3'562	2'368	1'195
<b>Non-current assets</b>		<b>1'558'749</b>	<b>1'462'696</b>	<b>1'365'454</b>
<b>Total assets</b>		<b>2'320'945</b>	<b>2'434'598</b>	<b>2'332'821</b>
<b>Liabilities and equity</b>				
Trade payables		1'178	519	1'693
Other current liabilities		10'814	10'261	8'217
Due to banks		3'977	5'889	5'066
Due to customers		1'715'483	1'842'756	1'793'467
Income tax payables		9'285	8'891	1'736
Provisions		2'000	2'000	2'000
Accrued expenses and deferred income		15'517	13'499	13'348
Current liabilities		1'758'254	1'883'815	1'825'527
Long-term debts		123'177	112'872	113'047
Other non-current liabilities		18'974	17'658	9'851
Deferred tax liabilities		161	197	752
Non-current liabilities		142'312	130'727	123'650
<b>Total liabilities</b>		<b>1'900'566</b>	<b>2'014'542</b>	<b>1'949'177</b>
Share capital		2'000	2'000	2'000
Treasury shares	10	(14'439)	(7'371)	(6'500)
Retained earnings		389'315	342'439	348'727
Net profit		44'135	84'092	40'410
Cumulative translation adjustments		(794)	(1'264)	(1'151)
<b>Equity attributable to shareholders of VZ Holding Ltd</b>		<b>420'217</b>	<b>419'896</b>	<b>383'486</b>
Non-controlling interests		162	160	158
<b>Total equity</b>		<b>420'379</b>	<b>420'056</b>	<b>383'644</b>
<b>Total liabilities and equity</b>		<b>2'320'945</b>	<b>2'434'598</b>	<b>2'332'821</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

CHF '000

	Note	1H 2017	2H 2016	1H 2016
<b>Operating activities</b>				
<b>Net profit</b>		<b>44'164</b>	<b>43'700</b>	<b>40'424</b>
Depreciation and amortisation of fixed assets and intangible assets		4'079	3'668	3'152
Net capital (gains)/losses and impairments on financial assets		936	785	848
(Increase)/decrease in dues from short term investments		(11'231)	50'090	(10'472)
(Increase)/decrease in market value of marketable securities at fair value		(28)	15	168
(Increase)/decrease in trade receivables		(480)	(50)	(237)
(Increase)/decrease in financial assets		(50'982)	(109'429)	(109'784)
(Increase)/decrease in other operational assets		(16'456)	7'689	(15'330)
Increase/(decrease) in trade payables		659	(1'174)	994
Increase/(decrease) in other operational liabilities		4'245	16'602	(1'726)
Increase/(decrease) in due to banks		(1'912)	823	5'066
Increase/(decrease) in due to customers		(127'273)	49'288	315'322
Non cash share-based payment transactions		(423)	(467)	(2'139)
Other non-cash items		(572)	(6'221)	(964)
<b>Net cash flows (used in)/provided by operating activities</b>		<b>(155'274)</b>	<b>55'319</b>	<b>225'322</b>
<b>Investing activities</b>				
Purchase of property and equipment		(769)	(3'869)	(1'214)
Proceeds from sale of property and equipment		0	4	0
Purchase of financial assets held to maturity		(59'976)	(13'899)	0
Proceeds from financial assets held to maturity		14'200	29'842	11'631
Purchase of intangible assets		(2'345)	(3'169)	(2'743)
<b>Cash flow (used in)/provided by investing activities</b>		<b>(48'890)</b>	<b>8'909</b>	<b>7'674</b>
<b>Financing activities</b>				
Purchase of treasury shares		(15'155)	(4'809)	(5'107)
Proceeds of treasury shares		5'242	4'323	7'699
Repayment of long-term debts		(7'745)	(149)	(1'040)
Proceeds from long-term debts		18'110	(87)	90
Dividends paid to shareholders	13	(33'376)	0	(33'431)
<b>Cash flow (used in)/provided by financing activities</b>		<b>(32'924)</b>	<b>(722)</b>	<b>(31'789)</b>
Effect of foreign exchange rate changes		382	(55)	(71)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(236'706)</b>	<b>63'451</b>	<b>201'136</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>758'335</b>	<b>694'884</b>	<b>493'748</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>521'629</b>	<b>758'335</b>	<b>694'884</b>
thereof				
Cash at banks and in hand		401'634	476'738	469'246
Short term deposits less than 90 days		119'995	281'597	225'638
<b>Other supplementary cash flow disclosures</b>				
Interest paid		(3)	(13)	(3)
Interest received		5	39	23
Income tax paid		(9'603)	93	(9'496)

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CHF '000

	Share capital	Treasury shares	Cumulative translation adjustment	Retained earnings	Equity to shareholders of VZ Holding Ltd	Non-controlling interests	Total equity
<b>As at 1 January 2016</b>	<b>2'000</b>	<b>(9'364)</b>	<b>(1'176)</b>	<b>385'532</b>	<b>376'992</b>	<b>180</b>	<b>377'172</b>
Net profit				40'410	40'410	14	40'424
Other comprehensive income			25	(964)	(939)	0	(939)
<b>Total comprehensive income for the period</b>			<b>25</b>	<b>39'446</b>	<b>39'471</b>	<b>14</b>	<b>39'485</b>
Participation plans				(6'002)	(6'002)		(6'002)
Change in treasury shares		2'864		3'592	6'456		6'456
Dividends				(33'431)	(33'431)	(36)	(33'467)
<b>As at 30 June 2016</b>	<b>2'000</b>	<b>(6'500)</b>	<b>(1'151)</b>	<b>389'137</b>	<b>383'486</b>	<b>158</b>	<b>383'644</b>
<b>As at 1 July 2016</b>	<b>2'000</b>	<b>(6'500)</b>	<b>(1'151)</b>	<b>389'137</b>	<b>383'486</b>	<b>158</b>	<b>383'644</b>
Net profit				43'682	43'682	18	43'700
Other comprehensive income			(113)	(6'205)	(6'318)	(16)	(6'334)
<b>Total comprehensive income for the period</b>			<b>(113)</b>	<b>37'477</b>	<b>37'364</b>	<b>2</b>	<b>37'366</b>
Participation plans				(467)	(467)		(467)
Change in treasury shares		(871)		384	(487)		(487)
<b>As at 31 December 2016</b>	<b>2'000</b>	<b>(7'371)</b>	<b>(1'264)</b>	<b>426'531</b>	<b>419'896</b>	<b>160</b>	<b>420'056</b>
<b>As at 1 January 2017</b>	<b>2'000</b>	<b>(7'371)</b>	<b>(1'264)</b>	<b>426'531</b>	<b>419'896</b>	<b>160</b>	<b>420'056</b>
Net profit				44'135	44'135	29	44'164
Other comprehensive income			470	(572)	(102)	0	(102)
<b>Total comprehensive income for the period</b>			<b>470</b>	<b>43'563</b>	<b>44'033</b>	<b>29</b>	<b>44'062</b>
Participation plans				(4'040)	(4'040)		(4'040)
Change in treasury shares		(7'068)		772	(6'296)		(6'296)
Dividends				(33'376)	(33'376)	(27)	(33'403)
<b>As at 30 June 2017</b>	<b>2'000</b>	<b>(14'439)</b>	<b>(794)</b>	<b>433'450</b>	<b>420'217</b>	<b>162</b>	<b>420'379</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation and accounting principles VZ Group's unaudited consolidated half-year financial statements have been prepared in accordance with IAS 34 «Interim financial reporting». The half-year financial statements should be read in conjunction with the 2016 consolidated annual financial statements which were published on 6 Mars 2017. The accounting policies applied comply with International Financial Reporting Standards (IFRS), and are consistent with those followed in the preparation of VZ Group's annual financial statements for the year ended 31 December 2016 except for new accounting policies changes made after the date of the annual financial statements.

2 New accounting policies The new standards and amendments to existing standards have been adopted with a date of initial application as of 1 January 2017. They have no impact on the Group's net profit or equity.

IASB and IFRIC have passed a number of new Standards and Interpretations that must be applied from 1 January 2018 or later. VZ Group has not used the possibility of early adoption of these changes and is currently analysing their implications.

### *IFRS 9 Financial instruments*

IFRS 9 describes the classification, valuation and derecognition of financial assets and liabilities and introduces new hedge accounting rules. Therefore, several financial instruments have to be re-classified. The amendments will be applied from 1 January 2018. VZ Group will introduce a new calculation model to calculate the impairment of financial instruments.

In the first half-year 2017, VZ Group further analysed the impact of the standard. According to the current assessment, it is unexpected that the application of these requirements will have a material impact on VZ Group's net profit, comprehensive income and equity in 2018. To assess the impairment of financial instruments VZ Group will introduce a new calculation model.

3 Foreign currency translation

Foreign currency unit	Exchange rates for balance sheets as of			Average exchange rates for income and cash flow statements		
	30.06.17	31.12.16	30.06.16	1H 17	2H 16	1H 16
USD	0.9577	1.0158	0.9753	0.9944	0.9853	0.9820
EUR	1.0929	1.0726	1.0828	1.0767	1.0901	1.0960

4 Risk management

VZ Group's risk management monitors default and credit risks, market, liquidity and refinancing risks as well as risks from insurance contracts, operational, regulatory and legal risks. The risk management described in the annual report 2016 has not changed materially in the first half-year 2017.

5 Estimates, assumptions and management's discretionary power

VZ Group makes estimates and assumptions concerning the future and exercises judgment in applying the effective accounting policies. Changes in estimates and assumptions with a material impact on the first half-year 2017 results are discussed below.

### *Benefit plans*

The actuarial calculation for the benefit plans were carried forward to 30 June 2017. The discount rate for the actuarial calculation was lowered due to new market conditions. The other parameters were not altered since 31 December 2016. The extrapolation results in actuarial losses of TCHF 725, directly recorded in the equity. The next actuarial calculation for these benefit plans will be carried out by the expert for the next reporting date as per 31 December 2017.

### *Provisions for operational risks*

As per 30 June 2017, the management of the VZ Group does not see any needs for additional provisions for operational risks compared to 31 December 2016.

### *Impairments of financial assets*

As of the reporting date, there was no need for impairments on financial assets.

## 6 Changes in the group structure

On 3 March 2017, the share capital of VZ Services AG in Munich, a wholly-owned subsidiary of VZ Holding Ltd, was increased by EUR 5 million to EUR 7 million, and on 4 April 2017 by further EUR 13 million to EUR 20 million. These share capital increases are due to capital requirements applicable in the context of the regulatory approval procedures. Following the approval of the regulatory approval on 14 June 2017, on 23 June 2017 the company was renamed VZ Depotbank Deutschland AG. With the operational start in the second half-year 2017, portfolio management clients in Germany are offered a banking platform for custody and transactions services.

On 3 March 2017, the share capital of VZ InsurancePool Ltd in Zurich, a wholly-owned subsidiary of VZ Holding Ltd, was increased from CHF 10 million to CHF 12.5 million.

On 27 March 2017, the nominal capital of VZ VermögensZentrum GmbH in Munich, a wholly-owned subsidiary of VZ Holding Ltd, was increased from EUR 3.8 million to EUR 4.8 million.

## 7 Other operating expenses

CHF '000

	1H 2017	2H 2016	1H 2016
Office space rent and maintenance	4'471	4'271	3'976
Marketing expenses	4'552	3'668	4'203
Expenses of insurance contracts <sup>1</sup>	1'313	1'133	454
General and administrative expenses	9'658	9'338	7'902
<b>Total</b>	<b>19'994</b>	<b>18'410</b>	<b>16'535</b>

<sup>1</sup> Claims incurred and change in actuarial loss reserves of VZ InsurancePool Ltd.

8 Fair value  
of financial  
instruments

CHF '000

	Book value	Fair Value	Divergence
<b>as at 30.06.2017</b>			
<b>Assets</b>			
Cash & cash equivalents	521'629	521'629	0
Short term investments	168'600	168'600	0
Marketable securities at fair value	71	71	0
Trade receivables	4'876	4'876	0
Other receivables	24'921	24'921	0
Other current assets	5'640	5'640	0
Financial assets			
Mortgage	1'162'005	1'211'674	49'669
Bonds	201'660	202'929	1'269
Time deposits	165'000	165'000	0
Other financial assets	2'521	2'521	0
<b>Subtotal</b>	<b>2'256'923</b>	<b>2'307'861</b>	<b>50'938</b>
<b>Liabilities</b>			
Trade payables	1'178	1'178	0
Other current liabilities	10'814	10'814	0
Due to banks	3'977	3'977	0
Due to customers	1'715'483	1'715'483	0
Long-term debts			
Medium-term notes	2'749	2'821	(72)
Loans from central mortgage institutions	120'428	125'053	(4'625)
Other non-current liabilities	18'974	18'974	0
<b>Subtotal</b>	<b>1'873'603</b>	<b>1'878'300</b>	<b>(4'697)</b>
<b>Total of divergence</b>			<b>46'241</b>
<b>as at 31.12.2016</b>			
<b>Assets</b>			
Cash & cash equivalents	758'335	758'335	0
Short term investments	157'369	157'369	0
Marketable securities at fair value	43	43	0
Trade receivables	4'396	4'396	0
Other receivables	13'465	13'465	0
Other current assets	4'679	4'679	0
Financial assets			
Mortgage	1'110'830	1'164'114	53'284
Bonds	151'680	155'276	3'596
Time deposits	170'047	170'047	0
Other financial assets	2'808	2'808	0
<b>Subtotal</b>	<b>2'373'652</b>	<b>2'430'532</b>	<b>56'880</b>
<b>Liabilities</b>			
Trade payables	519	519	0
Other current liabilities	10'261	10'261	0
Due to banks	5'889	5'889	0
Due to customers	1'842'756	1'842'756	0
Long-term debts			
Medium-term notes	3'844	3'936	(92)
Loans from central mortgage institutions	109'028	114'339	(5'311)
Other non-current liabilities	17'658	17'658	0
<b>Subtotal</b>	<b>1'989'955</b>	<b>1'995'358</b>	<b>(5'403)</b>
<b>Total of divergence</b>			<b>51'477</b>



8 Fair value  
of financial  
instruments  
(continuation)

CHF '000

	Book value	Fair Value	Divergence
<b>as at 30.06.2016</b>			
<b>Assets</b>			
Cash & cash equivalents	694'884	694'884	0
Short term investments	207'459	207'459	0
Marketable securities at fair value	57	57	0
Trade receivables	4'346	4'346	0
Other receivables	25'099	25'099	0
Other current assets	2'969	2'969	0
<b>Financial assets</b>			
Mortgage	1'001'574	1'060'435	58'861
Bonds	153'787	159'515	5'728
Time deposits	184'852	184'852	0
Other financial assets	2'443	2'443	0
<b>Subtotal</b>	<b>2'277'470</b>	<b>2'342'059</b>	<b>64'589</b>
<b>Liabilities</b>			
Trade payables	1'693	1'693	0
Other current liabilities	8'217	8'217	0
Due to banks	5'066	5'066	0
Due to customers	1'793'467	1'793'467	0
<b>Long-term debts</b>			
Medium-term notes	3'958	4'096	(138)
Loans from central mortgage institutions	109'089	116'052	(6'963)
Other non-current liabilities	9'851	5'309	4'542
<b>Subtotal</b>	<b>1'931'341</b>	<b>1'933'900</b>	<b>(2'559)</b>
<b>Total of divergence</b>			<b>62'030</b>

9 Valuation  
methods for  
financial  
instruments

CHF '000

	Listed market prices <i>(Level 1)</i>	Valuation methods based on market data <i>(Level 2)</i>	Valuation methods not based on market data <i>(Level 3)</i>	Total
<b>as at 30.06.2017</b>				
<b>Assets</b>				
Marketable securities at fair value	35	36 <sup>1</sup>	0	71
<b>Liabilities</b>				
Derivative financial instruments	0	68	0	68
<b>as at 31.12.2016</b>				
<b>Assets</b>				
Marketable securities at fair value	39	4 <sup>1</sup>	0	43
<b>Liabilities</b>				
Derivative financial instruments	0	103	0	103
<b>as at 30.06.2016</b>				
<b>Assets</b>				
Marketable securities at fair value	33	24 <sup>1</sup>	0	57
<b>Liabilities</b>				
Derivative financial instruments	0	422	0	422

1 Marketable securities include mainly investments funds and positive replacement values of foreign exchange forward transactions.

Following initial recognition, the fair value of financial instruments (level 1) is determined on the basis of listed market prices or prices quoted by traders insofar as the financial instruments are traded on an active market.

The fair value of financial instruments (level 2) is determined by generally accepted valuation models which are based on input parameters available on the market. The pricing models are based on the relevant parameters such as the contract specifications, the underlying instrument's market value and the interest rate curves. Investment funds are recognised according to their published net asset values.

The VZ Group does not have any financial instruments (level 3) whose fair value is determined using a valuation method which is not based on market data.

As in the previous year, there were no transfers of financial instruments in the first half-year 2017.

#### 10 Treasury shares

Number	in '000 CHF					
	30.06.17	31.12.16	30.06.16	30.06.17	31.12.16	30.06.16
	48'956	27'662	24'343	14'439	7'371	6'500

#### 11 Off-balance sheet information

CHF '000	Mortgage collaterals	Other collaterals	Without collaterals	Total
<b>Contingencies</b>		896		896
Irrevocable residential mortgages granted, payment promise	3'266	2'597	3'000	8'863
Payment obligation regarding depositor protection measures			8'098	8'098
<b>Total unconditional commitments/ payment obligations</b>	<b>3'266</b>	<b>2'597</b>	<b>11'098</b>	<b>16'961</b>
Call receivables and liabilities			906	906
<b>Total as at 30.06.2017</b>	<b>3'266</b>	<b>3'493</b>	<b>12'004</b>	<b>18'763</b>
<b>Total as at 31.12.2016</b>	<b>5'225</b>	<b>2'162</b>	<b>9'004</b>	<b>16'391</b>
<b>Total as at 30.06.2016</b>	<b>7'574</b>	<b>13'576</b>	<b>9'928</b>	<b>31'078</b>

#### 12 Segment information

The determination of the operating segments is based on the management approach. The reported segments have to be in line with the financial information the business is managed, the management takes decisions and assesses the performance. The reported financial information correspond with the internal management information. VZ Group focuses its services on individuals and couples aged 50 or over who live in their own homes. Out of one hand and through several platforms miscellaneous financial services are provided for these clients. Because of this focus VZ Group only reports one segment, in accordance with the applicable rules and VZ Group's management organisation. The financial management of VZ Group by the board of directors and executive board therefore is based

on the consolidated income statements, consolidated balance sheets and consolidated cashflow statements. The reported financial information correspond with the internal management information.

All revenues are generated in Switzerland except the insignificant revenues generated by the subsidiaries in Germany. Also, the assets held abroad are insignificant, and therefore no separate information covering geographical areas is necessary.

- |                      |   |
|----------------------|---|
| 13 Dividend          | The dividend of CHF 4.20 per share for 2016 was distributed on 12 April 2017. The total of dividend pay out was TCHF 33'376.  |
| 14 Subsequent events | No events took place between 30 June 2017 and 8 August 2017 that would require adjustments to the amounts recognised in these consolidated financial statements or would need to be disclosed under this heading. |
| 15 Approval          | At its meeting held on 8 August 2017, the Board of Directors discussed and approved the unaudited consolidated half-year financial statements.  |

# INFORMATION FOR SHAREHOLDERS

## Information about the VZ Holding Ltd registered share

ISIN number	CH0028200837
Securities number	2820083

## Ticker symbols

Listing	Bloomberg	Reuters	Telekurs
SIX Swiss Exchange	VZN SW	VZN.S	VZN

## Important dates

Publication of the annual report 2017	1 March 2018
General meeting 2018	10 April 2018
Publication of the half-year report 2018	15 August 2018

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The half-year report for shareholders is available in German and English. The German version prevails.

## Electronic information

Additional information on VZ Holding Ltd can be found on our website: [www.vzch.ch](http://www.vzch.ch).

## Disclaimer

All statements in this report, if they are not based on historical facts, relate to the future and do not provide any guarantee regarding future benefits. They include risks and uncertainties comprising, but not limited to future global economic conditions, exchange rates, legal provisions, market conditions, activities of competitors as well as other factors that are outside the company's control.

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