



HALF-YEAR REPORT 2019
VZ GROUP

HALF-YEAR REPORT 2019

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KEY FIGURES

Income statement

in CHF million

	1H 19	2H 18	1H 18	2H 17	1H 17
Operating revenues	148.8	142.9	141.3	132.5	127.8
Operating expenses	79.5	78.5	78.6	78.1	71.1
Operating profit (EBIT)	60.4	59.0	57.8	50.0	52.6
Net profit¹	48.7	49.5	48.7	42.7	44.2

1 Including minority interests.

Balance sheets

in CHF million

	30.06.19	31.12.18	30.06.18	31.12.17	30.06.17
Total assets	3'470.1	3'087.9	2'969.9	2'703.5	2'320.9
Equity ¹	511.0	512.3	467.5	459.5	420.4
Net cash ²	371.4	439.5	369.4	366.0	378.8

1 Including minority interests.

2 Cash and 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

	30.06.19	31.12.18	30.06.18	31.12.17	30.06.17
Equity ratio ¹	14.7%	16.6%	15.7%	17.0%	18.1%
Common equity tier 1 capital ratio ²	25.8%	30.1%	27.5%	30.4%	29.9%
Total eligible capital ratio ²	25.8%	30.1%	27.5%	30.4%	29.9%

1 Equity compared to the consolidated balance sheet total.

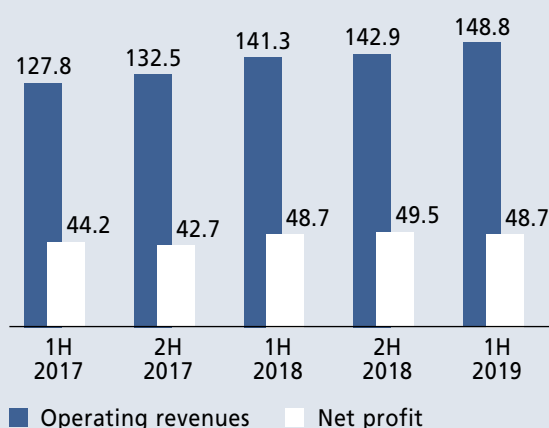
2 The international standard approach for credit risks (SA-BIZ) have been applied in the 2017 annual report for the first time. For better comparability, the figures as of 30 June 2017 have been adjusted.

Funds under management

in CHF million

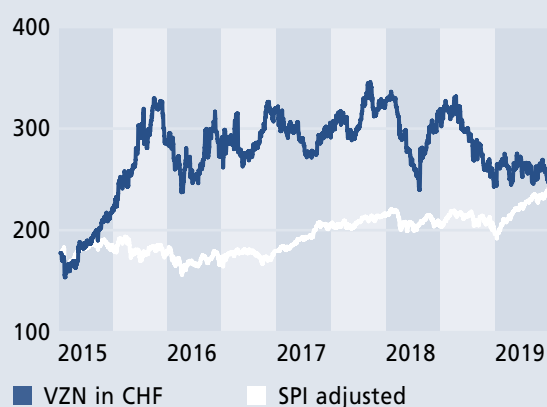
	30.06.19	31.12.18	30.06.18	31.12.17	30.06.17
Assets under Management	25'623	23'056	22'653	21'775	19'982

Revenue and profit growth in CHF million



Share price VZ Holding N (VZN)

1.1.2015 to 30.6.2019



Share statistics

	30.06.19	31.12.18	30.06.18
Shares issued	8'000'000	8'000'000	8'000'000
Registered shareholders	1'741	1'629	1'626
Share price in CHF	267.50	265.00	312.00
Lowest price in CHF	245.00	243.00	240.00
Highest price in CHF	275.50	332.00	336.50
Market capitalisation in CHF million	2'140	2'120	2'496

Ownership structure

	30.06.19	31.12.18	30.06.18
Matthias Reinhart (direct and indirect)	60.98%	60.97%	60.96%
Members of the Board of Directors	1.44%	1.43%	1.43%
Other members of the Executive Board	1.85%	2.06%	2.88%
Employees ¹	3.80%	3.46%	2.66%
Mawer Investment Management Ltd ²	3.14%	3.14%	3.14%
Capital Group Companies, Inc.	<3.00%	4.99%	3.00%
Treasury shares	1.29%	1.06%	0.86%

1 Shares held by VZ employees that are registered or deposited in the share register are shown.

2 Thereof, 0.93% have been transferred by a third party, including unrestricted voting rights.

Employees

	30.06.19	31.12.18	30.06.18	31.12.17	30.06.17
Full-time equivalents (FTE)	924.2	897.5	872.7	840.4	793.7

VZ GROUP: FIRST HALF YEAR 2019

Dear Shareholder

Surprisingly early market recovery

In recent months, global economic growth has slowed and the outlook has somewhat deteriorated. In the wake of the price slump in the fourth quarter of 2018, the stock markets experienced a surprisingly strong recovery. Thanks to this turnaround, the major indices are well above their end-year level. Experience shows that our clients react with a considerable time lag to developments on the financial markets.

Revenues up 5.3 percent

As expected, operating revenues grew less strongly than in the first half of 2018, by 5.3 percent to CHF 148.8 million. The slower growth is primarily attributable to the weak financial markets at the end of 2018. In addition, banking revenues continued to decline as interest rates remained negative and the proportion of passive investments and all-in fee models continued to rise. Profit before taxes grew slightly weaker by 4.3 percent from CHF 57.7 million to CHF 60.2 million. Due to a temporary additional tax load, our net profit remained virtually unchanged at CHF 48.7 million.

More services for more clients

The steady influx of new clients is clearly reflected in the consulting fees and confirms that VZ is in strong demand as a partner for all money-related matters. An encouraging aspect are the intensified client relations: ever more clients use VZ services in connection with their retirement planning, the financing of their real estate, their insurances or their banking needs. Net new money as well as the client conversion from financial consulting to our platform services developed similarly to the first half of 2018. In order to meet the growing demand, we are increasing our consulting capacity on an ongoing basis. At the same time, we are making more and more services available digitally.

Solid financing

Since the beginning of the year, our balance sheet total has grown from CHF 3.1 billion to CHF 3.5 billion. This growth reflects the strong inflow of new clients and the overall development of our business. At 14.7 and 25.8 percent respectively, both the equity ratio and the core capital ratio are well above the industry average.

Outlook

Revenues are likely to be higher in the second half of the year, while costs are expected to increase moderately. Overall, we anticipate a slightly higher profit for the 2019 financial year compared to the previous year.

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

Zurich, 14 August 2019



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chairman of the Executive Board

«WE HAVE EVER MORE CLIENTS WHO USE MORE AND MORE OF OUR SERVICES.»

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

Mr Reinhart, the result is positive, but not brilliant compared to previous years. Can you explain why?

We started the year with moderate expectations – primarily because our most important revenue components were under pressure: the revenues from our management activities depend directly on the value of the assets under management. And this value had fallen to an unusually low level during the severe market turmoil in the final months of last year.

«Because we had anticipated the slowdown in revenues, we were able to curb costs early on.»

Are negative interest rates having an impact on earnings? And what about margins?

Absolutely. A direct impact is evident in the balance sheet business, where interest revenues are virtually non-existent. Indirectly, the negative interest rates are also felt in portfolio management. Margins in this segment continue to shrink – another consequence of the persistently low interest rates. That is why we introduced all-in fees years ago. While such models weigh on our revenues, they are cost-effective and transparent for our clients.

Does the erosion of margins jeopardise your business model?

Not at all. The decisive factors are the influx of new clients and the conversion from consulting to management services: these are the two main drivers of our growth. Each year we are able to attract more clients. And those who are already our clients are using ever more of our services. The aim is to steadily increase this rate of penetration so that the revenue per client remains more or less stable, even if margins continue to shrink.

I have noticed that costs have also risen more slowly, so that profit before taxes developed similarly to the previous year's period. Are you able to keep costs under control?

Yes – even if it's very demanding. Personnel costs are by far the most important component, and they cannot be changed in the short term. However, because we had been anticipating the slowdown in revenues for some time, we curbed recruitment for all back-office positions as early as mid-2018. In addition, we are constantly optimising our processes and becoming ever more efficient. As a result, we were able to keep the development of revenues and costs in balance.

Why have taxes risen so sharply?

Our tax rate was indeed exceptionally high in the first half of the year. The temporary increase is due to additional provisions we created because the cantons Zurich and Zug disagree on intercantonal tax allocation.

The growth of net new money is an important indicator. At CHF 1.3 billion, this key figure is only marginally higher than in the first half of 2018.

How do you assess this development?

The modest growth is not due to fewer clients, but to the fact that our clients reacted with great caution to the turbulence on the financial markets, especially in the first quarter. Since then, the markets have recovered, but experience has shown that clients' investments lag 6 to 9 months behind the markets.

If you want to offer ever more services to ever more clients, you will need more staff. What are your plans for the next few years?

The ability to advise and serve an ever increasing number of clients is indeed the key to our continued growth. One thing is certain: we do not compromise on the quality of our consulting services and on the training of our staff. For some time now, we have been successfully training Private Client Consultants to advise our clients on where and how they can benefit from our services. This contributes greatly to the fact that more and more clients are obtaining financial services through us and use our financial portal.



Will you ever reach an upper limit in the number of new clients?

We gain new clients primarily through our financial consulting services. Many clients plan their retirement and estate with us, others seek our advice on other financial topics. The most important driver of this demand is neither the economy, nor the stock market or the interest rates, but demographics. And the demographic trend is benefiting our business: never before were so many people about to retire as in the next ten years.

«The main driver of demand is neither the economy nor the stock market, but demographics.»

«VZ Finanzportal» is the core element of the group's path to digitalisation. What is the status of this project?

Our financial portal is something like a digital cockpit from which our clients can take care of everything that has to do with banking, insurance and retirement savings. We still have a long way to go, and the development is far from complete. However, usage is constantly increasing, also thanks to intensive information, advice and support. We reached another milestone in February by making the financial portal mobile, which is essential for its acceptance.

What other developments are in the pipeline?

We are in the process of making our e-banking real-time ready. This is a prerequisite for the introduction of a trading platform with additional features for clients who want to trade actively. Other highlights include a document safe to securely store private and business documents, a budget planner that compares planned expenses with actual cash flows, and a tool that helps users to complete their tax returns.

What about the plans for Germany and the UK?

In Germany, we introduced a depository bank just over a year ago to complement our portfolio management activities. As expected, the extended range of services allows us to attract additional clients. Meanwhile, we have opened a small organisation in England. The aim there is to get to know the market and to sharpen our entry strategy.

What is your outlook for the second half of the year and for the coming year?

In general, we expect further growth. We have no doubt that we will continue to gain many new clients and that the number of existing clients will continue to rise. Interest rates are likely to remain negative for a long time to come, which is why we are preparing for the further shrinking of margins in the portfolio management business. We expect these two developments to be more or less balanced.

FINANCIAL STATEMENTS VZ GROUP

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CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	1H 2019	2H 2018	1H 2018
Consulting fees		11'417	12'333	10'424
Management fees	19			
On assets under management		91'292	87'772	85'179
Other management fees		10'369	10'470	9'904
Banking income from commissions and trading activities	19	27'988	25'644	30'132
Banking income from interest operations	19			
Interest income		5'667	5'677	5'104
Interest expense		(2'258)	(2'889)	(2'783)
Net earned insurance premiums		4'129	3'370	3'143
Net impairment (losses)/recoveries on financial assets	18	(19)	14	(13)
Other operating revenues		225	463	244
Total operating revenues		148'810	142'854	141'334
Personnel expenses		(59'450)	(56'989)	(56'085)
Other operating expenses	19	(17'324)	(19'660)	(20'473)
Expenses related to insurance contracts		(2'745)	(1'801)	(1'996)
Total operating expenses		(79'519)	(78'450)	(78'554)
EBITDA		69'291	64'404	62'780
Depreciation and amortisation		(8'906)	(5'425)	(4'995)
EBIT		60'385	58'979	57'785
Finance expense		(244)	(55)	(66)
Finance income		45	58	29
Net finance income		(199)	3	(37)
Profit before income taxes		60'186	58'982	57'748
Income taxes	17	(11'463)	(9'436)	(9'048)
Net profit		48'723	49'546	48'700
Attributable to:				
Shareholders of VZ Holding Ltd		48'653	49'488	48'649
Non-controlling interests		70	58	51
Basic earnings per share (CHF)		6.15	6.26	6.11
Diluted earnings per share (CHF)		6.14	6.25	6.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	1H 2019	2H 2018	1H 2018
Net profit recognised in the income statement	48'723	49'546	48'700
Other comprehensive income, which can be reclassified to the income statement			
Cumulative translation adjustments	(440)	(688)	(216)
Tax effects	0	0	0
Change in cashflow hedge reserves	1'176	0	0
Transfer to income statement	0	0	0
Tax effects	(178)	0	0
Total other comprehensive income (net of tax), which can be reclassified to the income statement	558	(688)	(216)
Other comprehensive income, which cannot be reclassified to the income statement			
Remeasurement of defined benefit obligation	(5'327)	(1'958)	754
Tax effects	1'126	401	(160)
Total other comprehensive income (net of tax), which cannot be reclassified to the income statement	(4'201)	(1'557)	594
Total comprehensive income	45'080	47'301	49'078
Attributable to:			
Shareholders of VZ Holding Ltd	45'010	47'245	49'027
Non-controlling interests	70	56	51

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	30.06.2019	31.12.2018	30.06.2018
Assets				
Cash and cash equivalents		844'147	724'269	776'404
Short term investments		301'084	276'480	270'373
Marketable securities at fair value		9'465	1'764	453
Trade receivables		2'535	2'018	2'497
Other receivables		28'692	14'046	26'999
Accrued income and deferred expenses		46'262	42'222	42'245
Other current assets		8'710	8'795	13'854
Current assets		1'240'895	1'069'594	1'132'825
Financial assets		2'081'432	1'924'929	1'745'999
Investments in associates		422	410	407
Property and equipment	15	130'273	76'532	74'529
Intangible assets		7'751	8'767	9'745
Deferred tax assets		9'331	7'713	6'426
Non-current assets		2'229'209	2'018'351	1'837'106
Total assets		3'470'104	3'087'945	2'969'931
Liabilities and equity				
Trade payables		609	301	935
Other current liabilities	15	17'881	9'584	12'293
Due to banks		3'082	2'047	12'095
Due to customers		2'524'832	2'261'490	2'252'454
Income tax payables		13'743	22'468	13'643
Provisions		7'496	8'382	7'780
Accrued expenses and deferred income		23'470	22'368	21'854
Current liabilities		2'591'113	2'326'640	2'321'054
Long-term debts	15	336'797	224'362	159'295
Other non-current liabilities		31'226	24'675	22'124
Deferred tax liabilities		2	2	6
Non-current liabilities		368'025	249'039	181'425
Total liabilities		2'959'138	2'575'679	2'502'479
Share capital		2'000	2'000	2'000
Treasury shares	24	(28'432)	(24'555)	(20'591)
Retained earnings		487'916	436'388	436'466
Net profit		48'653	98'137	48'649
Cumulative conversion adjustments		612	54	742
Equity attributable to shareholders of VZ Holding Ltd		510'749	512'024	467'266
Non-controlling interests		217	242	186
Total equity		510'966	512'266	467'452
Total liabilities and equity		3'470'104	3'087'945	2'969'931

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	Page	1H 2019	2H 2018	1H 2018
Operating activities				
Net profit		48'723	49'546	48'700
Depreciation and amortisation of fixed assets and intangible assets		8'906	5'425	4'995
Net capital (gains) losses and impairments on financial assets and liabilities		7'783	3'206	1'187
(Increase)/decrease in dues from short term investments		(24'604)	(6'107)	(54'831)
(Increase)/decrease in market value of marketable securities at fair value		(7'701)	(1'311)	(343)
(Increase)/decrease in trade receivables		(516)	479	3'198
(Increase)/decrease in financial assets		(149'175)	(150'811)	(110'536)
(Increase)/decrease in other operational assets		(20'219)	16'749	(4'664)
Increase/(decrease) in trade payables		308	(634)	63
Increase/(decrease) in other operational liabilities		809	9'778	(759)
Increase/(decrease) in due to banks		1'035	(10'048)	7'543
Increase/(decrease) in due to customers		263'342	9'036	226'018
Non cash share-based payment transactions		1'604	1'689	533
Other non-cash items		(2'899)	(911)	520
Cash flows (used in)/provided by operating activities		127'396	(73'914)	121'624
Investing activities				
Purchase of property and equipment		(4'205)	(4'507)	(4'903)
Purchase of financial assets		(54'104)	(48'739)	(35'180)
Proceeds from financial assets		45'097	19'106	18'092
Purchase of intangible assets		(2'068)	(1'998)	(2'526)
Cash flow (used in)/provided by investing activities		(15'280)	(36'138)	(24'517)
Financing activities				
Purchase of treasury shares		(11'052)	(6'380)	(11'756)
Proceeds of treasury shares		1'925	2'205	4'781
Repayment of long-term debts		(18'240)	(6'970)	(8'470)
Proceeds from long-term debts		77'400	70'340	34'080
Payment of lease liabilities	14	(2'935)	0	0
Dividends paid to shareholders	25	(38'761)	0	(34'519)
Cash flow (used in)/provided by financing activities		8'337	59'195	(15'884)
Effect of foreign exchange rate changes		(575)	(1'278)	(278)
Net increase/(decrease) in cash and cash equivalents		119'878	(52'135)	80'945
Cash and cash equivalents at beginning of the period		724'269	776'404	695'459
Cash and cash equivalents at the end of the period		844'147	724'269	776'404
thereof				
Cash at banks and in hand		657'886	694'349	673'934
Short term deposits less than 90 days		186'261	29'920	102'470
Other supplementary cash flow disclosures				
Interest paid from net finance income		(27)	(16)	(41)
Interest received from net finance income		9	76	9
Income tax paid		(21'937)	(296)	(13'934)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF '000

	Share capital	Treasury shares	Cumulative translation adjustment	Cashflow hedge reserve	Retained earnings	Equity to shareholders of VZ Holding Ltd	Non-controlling interests	Total equity
As at 1 January 2018, before the adoption of IFRS 9	2'000	(17'276)	958	0	473'593	459'275	195	459'470
Effect of adoption of IFRS 9					(74)	(74)		(74)
As at 1 January 2018, after the adoption of IFRS 9	2'000	(17'276)	958	0	473'519	459'201	195	459'396
Net profit					48'649	48'649	51	48'700
Other comprehensive income			(216)	0	594	378	0	378
Total comprehensive income for the period			(216)	0	49'243	49'027	51	49'078
Participation plans					(3'524)	(3'524)		(3'524)
Change in treasury shares		(3'315)			396	(2'919)		(2'919)
Dividends					(34'519)	(34'519)	(60)	(34'579)
As at 30 June 2018	2'000	(20'591)	742	0	485'115	467'266	186	467'452
As at 1 July 2018	2'000	(20'591)	742	0	485'115	467'266	186	467'452
Net profit					49'488	49'488	58	49'546
Other comprehensive income			(688)		(1'555)	(2'243)	(2)	(2'245)
Total comprehensive income for the period			(688)		47'933	47'245	56	47'301
Participation plans					1'688	1'688		1'688
Change in treasury shares		(3'964)			(211)	(4'175)		(4'175)
As at 31 December 2018	2'000	(24'555)	54	0	534'525	512'024	242	512'266
As at 1 January 2019, before the adoption of IFRS 16	2'000	(24'555)	54	0	534'525	512'024	242	512'266
Effect of adoption of IFRS 16 ¹					0	0		0
As at 1 January 2019, after the adoption of IFRS 16	2'000	(24'555)	54	0	534'525	512'024	242	512'266
Net profit					48'653	48'653	70	48'723
Other comprehensive income			(440)	998	(4'201)	(3'643)	0	(3'643)
Total comprehensive income for the period			(440)	998	44'452	45'010	70	45'080
Participation plans					(2'695)	(2'695)		(2'695)
Change in treasury shares		(3'877)			(952)	(4'829)		(4'829)
Dividends					(38'761)	(38'761)	(95)	(38'856)
As at 30 June 2019	2'000	(28'432)	(386)	998	536'569	510'749	217	510'966

1 Further details are shown on page 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basics and principles of financial reporting

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 2018 consolidated annual financial statements which were published on 1 Mars 2019. 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 2018, with the exception of those principles introduced in section «New accounting principles» as at 1 January 2019.

New accounting principles

First application
of IFRS 16 «Leases»

As at 1 January 2019, VZ Group applies the new IFRS 16 «Leases» for the first time.

As a result of the application of the new standard, practically all leases are reported in the balance sheet. The lease payments are divided into an amortisation and an interest component. According to IAS 17, which has been applied to date, a distinction was made between leases that are economically equivalent to a purchase (finance leases) and leases based on a limited rental period (operating leases). Leases similar to purchase leases were accounted for as finance leases, while operating leases were only listed in the notes. According to the criteria of the previously applied standard, VZ Group did not have any finance leases.

According to IFRS 16, the rented premises of the VZ branch offices as well as a few rented equipments (office and IT) meet the criteria for leases requiring recognition in the balance sheet.

VZ Group applies the modified retrospective method for the first-time application as at 1 January 2019, according to which the valuation effect from the first-time application is recognised under equity with no effect on results. In accordance with the standards, the comparative figures for the prior-year periods have not been adjusted. The changes in accounting policies are explained in detail in the following sections.

Definition of a lease

Under IFRS 16, a contract is or contains a lease if it grants a right to control the use of an identified asset for a specified period in return for payment.

VZ Group as lessee

For leases with a maximum term of twelve months or which relate to assets of low value, VZ Group as lessee makes use of the optional simplified application options. The lease payments under these agreements are recognised as office space rent over the term of the lease and reported under «Other operating expenses». For all other leases with VZ Group as lessee, a lease liability and an asset with a right of use is recognised in the balance sheet at the inception of the lease.

Leasing liabilities

Leasing liabilities are initially recognised at the present value of future payments. In order to calculate the present value, VZ Group uses the assumed interest rate it would have to pay for additional loans.

Leasing liabilities are calculated on the basis of all agreed leasing instalments, discounted over the term of the contracts. The term is determined by the non-cancellable basic term and by extension or termination options in favour of the lessee. An extension is considered in the term if it is reasonably certain that VZ Group will use this option, while a termination is considered if it is intended.

For subsequent valuations, lease liabilities are periodically reduced by the repayment instalments paid. The valuation is adjusted if payments change due to an index or if VZ Group changes its intention to extend or terminate the lease. The adjustment to the new carrying amount is generally made without affecting results by a corresponding adjustment of the capitalised right of use.

Rights of use

At the inception of the lease, the right to use the leased asset is capitalised under «Property and equipment» at the same time as the lease liability. This value generally corresponds to the present value of the lease liability plus directly attributable costs. Payments made before the inception of the lease and the estimated costs for restoring the building facilities are also included in the carrying amount of the right of use. The right of use is amortised on a straight-line basis over the shorter of the lease term or its estimated useful life.

VZ Group as lessor

VZ Group determines whether the lease is a finance lease or an operating lease at the inception of the contract. Finance leases are leases in which all significant risks and rewards incidental to ownership of the asset are transferred to the lessee. VZ Group does not currently issue any finance leases. Rental revenues from operating leases are recognised in the income statement as «Other operating revenues».

Leases in accordance with IAS 17 (applied until 31 December 2018)

Leases in which a significant portion of the risks and rewards incident to ownership are retained by the lessor are classified as operating leases. Payments under such contracts are charged to the income statement during the lease term. In accordance with the definition in IAS 17, VZ Group has entered into several operating leases for office space and equipment, but no finance leases.

First-time adoption of IFRS 16 as at 1 January 2019

Upon transition to IFRS 16, VZ Group recorded in its balance sheet additional assets with rights of use as part of fixed assets and additional lease liabilities as part of other current liabilities and non-current financial liabilities. The effects at the date of transition are outlined below.

Impact on the balance sheet as at 1 January 2019

CHF '000

	31.12.2018	Impact of IFRS 16	01.01.2019
Property and equipment	76'532	55'181	131'713
Deferred tax assets	7'713	0	7'713
Total assets	84'245	55'181	139'426
Other current liabilities	9'584	5'257	14'841
Long-term debts	224'362	49'924	274'286
Equity	512'266	0	512'266
Total liabilities and equity	746'212	55'181	801'393

In order to value the leasing liabilities, VZ Group discounted the leasing payments with an interest rate of 0.66 percent as at 1 January 2019.

Reconciliation of previously reported operating lease liabilities to lease liabilities recognised in the balance sheet

CHF '000

Lease liabilities under operating leases as disclosed in the notes to the financial statements as at 31.12.2018	31'794
Effect of the option not to recognise short-term leases (< 12 months) and assets of minor value in the balance sheet	(2'837)
Effect of inclusion of extension options as lessee	28'094
Effect of discounting lease liabilities	(1'884)
Other effects ¹	14
Total lease liabilities as at 1.1.2019	55'181

¹ Contracts not classified as leases under IAS 17.

Impact on the first half year 2019

CHF '000

	Buildings and land	Equipment and IT fittings	Total
Right-of-use assets¹			
As at 1 January 2019	55'086	95	55'181
Additions	267	0	267
Effect of contract modifications	0	0	0
Depreciation	(2'828)	(21)	(2'849)
Currency translation adjustments	(90)	0	(90)
As at 30 June 2019	52'435	74	52'509
Leasing liabilities²			
As at 1 January 2019			55'181
Additions			267
Effect of contract modifications			0
Interest expenses			175
Payments			(2'935)
Currency translation adjustments			(90)
As at 30 June 2019			52'598

1 Part of balance sheet item fixed assets.

2 Thereof TCHF 5529 are reported under other current liabilities and TCHF 47'069 under non-current financial liabilities.

From 1 January to 30 June 2019, depreciation of TCHF 2849 listed in the above table and interest costs of TCHF 175 were recognised in the income statement.

First application
of IFRIC 23:
Uncertainty over
income tax treatments

The interpretation of IFRIC 23 clarifies how uncertainties are to be taken into account when assessing tax-relevant issues as at 1 January 2019. The implications for VZ Group are explained on page 17 under «Estimates, assumptions and discretionary power».

Foreign currency translation

Foreign currency unit	Exchange rates for balance sheets as at			Average exchange rates for income and cash flow statements		
	30.06.19	31.12.18	30.06.18	1H 19	2H 18	1H 18
USD	0.9754	0.9840	0.9937	0.9999	0.9786	0.9672
EUR	1.1104	1.1267	1.1596	1.1294	1.1550	1.1699

Risk management

VZ Group's risk management monitors default credit risks, market, liquidity and re-financing risks as well as risks from insurance contracts, operational, regulatory and legal risks. The risk management described in the annual report 2018 has not changed materially in the first half-year 2019.

Estimates, assumptions and discretionary power

The preparation of the half-year financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of the accounting standards and reported amounts of assets and liabilities, income and expenses. Changes in estimates and assumptions with a material impact on the first half-year 2019 results are discussed below.

Benefit plans	The actuarial calculations at the end of 2018 were extrapolated at the end of June 2019. Due to changed market conditions, the discount rate was reduced from 0.85 percent to 0.3 percent, while the other parameters remained unchanged. These projections resulted in actuarial losses of TCHF 5327 (30.6.2018: gains of TCHF 754), which were recognised directly in equity. The next actuarial calculations will be made at the balance sheet date of 31 December 2019.
Provisions for operational risks	The Swiss Federal Tax Administration (FTA) has approved VZ Group's position on a number of outstanding VAT issues. Compared to the end of 2018, a part of the provisions could therefore be released to profit or loss in the first half of 2019 (TCHF 1440, thereof TCHF 1206 via «Other operating expenses», see footnote on page 19). The parties continue to disagree on other aspects of the FTA's decision. For this reason, VZ Group increased the provision for the first half of 2019 by TCHF 554 to TCHF 7496 as at 30 June 2019.
Income taxes	Due to the ongoing transformation of the banking sector, the intercantonal allocation of banks' profit tax shares failed to reflect the actual situation. For this reason, the Conference of Cantonal Tax Administrations (SSK) revised its principles on this topic with effect from 1 January 2019. Because there are no clear guidelines for the 2014 to 2018 fiscal years, which have not yet been definitively assessed, cantonal tax administrations have different views on how to allocate profit shares. Based on new information from the relevant tax authorities, VZ Group recorded additional provisions of TCHF 1740 in the first half of 2019 through profit and loss to cover this uncertainty. These additional provisions temporarily increase the tax rate for the first half of 2019 to 19.05 percent (compared to 15.84 percent for the financial year 2018).

Impairments The impairments on financial assets in accordance with IFRS 9 have developed as follows:

Development of expected credit losses from 1 January 2019 to 30 June 2019

CHF '000

	Impairment according to IFRS 9 as at 31.12.2018	IFRS 9 measurement effect in the income statement	Impairment according to IFRS 9 as at 30.06.2019
Assets			
Cash and cash equivalents (A)	(7)	(3)	(10)
Short-term investments (A)	(9)	(8)	(17)
Trade receivables (V)	(13)	5	(8)
Other receivables (V)	(4)	(9)	(13)
Financial assets (A)	(55)	(4)	(59)
Total	(88)	(19)	(107)

Development of expected credit losses from 1 January 2018 to 30 June 2018

Assets

Cash and cash equivalents (A)	(18)	(12)	(30)
Short-term investments (A)	(6)	3	(3)
Trade receivables (V)	(13)	(1)	(14)
Other receivables (V)	(7)	(3)	(10)
Financial assets (A)	(45)	0	(45)
Total	(89)	(13)	(102)

1 (A) = Calculation according to the general approach.

2 (V) = Calculation according to a simplified approach.

The analysis of the other balance sheet items has shown that no impairments are necessary as at the balance sheet date.

Group structure

VZ Asset Management AG and VZ Quant Portfolio Services AG were merged with VZ Depository Bank AG on 14 May 2019. These changes had no effect on the consolidated financial statements.

On 15 April 2019, VZ Investment Research Ltd with its registered office in London (UK) and a share capital of 1 GBP was founded. The company provides investment research services for VZ Group. The result of the new company has no material impact on the period from 1 January to 30 June 2019.

Operating revenues

CHF '000

	1H 2019	2H 2018	1H 2018
Consulting fees	11'417	12'333	10'424
Management fees			
Management fees on assets under management	91'292	87'772	85'179
Fees for the management of securities portfolios	74'490	71'601	69'659
Custody fees	4'367	4'302	4'334
Fees for the management of residential property mortgages	12'435	11'869	11'186
Other management fees	10'369	10'470	9'904
Total management fees	101'661	98'242	95'083
Banking income from commission and trading activities			
Income from commission business	13'733	13'628	13'513
Commission income	15'072	14'940	15'958
Commission expenses	(1'339)	(1'312)	(2'445)
Commission expenses	14'255	12'008	16'620
Other banking income	0	8	(1)
Total banking income from commissions and trading activities	27'988	25'644	30'132
Banking income from interest operations			
Interest income ¹	5'667	5'677	5'104
Interest expense ²	(2'258)	(2'889)	(2'783)
Total banking income from interest operations	3'409	2'788	2'321
Net earned insurance premiums	4'129	3'370	3'143
Net impairment (losses)/recoveries on financial assets	(19)	14	(13)
Other operating revenues	225	463	244
Total operating revenues	148'810	142'854	141'334

1 Interest income is calculated using the effective interest method.

2 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks in 1H 2019 TCHF 2138 (2H 2018: TCHF 2374, 1H 2018: TCHF 1879).

Other operating expenses

CHF '000

	1H 2019	2H 2018	1H 2018
Office space rent and maintenance ¹	1'849	4'594	4'252
Marketing expenses	5'215	4'129	4'800
General and administrative expenses ²	10'260	10'937	11'421
Total	17'324	19'660	20'473

1 With the introduction of IFRS 16, office space rent and maintenance decreased by TCHF 2913 in the first half of 2019 compared to the previous periods (see page 16).

2 In the first half of 2019, «General and administrative expenses» included a reversal of provisions of TCHF -1206 for risks related to value-added tax (see page 17).

Fair value of financial instruments as at 30.06.2019

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	844'147	844'147	0
Short term investments	301'084	301'084	0
Marketable securities at fair value			
Marketable securities at fair value	129	129	0
Derivative financial instruments	9'336	9'336	0
Trade receivables	2'535	2'535	0
Other receivables	28'692	28'692	0
Other current assets	8'710	8'710	0
Financial assets			
Mortgage	1'657'831	1'699'501	41'670
Bonds	296'719	303'395	6'676
Time deposits	124'485	124'485	0
Other financial assets	2'397	2'397	0
Subtotal	3'276'065	3'324'411	48'346
Liabilities			
Trade payables	609	609	0
Other current liabilities			
Other current liabilities	17'466	17'466	0
Derivative financial instruments	415	415	0
Due to banks	3'082	3'082	0
Due to customers	2'524'832	2'524'832	0
Long-term debts			
Medium-term notes	1'284	1'315	(31)
Loans from central mortgage institutions	260'444	262'360	(1'916)
Time deposits more than 1 year from customers	8'000	8'000	0
Time deposits more than 1 year from banks	20'000	20'000	0
Leasing liabilities	47'069	47'069	0
Other non-current liabilities	31'226	31'226	0
Subtotal	2'914'427	2'916'374	(1'947)
Total of divergence			46'399

Fair value of financial instruments as at 31.12.2018

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	724'269	725'269	0
Short term investments	276'480	276'480	0
Marketable securities at fair value			
Marketable securities at fair value	60	60	0
Derivative financial instruments	1'704	1'704	0
Trade receivables	2'018	2'018	0
Other receivables	14'046	14'046	0
Other current assets	8'795	8'795	0
Financial assets			
Mortgage	1'508'586	1'530'370	21'784
Bonds	267'887	270'426	2'539
Time deposits	145'988	145'988	0
Other financial assets	2'468	2'468	0
Subtotal	2'952'301	2'976'624	24'323
Liabilities			
Trade payables	301	301	0
Other current liabilities			
Other current liabilities	9'286	9'286	0
Derivative financial instruments	298	298	0
Due to banks	2'047	2'047	0
Due to customers	2'261'490	2'261'490	0
Long-term debts			
Medium-term notes	1'624	1'657	(33)
Loans from central mortgage institutions	200'238	203'078	(2'840)
Time deposits more than 1 year from customers	7'500	7'500	0
Time deposits more than 1 year from banks	15'000	15'000	0
Other non-current liabilities	24'674	24'674	0
Subtotal	2'522'458	2'525'331	(2'873)
Total of divergence			21'450

Fair value of financial instruments as at 30.06.2018

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	776'404	776'404	0
Short term investments	270'373	270'373	0
Marketable securities at fair value			
Marketable securities at fair value	41	41	0
Derivative financial instruments	412	412	0
Trade receivables	2'497	2'497	0
Other receivables	26'999	26'999	0
Other current assets	13'854	13'854	0
Financial assets			
Mortgage	1'357'777	1'376'588	18'811
Bonds	238'758	240'589	1'831
Time deposits	146'997	146'997	0
Other financial assets	2'467	2'467	0
Subtotal	2'836'579	2'857'221	20'642
Liabilities			
Trade payables	935	935	0
Other current liabilities			
Other current liabilities	12'273	12'273	0
Derivative financial instruments	20	20	0
Due to banks	12'095	12'095	0
Due to customers	2'252'454	2'252'454	0
Long-term debts			
Medium-term notes	2'124	2'167	(43)
Loans from central mortgage institutions	152'171	156'249	(4'078)
Time deposits more than 1 year from banks	5'000	5'000	0
Other non-current liabilities	22'124	22'124	0
Subtotal	2'459'196	2'463'317	(4'121)
Total of divergence			16'521

Valuation methods for financial instruments

CHF '000

	Listed market prices (Level 1)	Valuation methods based on market data (Level 2)	Total
as at 30.06.2019			
Assets			
Marketable securities at fair value ¹	39	90	129
Derivative financial instruments ¹	0	9'336	9'336
Liabilities			
Derivative financial instruments ²	0	415	415
Change in market value of hedged loans from central mortgage institutions ³	0	7'902	7'902
as at 31.12.2018			
Assets			
Marketable securities at fair value ¹	50	10	60
Derivative financial instruments ¹	0	1'704	1'704
Liabilities			
Derivative financial instruments ²	0	298	298
Change in market value of hedged loans from central mortgage institutions ³	0	1'695	1'695
as at 30.06.2018			
Assets			
Marketable securities at fair value ¹	39	2	41
Derivative financial instruments ¹	0	412	412
Liabilities			
Derivative financial instruments ²	0	20	20

1 Included in the balance sheet item «Marketable securities at fair value».

2 Included in the balance sheet item «Other current liabilities».

3 Included in the balance sheet item «Long-term debts».

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. The fair value of mortgage loans is determined using discounted cash flows. The discount rates are derived from the current Libor and Swap curves observable on the market. Investment funds are recognised according to their published net asset values.

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, no financial instruments were reclassified in the first half-year 2019.

Treasury shares

Number			in '000 CHF		
30.06.19	31.12.18	30.06.18	30.06.19	31.12.18	30.06.18
103'442	84'599	69'149	28'432	24'555	20'591

Off-balance sheet information

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Contingencies		1'585		1'585
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	13'066	4'123	8'000	25'189
Payment obligation regarding depositor protection measures			8'842	8'842
Total unconditional commitments/ payment obligations	13'066	4'123	16'842	34'031
Additional funding obligation			906	906
Total as at 30.06.2019	13'066	5'708	17'748	36'522
Total as at 31.12.2018	6'228	5'626	14'748	26'602
Total as at 30.06.2018	12'023	5'916	10'622	28'561

Segment 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. The management organisation reflects this focus, which is why VZ Group does not provide separate segment reporting.

VZ Group's financial reporting is based on its internal reporting to management, which is responsible for the allocation of resources, valuation and evaluation of financial performance. Consolidated management information is essential for the management of the group.

By far the largest part of the revenues is generated in Switzerland; the revenues of the subsidiaries in Germany and England are negligible in comparison. As no material assets are held abroad, a breakdown by country is not required.

Dividend

On 16 April 2019, the dividend of CHF 4.90 per share for 2018 was distributed. The total of dividend pay out was TCHF 38'761.

Disclosure obligations under supervisory law

VZ Group is exempt from the obligation to prepare a consolidated interest rate risk report. Disclosure at the single-entity level is carried out by VZ Depository Bank AG, Zug, in accordance with Circular 16/1 «Disclosure – Banks», for the first time as at 30 June 2019.

Subsequent events

No events took place between 30 June 2019 and 12 August 2019 that would require adjustments to the amounts recognised in these consolidated financial statements or would need to be disclosed under this heading.

Approval

At its meeting held on 12 August 2019, 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 2019	28 February 2020
General meeting 2020	8 April 2020
Publication of the half-year report 2020	12 August 2020

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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.com.

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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