



HALF-YEAR REPORT 2020

VZ GROUP

HALF-YEAR REPORT 2020

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KEY FIGURES

Income statement

in CHF million

	1H 20	2H 19	1H 19	2H 18	1H 18
Operating revenues	159.8	152.9	148.8	142.9	141.3
Operating expenses	85.2	79.8	79.5	78.5	78.6
Operating profit (EBIT)	65.8	64.4	60.4	59.0	57.8
Net profit	56.4	53.6	48.7	49.5	48.7

Balance sheets

in CHF million

	30.06.20	31.12.19	30.06.19	31.12.18	30.06.18
Total assets	4'591.1	4'056.2	3'470.1	3'087.9	2'969.9
Equity	560.9	549.8	511.0	512.3	467.5
Net cash	384.8	432.4	371.4	439.5	369.4

Equity key figures

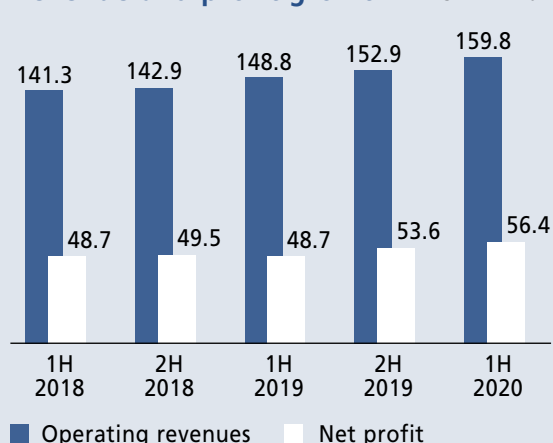
	30.06.20	31.12.19	30.06.19	31.12.18	30.06.18
Equity ratio	12.2%	13.6%	14.7%	16.6%	15.7%
Common equity tier 1 capital ratio	24.7%	27.7%	25.8%	30.1%	27.5%
Total eligible capital ratio	24.7%	27.7%	25.8%	30.1%	27.5%

Assets under management

in CHF million

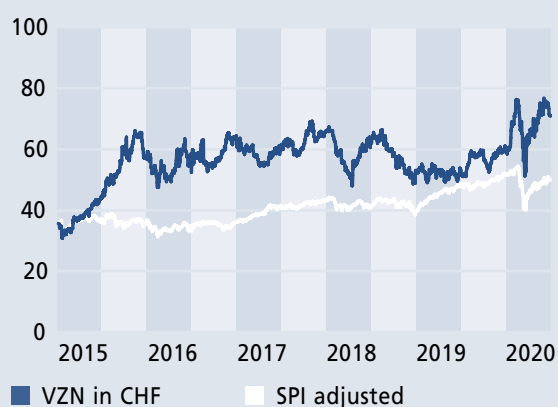
	30.06.20	31.12.19	30.06.19	31.12.18	30.06.18
Assets under Management	28'585	27'627	25'623	23'056	22'653

Revenue and profit growth in CHF million



Share price VZ Holding N (VZN)

1.1.2015 to 30.6.2020



Share statistics¹

	30.06.20	31.12.19	30.06.19
Shares issued	40'000'000	40'000'000	40'000'000
Registered shareholders	1'701	1'654	1'741
Share price in CHF	70.80	59.70	53.50
Lowest price in CHF	51.20	51.00	49.00
Highest price in CHF	76.70	61.00	55.10
Market capitalisation in CHF million	2'832	2'388	2'140

¹ Retroactive adjustment for the 1:5 share split on 21.4.2020

Ownership structure

	30.06.20	31.12.19	30.06.19
Matthias Reinhart (direct and indirect)	61.03%	60.98%	60.98%
Members of the Board of Directors	1.43%	1.44%	1.44%
Other members of the Executive Board	1.84%	1.84%	1.85%
Employees ¹	3.68%	3.78%	3.80%
Mawer Investment Management Ltd ²	3.14%	3.14%	3.14%
Treasury shares	1.69%	1.52%	1.29%

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

	30.06.20	31.12.19	30.06.19	31.12.18	30.06.18
Full-time equivalents (FTE)	985.1	944.8	924.2	897.5	872.7

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 25.

VZ GROUP: FIRST HALF YEAR 2020

Dear Shareholder

- Dramatic environment** The Corona crisis has been defining social, political and economic life for months. In the meantime, most countries have resumed their economic activities. Although governments and central banks were able to prevent even worse things from happening by providing enormous financial resources, the economy slumped dramatically. Stock market prices also plummeted in March, but have since then shown a V-shaped recovery. Our clients have seen their freedom of action severely curtailed, and their focus remains on the crisis and its consequences.
- Profit grows disproportionately** Compared with the first half of 2019, operating revenues grew slightly less than expected, namely by 7.4 percent from CHF 148.8 to 159.8 million. Banking income however increased slightly, although we had expected a slight decline. This increase is mainly due to the higher volatility on the stock markets. As expected, profit grew disproportionately by 15.8 percent from CHF 48.7 to 56.4 million, in part due to the lower tax burden.
- Higher balance sheet total** Since 1 January, the group's balance sheet total has risen from CHF 4.1 to 4.6 billion. The primary reasons for this substantial growth are the additional inflow of clients and the Swiss National Bank's higher exemption threshold. The core capital ratio now stands at 24.7 percent and is therefore very solid.
- Robust demand** We are experiencing robust demand for both financial consulting and platform solutions. While the lockdown resulted in some of the consulting projects being shifted into the future, demand for platform solutions is less affected. In fact, we recorded more than 3000 new clients in net terms for the first time. This is directly reflected in net new money, which rose to CHF 1.64 billion from 1.3 billion in the first half of 2019. These encouraging developments prove that our business model is aligned with client needs. We will therefore continue to increase our consulting capacity even in the current crisis, so that our business can continue to grow.
- Outlook** We expect growth to continue in the second half of the year, both in consulting and in platform services. While banking income is likely to continue to decline, we expect management fees to rise slightly, depending on the development on the stock markets. Overall, we expect slightly higher performance figures for the entire 2020 financial year than in the previous year, so that the dividend should be increased again.

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

Zug, 12 August 2020



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chairman of the Executive Board

«IN A CRISIS LIKE THIS, IT BECOMES PARTICULARLY EVIDENT JUST HOW ROBUST OUR BUSINESS MODEL IS.»

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

Mr Reinhart, despite the Corona crisis, VZ Group achieved a better result than in the previous year.

How is that possible?

In a crisis like this, it becomes particularly evident just how robust our business model is. The inflow of clients does not necessarily depend on the economy or the stock market trend, but above all on demographics. In the three to ten years leading up to retirement, comprehensive advice is essential – and the crisis does nothing to change that. Business on our platforms is also characterised by stable client relationships and revenues. Most of our revenues are recurring and are not based on one-off transactions. And management fees are naturally not very volatile – neither in an uptrend nor in a downtrend. That explains why our business can grow even in difficult times like these.

«In the years leading up to retirement, comprehensive advice is essential – and the crisis does not change that.»

Nevertheless – VZ must also feel the crisis ...

Of course, individual areas and revenue components are heavily affected. From mid-March to the end of April, for example, there were virtually no meetings with new clients, and in Germany the restrictions are still in force. That made it much more difficult to acquire new clients during this period. When stock market prices plummeted in March, they also pulled down our management fees. On the other hand, clients who manage their securities portfolios themselves traded significantly more, which supported VZ Depository Bank's transaction-related revenues. However, their share of total revenues is small.

Is the situation similar for corporate business?

So far, the Corona crisis has been less noticeable here. While many private individuals have only started to use digital channels since the lockdown, this is

business as usual for companies. Consequently, their demand for advice and support has remained virtually unchanged.

Why have so many people switched to VZ services over the past months?

The number of pure consultancy projects has declined, but more clients have opted for one or more of our platform services. This is also due to the fact that in recent years we have developed solutions that prove their worth even in times of crisis – and that is now paying off. Our cross-selling efforts are also bearing fruit, as can be seen from the increasing use of our platform solutions and growing net new money.

How do you assess the performance of your portfolio management mandates?

Our investment philosophy is closely aligned with the market and emphasises the long-term strategy. That has paid off for our clients in the first half of the year: We met the relevant benchmarks and outperformed many competitors. Obviously, that is a good argument to win new clients for our portfolio management mandates.

Does VZ Finanzportal help to support clients in such a demanding situations?

In a crisis such as the current one, investors need to be constantly reminded that it is worthwhile to stick to the investment strategy that has been defined. After all, short-term activism often causes losses. Digital interfaces and electronic means of communication make it a lot easier to stay in close contact with clients and help them react correctly. Since the lockdown, these channels have been used much more frequently.

VZ Group's balance sheet is growing at an exceptional rate. Since 1 January, it has increased by around CHF 500 million to CHF 4.6 billion. How does that affect the shareholders?

About half of the balance sheet growth is attributable to the influx of new clients who are organising their investments with VZ. The other half is due to the increase in the Swiss National Bank's exemption threshold to CHF 1.45 billion.



before tax: at +9.0 percent, it corresponds to the development of operating revenues. In other words, costs and revenues are growing in step.

What is the situation in Germany and the UK?

In Germany, our marketing is working noticeably better than before. But because the Corona measures are much more rigorous there than in Switzerland, this success is not yet reflected in the results. Our activities are also limited in the UK. Nevertheless, our team is working consistently towards market entry. After all, experience shows

that a crisis also opens up new opportunities.

What else is coming up?

One of our most important projects is the new CRM, which will bring us a big step forward in consulting and client development. Again, several new features will be added to our financial portal. Already now, users can evaluate properties on their own, and soon they will be able to upload insurance policies on their smartphone in order to have them managed. Documents are securely stored in the new safe provided by the financial portal. And then, we are also setting up a trading platform that will be at least as user-friendly as those of our competitors, yet significantly cheaper.

And how do you assess developments in the second half of the year and in the coming year?

We expect revenues and profits in the second half of the year to grow at a similar rate as in the first half. That means solid growth for the entire 2020 financial year. And we see no reason why this development should end in 2021 either – provided that the economic downturn will not be much sharper than is currently foreseeable.

What is the impact of the higher threshold on net interest income?

The short-term effect is positive, especially in the first half of 2020: Compared to the same period last year, when the exemption threshold was much lower, interest income has doubled. Currently, about 33 percent of our assets are invested with the SNB, another 45 percent in prime Swiss residential mortgages and the rest in short-term bonds and loans to Swiss banks and public-sector entities. Thanks to this structure, negative interest payments have been virtually eliminated.

«The performance is a good argument to win new clients for our portfolio management mandates.»

Are impairments to be expected because of Corona?

No, nothing indicates that. Unlike most banks, we do not grant operating loans to companies, and we attach great importance to the rating of our investments. That costs margin, but it adds security for our clients and shareholders.

Profit has even grown disproportionately in these difficult times. How can that be?

In the first half of 2019, the tax rate was at 19 percent. Thanks to the corporate tax reform, it came down to 14 percent in the first half of 2020, and this rate should apply for the entire year. More important than this one-off effect is the development of profit

FINANCIAL STATEMENTS VZ GROUP

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CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	1H 2020	2H 2019	1H 2019
Consulting fees		11'255	13'066	11'417
Management fees	18			
On assets under management		98'908	97'218	91'292
Other management fees		11'817	11'545	10'369
Banking income from commissions and trading activities	18	25'341	21'609	27'988
Banking income from interest operations	18			
Interest income ¹		7'342	6'491	5'735
Interest expense ¹		(324)	(2'038)	(2'326)
Net earned insurance premiums		5'361	4'621	4'129
Net impairment (losses)/recoveries on financial assets	16	(46)	13	(19)
Other operating revenues		182	383	225
Total operating revenues		159'836	152'908	148'810
Personnel expenses		(63'571)	(60'378)	(59'450)
Other operating expenses	18	(19'138)	(17'770)	(17'324)
Expenses related to insurance contracts		(2'467)	(1'673)	(2'745)
Total operating expenses		(85'176)	(79'821)	(79'519)
EBITDA		74'660	73'087	69'291
Depreciation and amortisation		(8'823)	(8'722)	(8'906)
EBIT		65'837	64'365	60'385
Finance expense		(287)	(352)	(244)
Finance income		76	69	45
Net finance income		(211)	(283)	(199)
Profit before income taxes		65'626	64'082	60'186
Income taxes	16	(9'192)	(10'500)	(11'463)
Net profit		56'434	53'582	48'723
Attributable to:				
Shareholders of VZ Holding Ltd		56'348	53'504	48'653
Non-controlling interests		86	78	70
Basic earnings per share (CHF) ²		1.43	1.36	1.23
Diluted earnings per share (CHF) ²		1.43	1.36	1.23

1 Negative interest received on liabilities is now reported as interest income and no longer as part of interest expense.

Interest income from liabilities amounts to TCHF 848 in the first half of 2020, TCHF 284 in the second half of 2019 and TCHF 68 in the first half of 2019. The previous year's figures have been adjusted. These changes have no impact on «Banking income from interest operations».

2 VZ Holding's registered share was split on 21 April 2020 in the ratio of one existing share to five new shares.

The figures as of H2 2019 and H1 2019 have been adjusted to make them comparable.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	1H 2020	2H 2019	1H 2019
Net profit recognised in the income statement	56'434	53'582	48'723
Other comprehensive income, which can be reclassified to the income statement			
Cumulative translation adjustments	(469)	(469)	(440)
Change in cashflow hedge reserves	3'076	(34)	1'176
Tax effects	(366)	42	(178)
Total other comprehensive income (net of tax), which can be reclassified to the income statement	2'241	(461)	558
Other comprehensive income, which cannot be reclassified to the income statement			
Remeasurement of defined benefit obligation	1'140	(11'446)	(5'327)
Tax effects	(241)	1'101	1'126
Total other comprehensive income (net of tax), which cannot be reclassified to the income statement	899	(10'345)	(4'201)
Total comprehensive income	59'574	42'776	45'080
Attributable to:			
Shareholders of VZ Holding Ltd	59'488	42'718	45'010
Non-controlling interests	86	58	70

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	30.06.2020	31.12.2019	30.06.2019
Assets				
Cash and cash equivalents		1'490'033	1'242'487	844'147
Short term investments		131'254	207'536	301'084
Marketable securities at fair value		12'363	7'972	9'465
Trade receivables		2'292	1'924	2'535
Other receivables		34'525	17'010	28'692
Accrued income and deferred expenses		51'586	49'128	46'262
Other current assets		44'626	10'921	8'710
Current assets		1'766'679	1'536'978	1'240'895
Financial assets		2'669'477	2'367'492	2'081'432
Investments in associates		455	457	422
Property and equipment		133'572	132'721	130'273
Intangible assets		10'554	8'040	7'751
Deferred tax assets		10'329	10'543	9'331
Non-current assets		2'824'387	2'519'253	2'229'209
Total assets		4'591'066	4'056'231	3'470'104
Liabilities and equity				
Trade payables		158	344	609
Other current liabilities		19'377	16'981	17'881
Due to banks		394'333	126'207	3'082
Due to customers		3'113'045	2'860'694	2'524'832
Income tax payables		13'736	20'481	13'743
Provisions		8'646	8'036	7'496
Accrued expenses and deferred income		27'407	25'084	23'470
Current liabilities		3'576'702	3'057'827	2'591'113
Long-term debts		410'997	406'206	336'797
Other non-current liabilities		42'441	42'422	31'226
Deferred tax liabilities		2	2	2
Non-current liabilities		453'440	448'630	368'025
Total liabilities		4'030'142	3'506'457	2'959'138
Share capital		2'000	2'000	2'000
Treasury shares	23	(39'268)	(33'422)	(28'432)
Retained earnings		539'223	478'614	487'916
Net profit		56'348	102'157	48'653
Cumulative conversion adjustments		2'392	151	612
Equity attributable to shareholders of VZ Holding Ltd		560'695	549'500	510'749
Non-controlling interests		229	274	217
Total equity		560'924	549'774	510'966
Total liabilities and equity		4'591'066	4'056'231	3'470'104

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	1H 2020	2H 2019 ¹	1H 2019 ¹
Operating activities			
Net profit	56'434	53'582	48'723
Depreciation and amortisation of fixed assets and intangible assets	8'822	8'722	8'906
Income tax paid	(19'134)	(7'545)	(21'937)
Interest paid from net finance income	(74)	(131)	(27)
Interest received from net finance income	76	56	9
Net capital (gains) losses and impairments on financial assets and liabilities	4'754	(630)	7'783
(Increase)/decrease in dues from short term investments	76'283	93'548	(24'604)
(Increase)/decrease in market value of marketable securities at fair value	(4'391)	1'493	(7'701)
(Increase)/decrease in trade receivables	(368)	610	(516)
(Increase)/decrease in financial assets	(226'731)	(259'592)	(149'175)
(Increase)/decrease in other operational assets	(53'464)	5'393	(20'219)
Increase/(decrease) in trade payables	(186)	(265)	308
Increase/(decrease) in other operational liabilities	14'785	26'395	22'764
Increase/(decrease) in due to banks	268'126	123'125	1'035
Increase/(decrease) in due to customers	252'352	335'862	263'342
Non cash share-based payment transactions	877	997	1'604
Other non-cash items	3'609	(10'030)	(2'899)
Cash flows (used in)/provided by operating activities	381'770	371'590	127'396
Investing activities			
Purchase of property and equipment	(3'092)	(2'204)	(4'205)
Proceeds from sale of property and equipment	20	2	0
Purchase of financial assets	(93'258)	(32'614)	(54'104)
Proceeds from financial assets	15'980	4'116	45'097
Purchase of intangible assets	(5'569)	(2'928)	(2'068)
Cash flow (used in)/provided by investing activities	(85'919)	(33'628)	(15'280)
Financing activities			
Purchase of treasury shares	(14'331)	(11'102)	(11'052)
Proceeds of treasury shares	5'266	6'136	1'925
Repayment of long-term debts	(13'120)	(217)	(18'240)
Proceeds from long-term debts	14'849	69'061	77'400
Payment of lease liabilities	(196)	(3'080)	(2'935)
Dividends paid to shareholders	(40'235)	0	(38'761)
Cash flow (used in)/provided by financing activities	(47'767)	60'798	8'337
Effect of foreign exchange rate changes	(538)	(420)	(575)
Net increase/(decrease) in cash and cash equivalents	247'546	398'340	119'878
Cash and cash equivalents at beginning of the period	1'242'487	844'147	724'269
Cash and cash equivalents at the end of the period	1'490'033	1'242'487	844'147
thereof			
Cash at banks and in hand	1'484'298	1'236'645	657'886
Short term deposits less than 90 days	5'735	5'842	186'261

1 The details on interest paid and received from the financial result and on taxes paid, which were reported as additional information to the consolidated cash flow statement in the previous year, have been integrated into the cash flow statement since 31.12.2019. The 2019 half-year figures have been adjusted accordingly.

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 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					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
As at 1 July 2019	2'000	(28'432)	(386)	998	536'569	510'749	217	510'966
Net profit					53'504	53'504	78	53'582
Other comprehensive income			(469)	8	(10'325)	(10'786)	(20)	(10'806)
Total comprehensive income for the period			(469)	8	43'179	42'718	58	42'776
Participation plans					999	999		999
Change in treasury shares		(4'990)			24	(4'966)		(4'966)
Dividends					0	0	(1)	(1)
As at 31 December 2019	2'000	(33'422)	(855)	1'006	580'771	549'500	274	549'774
As at 1 January 2020	2'000	(33'422)	(855)	1'006	580'771	549'500	274	549'774
Net profit					56'348	56'348	86	56'434
Other comprehensive income			(469)	2'710	899	3'140	0	3'140
Total comprehensive income for the period			(469)	2'710	57'247	59'488	86	59'574
Participation plans					(3'688)	(3'688)		(3'688)
Change in treasury shares		(5'846)			1'345	(4'501)		(4'501)
Dividends					(40'104)	(40'104)	(131)	(40'235)
As at 30 June 2020	2'000	(39'268)	(1'324)	3'716	595'571	560'695	229	560'924

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 2019 consolidated annual financial statements which were published on 28 February 2020. 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 2019, with the exception of those principles introduced in section «New accounting principles» as at 1 January 2020.

New accounting principles

IFRS 9 – Expected Credit Losses, Statement of the IASB to COVID-19

Due to the uncertainty associated with the COVID 19 pandemic, the IASB published a statement regarding expected credit losses (ECL) under IFRS 9 «Financial Instruments» at the end of March. It essentially states that the models for calculating the ECL are still valid, but that it should be critically examined how the additional uncertainty affects the assumptions in the model.

The impact on VZ Group is detailed on page 16 under «Impairments».

IFRS 9 und IFRS 7: Interest Rate Benchmark Reform

As of 1 January 2020, VZ Group will apply the interest benchmark reform for the first time (amendments to IFRS 9 and IFRS 7).

Around the world, several reference interest rates will be replaced by new ones by the end of 2021. In Switzerland, the Libor will be replaced by the Saron (Swiss Average Rate Overnight). With regard to the transactions defined as hedge accounting, the transition may cause problems if contracts for the underlying and hedging transactions cannot be switched to the new reference interest rate(s) at the same time and in the same way. In those cases, all or some of the prerequisites for using hedge accounting may not be met anymore. The amendments to IFRS 9 and IFRS 7 are intended to facilitate the transition to make sure that hedge accounting relationships can continue until the final conversion.

VZ Group assumes that the current hedge accounting can be applied even after the Libor has been replaced by the Saron. The following hedging transactions, which existed on 1 January 2020, are affected.

Fair value hedge on mortgage bond loans

The variable interest payments from interest rate swaps used for hedging are based on the Libor and will in future be based on the Saron. The contract volume as at 30 June 2020 was CHF 210.4 million.

Cashflow hedge
for variable interest
from mortgage loans

Both the mortgage loans and the interest caps on these loans are based on the Libor and will also be converted to the Saron. The contract volume as at 30 June 2020 was CHF 250.0 million.

The hedging instruments used are regulated in the framework agreements of the International Swaps and Derivatives Association (ISDA). These contracts are currently being revised in the course of the interest rate benchmark reform. VZ Group is closely monitoring the changeover of the reference interest rates and will contact the counterparties in due course in order to complete the changeover on individual contracts.

IAS 1 «Presentation of financial statements» und IAS 8 «Accounting policies, changes in accounting estimates and errors» with regard to materiality

The amendments clarify the definition of materiality for financial statements. Disclosures are material if it could reasonably be expected that their omission, misstatement or obfuscation could influence the decisions of the primary users of financial statements.

These changes have no impact on VZ Group's interim financial statements. However, they do help to assess the materiality of disclosures in future financial statements.

IFRS 3 Business combinations – definition of a business

The amendment clarifies what is considered a business and thus falls within the scope of IFRS 3.

This amendment has no impact on VZ Group.

Foreign currency translation

Foreign currency unit	Exchange rates for balance sheets as at			Average exchange rates for income and cash flow statements		
	30.06.20	31.12.19	30.06.19	1H 20	2H 19	1H 19
EUR	1.0652	1.0868	1.1104	1.0643	1.1125	1.1294
USD	0.9469	0.9684	0.9754	0.9658	0.9938	0.9999
GBP	1.1747	1.2828		1.2175	1.2457	

Risk management

VZ Group's risk management monitors default credit risks, market, liquidity and refinancing risks as well as risks from insurance contracts, operational, regulatory and legal risks.

Impact of COVID-19

On 16 March 2020, the Federal Council classified the situation in Switzerland as «extraordinary» due to COVID-19 and imposed contact restrictions from March to June. Similar measures were imposed in Germany and Great Britain. VZ Group's business activities in the area of advising clients on financial and pension were affected by these restrictions. The development of revenues is shown on page 18.

VZ Group analysed the impact of COVID-19 on the expected credit losses on client receivables and on financial investments and reviewed whether the models used needed to be adjusted due to the extraordinary situation.

No adjustments to the models are necessary. Due to VZ Group's client segment and the conservative credit rating policy for financial investments, the overall impact on expected credit losses is minimal and is further explained under «Impairments» on page 16.

Apart from the impact of COVID-19, there were no significant changes in the first half of 2020 compared to the risk management report in the 2019 annual report.

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 2020 results are discussed below.

Benefit plans

The actuarial calculations at the end of 2019 were extrapolated at the end of June 2020. Due to changed market conditions, the discount rate was increased from 0.2 percent to 0.3 percent, while the other parameters remained unchanged. These projections resulted in actuarial losses of TCHF 1140 (30.6.2019: losses of TCHF 5327), which were recognised directly in equity. The next actuarial calculations will be made at the balance sheet date of 31 December 2020.

Provisions for operational risks	VZ Group increased the existing provision for VAT risks in the first half of 2020 by TCHF 610 (previous period TCHF 554) to TCHF 8646. In the same period of the previous year, a part of the provision in the amount of TCHF 1440 was released to the income statement because the Swiss Federal Tax Administration ruled in favour of VZ Group on some of the outstanding issues.
Income taxes	For the financial years prior to 2019 (concerning financial years 2014 to 2018), which have not yet been definitively assessed for tax purposes, uncertainties and different assessments remain between the cantonal tax authorities as to how profit shares are to be allocated to the respective cantons. In order to take account of these uncertainties, VZ Group had set up tax deferrals of TCHF 2540 in the 2019 financial year and increased these by TCHF 700 in the first half of 2020 with an effect on the income statement. These deferrals were calculated using weighted scenarios in accordance with the rules of IFRIC 23.
Impairments	The impairments on financial assets in accordance with IFRS 9 have developed as follows:

Development of expected credit losses according to IFRS 9

CHF '000

	Impairment according to IFRS 9 as at 01.01.2020	IFRS 9 measurement effect in the income statement	Impairment according to IFRS 9 as at 30.06.2020
Assets			
Cash and cash equivalents (A)	(8)	(2)	(10)
Short-term investments (A)	(8)	(1)	(9)
Trade receivables (V)	(8)	0	(8)
Other receivables (V)	(14)	(32)	(46)
Financial assets (A)	(56)	(11)	(67)
Total	(94)	(46)	(140)

	Impairment according to IFRS 9 as at 01.01.2019	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)

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

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

For the expected credit losses as at 30 June 2020, the economic impact of the spread of COVID-19 on the credit risks for receivables to clients and counterparties of financial assets was analysed. The model used to calculate the expected credit losses took into account the current economic situation based on the economic forecasts for 2020 and 2021 of the Federal Expert Group. There were no significantly increased default risks for either VZ Group's receivables due from clients or its financial investments. A reclassification of financial instruments from level 1 to levels 2 or 3 of the models used was therefore not necessary. Due to the gloomier economic forecasts, the economic risk factor was increased.

A real estate price development index was used to assess mortgage loans, which did not show any significant changes during the period.

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

Group structure

HZ Servicing Ltd commenced operations on 1 April 2020. The company was founded in 2019 as a subsidiary of HypothekenZentrum Ltd. These change has no effect on the consolidated financial statements.

Operating revenues

CHF '000

	1H 2020	2H 2019	1H 2019
Consulting fees	11'255	13'066	11'417
Management fees			
Management fees on assets under management	98'908	97'218	91'292
Fees for the management of securities portfolios	81'181	79'731	74'490
Custody fees	4'623	4'656	4'367
Fees for the management of residential property mortgages	13'104	12'831	12'435
Other management fees	11'817	11'545	10'369
Total management fees	110'725	108'763	101'661
Banking income from commission and trading activities			
Income from commission business	13'931	11'616	13'733
Commission income	15'493	12'919	15'072
Commission expenses	(1'562)	(1'303)	(1'339)
Commission expenses	11'392	9'991	14'255
Other banking income	18	2	0
Total banking income from commissions and trading activities	25'341	21'609	27'988
Banking income from interest operations			
Interest income ^{1,2}	7'342	6'491	5'735
Interest expense ^{2,3}	(324)	(2'038)	(2'326)
Total banking income from interest operations	7'018	4'453	3'409
Net earned insurance premiums	5'361	4'621	4'129
Net impairment (losses)/recoveries on financial assets	(46)	13	(19)
Other operating revenues	182	383	225
Total operating revenues	159'836	152'908	148'810

1 Interest income is calculated using the effective interest method.

2 Negative interest received on liabilities is now reported as interest income and no longer as part of interest expense.

Interest income from liabilities amounts to TCHF 848 in the first half of 2020, TCHF 284 in the second half of 2019 and TCHF 68 in the first half of 2019. The previous year's figures have been adjusted. These changes have no impact on «Banking income from interest operations».

3 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks in 1H 2020 TCHF 315 (2H 2019: TCHF 2115, 1H 2019: TCHF 2138).

Other operating expenses

CHF '000

	1H 2020	2H 2019	1H 2019
Premises expenses	1'621	1'455	1'849
Marketing expenses	4'943	4'288	5'215
General and administrative expenses	12'574	12'027	10'260
Total	19'138	17'770	17'324

Fair value of financial instruments as at 30.6.2020

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'490'033	1'490'033	0
Short term investments	131'254	131'254	0
Marketable securities at fair value			
Marketable securities at fair value	87	87	0
Derivative financial instruments	12'276	12'276	0
Trade receivables	2'292	2'292	0
Other receivables	34'525	34'525	0
Other current assets	44'626	44'626	0
Financial assets			
Mortgage	2'144'250	2'215'173	70'923
Bonds	332'084	335'393	3'309
Time deposits	164'987	172'787	7'800
Other financial assets	28'156	28'425	269
Subtotal	4'384'570	4'466'871	82'301
Liabilities			
Trade payables	158	158	0
Other current liabilities			
Other current liabilities	18'901	18'901	0
Derivative financial instruments	476	476	0
Due to banks	394'333	394'333	0
Due to customers	3'113'045	3'113'045	0
Long-term debts			
Medium-term notes	947	962	(15)
Loans from central mortgage institutions	324'360	329'761	(5'401)
Time deposits more than 1 year from customers	20'000	20'214	(214)
Time deposits more than 1 year from banks	15'000	15'191	(191)
Leasing liabilities	50'690	50'690	0
Other non-current liabilities	42'441	42'441	0
Subtotal	3'980'351	3'986'172	(5'821)
Total of divergence			76'211

Fair value of financial instruments as at 31.12.2019

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'242'487	1'242'487	0
Short term investments	207'536	207'536	0
Marketable securities at fair value			
Marketable securities at fair value	91	91	0
Derivative financial instruments	7'881	7'881	0
Trade receivables	1'924	1'924	0
Other receivables	17'010	17'010	0
Other current assets	10'921	10'921	0
Financial assets			
Mortgage	1'917'411	1'977'116	59'705
Bonds	320'184	327'027	6'843
Time deposits	127'489	133'467	5'978
Other financial assets	2'408	2'408	0
Subtotal	3'855'342	3'927'868	72'526
Liabilities			
Trade payables	344	344	0
Other current liabilities			
Other current liabilities	15'608	15'608	0
Derivative financial instruments	1'373	1'373	0
Due to banks	126'207	126'207	0
Due to customers	2'860'694	2'860'694	0
Long-term debts			
Medium-term notes	1'067	1'086	(19)
Loans from central mortgage institutions	310'010	318'917	(8'907)
Time deposits more than 1 year from customers	25'000	25'305	(305)
Time deposits more than 1 year from banks	20'000	20'273	(273)
Leasing liabilities	50'129	50'129	0
Other non-current liabilities	42'422	42'422	0
Subtotal	3'452'854	3'462'358	(9'504)
Total of divergence			63'022

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

Valuation methods for financial instruments carried at fair value

CHF '000

	Listed market prices (Level 1)	Valuation methods based on market data (Level 2)	Total
as at 30.06.2020			
Assets			
Marketable securities at fair value ¹	59	29	88
Derivative financial instruments ¹	0	12'275	12'275
Liabilities			
Derivative financial instruments ²	0	476	476
Change in market value of hedged loans from central mortgage institutions ³	0	7'907	7'907
as at 31.12.2019			
Assets			
Marketable securities at fair value ¹	78	13	91
Derivative financial instruments ¹	0	7'881	7'881
Liabilities			
Derivative financial instruments ²	0	1'373	1'373
Change in market value of hedged loans from central mortgage institutions ³	0	5'406	5'406
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

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 using generally accepted valuation models. These models are based on relevant parameters observable on the market and take into account, among other things, contract specifications, the market price of the underlying instrument and yield curves. The discount rates are based on the current Libor and swap curves. For investment funds, the published net asset values are applied.

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 2020.

Treasury shares

Number			in '000 CHF		
30.06.20	31.12.19	30.06.19	30.06.20	31.12.19	30.06.19
677'592	608'145	517'210	39'268	33'422	28'432

The registered share of VZ Holding AG was split on 21 April 2020 in the ratio of one existing share to five new shares. The figures as of 31 December 2019 and 30 June 2019 have been adjusted to make them comparable.

Off-balance sheet information

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Contingencies		1'867		1'867
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	11'728	2'590		14'318
Payment obligation regarding depositor protection measures			10'688	10'688
Total unconditional commitments/ payment obligations	11'728	2'590	10'688	25'006
Additional funding obligation			1'006	1'006
Total as at 30.06.2020	11'728	4'457	11'694	27'879
Total as at 31.12.2019	20'440	5'415	11'594	37'449
Total as at 30.06.2019	13'066	5'708	17'748	36'522

Segment information

VZ Group's services focus on private individuals and couples over 50 with residential property, as well as on advising corporate clients in the areas of insurance and occupational pensions. Through several platforms from one hand 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 2020, the dividend of CHF 5.10 per share for 2019 was distributed (after the share split on 21 April 2020, this would correspond to CHF 1.02 per share). The total of dividend pay out was TCHF 40'104.

Subsequent events

No events took place between 30 June 2020 and 10 August 2020 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 10 August 2020, the Board of Directors discussed and approved the unaudited consolidated half-year financial statements.

INDEX OF ALTERNATIVE PERFORMANCE MEASURES

VZ Group prepares and publishes its financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of FINMA. The alternative performance measures used outside the recognised accounting standards as defined by the SIX Swiss Exchange Directive are explained in the following overview.

Measure	Definition/Reference
Assets under Management	Detailed information can be found on page 145 of the annual report 2019
Consolidated result	Net profit of VZ Group
Core capital ratio	Common equity tier 1 capital ratio (CET1)
Equity	Equity of VZ Group including non-controlling interests
Equity Ratio	Equity compared to consolidated balance sheet total
Management clients	Clients who use a platform service (portfolio management, banking services, mortgages, pensions or insurance)
Net cash	Includes cash and cash equivalents, short-term investments, marketable securities, financial assets less current liabilities due to customers, long-term debts and due to banks.
Net new money	Detailed information can be found on page 145 of the annual report 2019
Net profit	Net profit of VZ Group including non-controlling interests
Operating profit (EBITDA)	Total operating revenues less total operating expenses (see consolidated income statement, page 8 of the half-year report 2020).
Platform solutions	Services related to portfolio management, banking services, mortgages, pension plans or insurances
Tax burden	Total of current and deferred income taxes
Tax rate	Ratio of tax expense to profit before income taxes

INFORMATION FOR SHAREHOLDERS

Information about the VZ Holding Ltd registered share

ISIN number	CH0528751586
Securities number	52875158

Ticker symbols

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

Important dates

Publication of the annual report 2020	5 March 2021
General meeting 2021	12 April 2021
Publication of the half-year report 2021	11 August 2021

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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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