



HALF-YEAR REPORT 2021
VZ GROUP

HALF-YEAR REPORT 2021

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KEY FIGURES

Income statement

in CHF million

	1H 21	2H 20	1H 20	2H 19	1H 19
Operating revenues	187.8	168.9	159.8	152.9	148.8
Operating expenses	97.8	88.4	85.2	79.8	79.5
Operating profit (EBIT)	80.1	71.2	65.8	64.4	60.4
Net profit	68.4	61.1	56.4	53.6	48.7

Balance sheets

in CHF million

	30.06.21	31.12.20	30.06.20	31.12.19	30.06.19
Total assets	5'415.4	4'973.2	4'591.1	4'056.2	3'470.1
Equity	627.3	616.7	560.9	549.8	511.0
Net cash	479.8	501.6	384.8	432.4	371.4

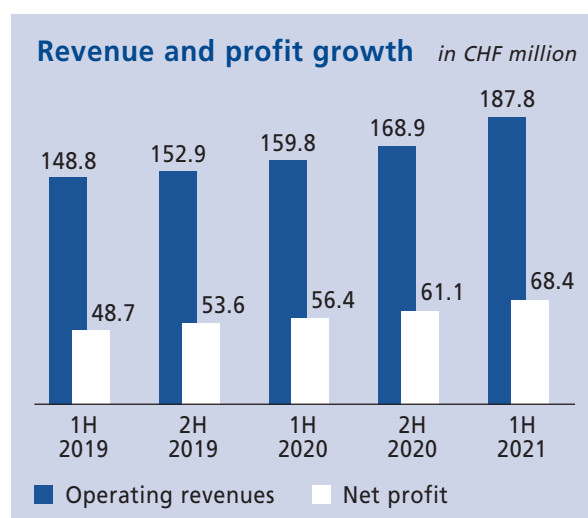
Equity key figures

	30.06.21	31.12.20	30.06.20	31.12.19	30.06.19
Equity ratio	11.6 %	12.4 %	12.2 %	13.6 %	14.7 %
Common equity tier 1 capital ratio	23.2 %	26.6 %	24.7 %	27.7 %	25.8 %
Total eligible capital ratio	23.2 %	26.6 %	24.7 %	27.7 %	25.8 %

Assets under management

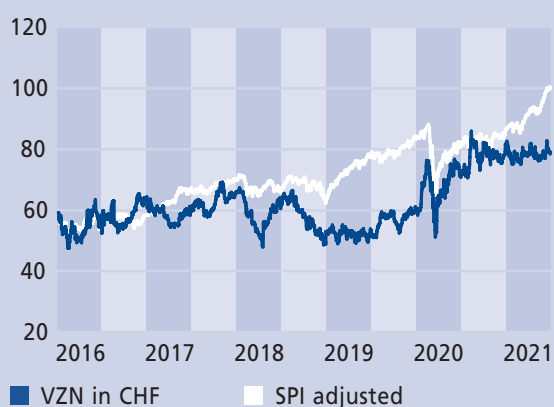
in CHF million

	30.06.21	31.12.20	30.06.20	31.12.19	30.06.19
Assets under Management	36'354	31'459	28'585	27'627	25'623



Share price VZ Holding N (VZN)

1.1.2016 to 30.6.2021



Share statistics

	30.06.21	31.12.20	30.06.20
Shares issued	40'000'000	40'000'000	40'000'000
Registered shareholders	1'978	1'771	1'701
Share price in CHF	78.40	80.90	70.80
Lowest price in CHF	75.00	70.60	51.20
Highest price in CHF	82.70	85.90	76.70
Market capitalisation in CHF million	3'136	3'236	2'832

Ownership structure

	30.06.21	31.12.20	30.06.20
Matthias Reinhart (direct and indirect)	61.07 %	61.04 %	61.03 %
Members of the Board of Directors	1.47 %	1.45 %	1.43 %
Other members of the Executive Board	1.88 %	1.81 %	1.84 %
Employees ¹	3.55 %	3.58 %	3.68 %
Mawer Investment Management Ltd ²	< 3.00 %	< 3.00 %	3.14 %
Treasury shares	1.77 %	1.83 %	1.69 %

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

	30.06.21	31.12.20	30.06.20	31.12.19	30.06.19
Full-time equivalents (FTE)	1'089.2	1'035.7	985.1	944.8	924.2

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 26.

VZ GROUP: FIRST HALF YEAR 2021

Dear Shareholder

Strong economic recovery

In recent months, the global economy has improved much more than expected after the severe slump. Successful vaccination campaigns are enabling a gradual opening in many places. The stock markets anticipated the recovery, and all major stock indices rose significantly. Growth forecasts are constantly revised upwards, and supply chains are already experiencing bottlenecks.

Operating revenues up 17.5 percent

In this favourable environment, our business continued to develop positively. Compared to the first half of 2020, operating revenues increased by 17.5 percent from 159.8 to 187.8 million Swiss francs. Due to pandemic-related restrictions in the first quarter, consulting fees grew at a slightly slower rate of 15.9 percent. Fees from assets under management, the largest revenue component, increased by as much as 21.7 percent. About half of this increase is due to the favourable stock market development and thus to the higher value of assets under management, the other half to the additional private and corporate clients. Profit also grew disproportionately, namely by 21.3 percent from 56.4 to 68.4 million francs.

Over 4000 additional wealth management clients

The demand for our services continues to grow strongly. With regard to our management services, the number of new clients increased by more than 30 percent, from 3082 in the first half of 2020 to 4028 in the first half of 2021. This translates directly into net new money, which increased from 1.6 to 2.5 billion francs.

Solid balance sheet

As of mid-year, VZ Group's balance sheet total was 5.4 billion francs, compared to 5 billion at the end of 2020. The difference is mainly due to the additional clients. As a result of the investment in an English Independent Financial Advisor (IFA), the core capital ratio is 1.5 percentage points lower than twelve months ago. At 23.2 percent, however, it remains very solid.

Outlook

We expect a further increase in the number of clients and correspondingly higher revenues in all areas in the second half of the year, assuming that the markets remain stable. Only transaction-related banking income is difficult to forecast. Overall growth in the second half year is likely to be comparable to the first half. Therefore, the dividend should also rise again.

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

Zug, 11 August 2021



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chairman of the Executive Board

«IF WE DO EVERYTHING RIGHT, WE WILL CONTINUE TO GROW FOR MANY YEARS TO COME.»

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

Mr Reinhart, how do you assess the past six months?

The figures are good. Fees from assets under management account for around two-thirds of total revenues, which is why the strong upward trend on the stock markets had a positive impact on our results. Part of the above-average performance is due to a base effect: In the first half of 2020, stock prices and thus the value of assets under management as well as the revenues therefrom came under pressure. Starting from this lower base, the increase over the past six months was disproportionate.

Obviously, other factors also contribute to the good results, for instance the high demand.

That is true: The influx of new clients is also positive. It speaks for the quality of our services and is also the prerequisite for our long-term success. It is

«The strong growth confirms that the need for our services is not affected by this kind of crisis.»

remarkable that the strong growth continued even when we were severely restricted due to the pandemic. This confirms that the need for our services is not affected by this kind of crisis.

Can you comment on the individual revenue components?

It is noticeable that net new money has grown strongly. This is reflected in the ratio of net new money per consultant, which rose from between 17 and 20 million francs over the previous years to almost 27 million. The upbeat sentiment on the stock markets also contributed to this increase, because new clients are more eager to make decisions than usual, and existing clients have also invested more. We expect this ratio to normalise over time – depending on how the markets develop.

It is certainly worth mentioning that consulting fees have grown again despite the restrictions. Banking income also seems to be stabilising after years of decline, even if it remains subject to major fluctuations. And finally, our insurance business is slowly becoming visible in the figures. Growth is strongest in this line of business, even if at a low level. For the coming years, a positive development is definitely in the cards.

More and more clients are using multiple services. To what extent does this contribute to growth going forward?

Our goal is for every third client to use at least three of our platforms. By the middle of the year, we had a good 53,000 clients. Thereof, 54 percent use a single platform, 25 percent use two platforms and the remaining 21 percent use at least three. While the number of clients is growing steadily, the portion of clients with three or more platforms is actually increasing by one percentage point every six months on average. This helps to compensate for the long-term erosion of margins.

The net profit margin after tax has risen to 36.4 percent. Is that a sustainable trend?

No. While we have raised our expectation from 35 to 36 percent, we do not expect a permanent increase above this threshold.

How does the balance sheet compare: Are there any significant changes?

The balance sheet total has grown by 440 million francs since the end of the year, mainly because of the new clients. However, the structure and the risk profile remain virtually unchanged. Compared to 30.6.2020, the core capital ratio fell by 1.5 percentage points to 23.2 percent because we acquired 50.1 percent of Lumin Group Ltd at the end of May.

What is the aim of this investment?

Lumin is an Independent Financial Advisor (IFA) based in North London. The company was established eleven years ago, has strong management and operates very similarly to VZ. With our experience in marketing, people development and asset management, we believe to be able to play a significant role in accelerating its



growth. We intend to acquire the remaining shares in five years. For us, this is an ideal entry into an attractive market in which we want to play a bigger role in the medium term.

«With major reforms of our pension system on the horizon, our expertise will be in even greater demand.»

In Switzerland, VZ has grown substantially once again. Can this trend continue?

We are still a long way off the end of this path. The main driver of our growth is the demographic development: In the coming years, our market will grow continuously for this reason alone, and we intend to increase our share of it. In addition, major reforms of our pension system are on the horizon, and our expertise will be in even greater demand. That is why we expect an increasing influx of clients. If we do everything right, we will continue to grow for many years to come, which will also benefit our shareholders.

Surely such prospects also attract competition?

Of course, and our competitors are also getting better. That is why we need to keep fit, evolve, digitise and become even more efficient to stay one step ahead. Many competitors are struggling with legacy problems that we don't have. These problems cause enormous costs, which are reflected in the prices. Our advantage is that we can offer attractive services at a lower price

and that our experts are very focused on our target clients' needs.

How is the corporate client business doing?

We can offer very attractive pension fund solutions for SMEs in particular, including through our own collective foundations. This makes pension schemes more affordable, more transparent and more flexible. This is an important means of saving enough money for retirement, also for the self-employed.

What projects are on the agenda at the moment?

We are working intensively on our financial portal, the digital interface for private and corporate clients. Right now, we are making it even faster, more secure, more efficient and more agile. In about six months, we will roll out a new interface to our trading platform, with which private clients can trade very conveniently and cost-effectively. Trading in cryptocurrencies is a new addition. Then we will launch a pension fund foundation for the self-employed and simplify a number of processes to make our back office operations even more efficient.

What can shareholders expect in the second half of the year and beyond?

We start into the second half of the year with significantly higher assets under management. On this basis, we expect a continuation of the growth compared to the previous year. Uncertainties emanate primarily from the financial markets. They have a direct impact on assets under management and an indirect impact on the behaviour of our clients. For the second half of the year, we expect comparable growth as in the first half. Overall, we anticipate a continued positive development, also in the medium term.

FINANCIAL STATEMENTS VZ GROUP

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CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	1H 2021	2H 2020	1H 2020
Consulting fees		13'116	13'757	11'255
Management fees	18			
On assets under management		120'379	106'397	98'908
Other management fees		12'910	12'362	11'817
Banking income from commissions and trading activities	18	26'008	22'167	25'341
Banking income from interest operations	18			
Interest income		8'468	7'953	7'342
Interest expense		(43)	(47)	(324)
Net earned insurance premiums		6'770	5'857	5'361
Net impairment (losses)/recoveries on financial assets	15	(23)	35	(46)
Other operating revenues		170	385	182
Total operating revenues		187'755	168'866	159'836
Personnel expenses		(70'694)	(65'312)	(63'571)
Other operating expenses	18	(22'979)	(19'962)	(19'138)
Expenses related to insurance contracts		(4'122)	(3'132)	(2'467)
Total operating expenses		(97'795)	(88'406)	(85'176)
EBITDA		89'960	80'460	74'660
Depreciation and amortisation		(9'839)	(9'334)	(8'823)
EBIT		80'121	71'126	65'837
Finance expense		(284)	(205)	(287)
Finance income		60	38	76
Net finance income		(224)	(167)	(211)
Profit before income taxes		79'897	70'959	65'626
Income taxes	14	(11'519)	(9'941)	(9'192)
Net profit		68'378	61'018	56'434
Attributable to:				
Shareholders of VZ Holding Ltd		68'180	60'919	56'348
Non-controlling interests		198	99	86
Basic earnings per share (CHF)		1.74	1.56	1.43
Diluted earnings per share (CHF)		1.73	1.56	1.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	1H 2021	2H 2020	1H 2020
Net profit recognised in the income statement	68'378	61'018	56'434
Other comprehensive income, which can be reclassified to the income statement			
Cumulative translation adjustments	329	362	(469)
Change in cashflow hedge reserves	(2'511)	110	3'076
Tax effects	299	(14)	(366)
Total other comprehensive income (net of tax), which can be reclassified to the income statement	(1'883)	458	2'241
Other comprehensive income, which cannot be reclassified to the income statement			
Remeasurement of defined benefit obligation	5'300	(4'791)	1'140
Tax effects	(931)	909	(241)
Total other comprehensive income (net of tax), which cannot be reclassified to the income statement	4'369	(3'882)	899
Total comprehensive income	70'864	57'594	59'574
Attributable to:			
Shareholders of VZ Holding Ltd	70'645	57'500	59'488
Non-controlling interests	219	94	86

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	30.06.2021	31.12.2020	30.06.2020
Assets				
Cash and cash equivalents		1'735'426	1'630'204	1'490'033
Short term investments		97'566	116'388	131'254
Marketable securities at fair value		7'663	12'797	12'363
Trade receivables		2'757	2'279	2'292
Other receivables		39'669	19'104	34'525
Accrued income and deferred expenses		70'205	55'957	51'586
Other current assets		14'314	6'552	44'626
Current assets		1'967'600	1'843'281	1'766'679
Financial assets		3'267'719	2'972'342	2'669'477
Investments in associates		449	441	455
Property and equipment		137'140	133'225	133'572
Intangible assets		32'100	13'443	10'554
Deferred tax assets		10'349	10'517	10'329
Non-current assets		3'447'757	3'129'968	2'824'387
Total assets		5'415'357	4'973'249	4'591'066
Liabilities and equity				
Trade payables		1'698	614	158
Other current liabilities		26'653	16'276	19'377
Due to banks		475'876	530'697	394'333
Due to customers		3'736'402	3'289'923	3'113'045
Income tax payables		17'945	21'908	13'736
Provisions		9'624	9'086	8'646
Accrued expenses and deferred income		35'487	30'272	27'407
Current liabilities		4'303'685	3'898'776	3'576'702
Long-term debts		416'327	409'535	410'997
Other non-current liabilities		66'737	48'277	42'441
Deferred tax liabilities		1'340	4	2
Non-current liabilities		484'404	457'816	453'440
Total liabilities		4'788'089	4'356'592	4'030'142
Share capital		2'000	2'000	2'000
Treasury shares	24	(44'952)	(44'258)	(39'268)
Retained earnings		597'024	538'475	539'223
Net profit		68'180	117'267	56'348
Cumulative conversion adjustments		952	2'850	2'392
Equity attributable to shareholders of VZ Holding Ltd		623'204	616'334	560'695
Non-controlling interests		4'064	323	229
Total equity		627'268	616'657	560'924
Total liabilities and equity		5'415'357	4'973'249	4'591'066

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	1H 2021	2H 2020	1H 2020
Operating activities			
Net profit	68'378	61'018	56'434
Depreciation and amortisation of fixed assets and intangible assets	9'839	9'335	8'822
Income tax paid	(18'983)	(637)	(19'134)
Interest paid from net finance income	14	13	(74)
Interest received from net finance income	7	58	76
Net capital (gains) losses and impairments on financial assets and liabilities	(1'708)	1'394	4'754
(Increase)/decrease in dues from short term investments	18'821	14'866	76'283
(Increase)/decrease in market value of marketable securities at fair value	5'134	(434)	(4'391)
(Increase)/decrease in trade receivables	(147)	14	(368)
(Increase)/decrease in financial assets	(208'503)	(227'517)	(226'731)
(Increase)/decrease in other operational assets	(42'174)	48'936	(53'464)
Increase/(decrease) in trade payables	980	455	(186)
Increase/(decrease) in other operational liabilities	41'978	17'650	14'785
Increase/(decrease) in due to banks	(54'820)	136'364	268'126
Increase/(decrease) in due to customers	446'479	176'877	252'352
Non cash share-based payment transactions	3'191	2'224	877
Other non-cash items	(13'255)	(3'780)	3'609
Cash flows (used in)/provided by operating activities	255'231	236'836	381'770
Investing activities			
Purchase of property and equipment	(3'752)	(3'289)	(3'092)
Proceeds from sale of property and equipment	5	0	20
Purchase of financial assets	(115'808)	(95'883)	(93'258)
Proceeds from financial assets	27'627	18'800	15'980
Purchase of intangible assets	(6'144)	(6'191)	(5'569)
Acquisition of subsidiaries	(4'138)	0	0
Cash flow (used in)/provided by investing activities	(102'210)	(86'563)	(85'919)
Financing activities			
Purchase of treasury shares	(5'724)	(6'721)	(14'331)
Proceeds of treasury shares	2'375	2'635	5'266
Repayment of long-term debts	(18'250)	(17'290)	(13'120)
Proceeds from long-term debts	25'115	17'000	14'849
Payment of lease liabilities	(3'327)	(6'224)	(196)
Dividends paid to shareholders	(48'552)	0	(40'235)
Cash flow (used in)/provided by financing activities	(48'363)	(10'600)	(47'767)
Effect of foreign exchange rate changes	564	498	(538)
Net increase/(decrease) in cash and cash equivalents	105'222	140'171	247'546
Cash and cash equivalents at beginning of the period	1'630'204	1'490'033	1'242'487
Cash and cash equivalents at the end of the period	1'735'426	1'630'204	1'490'033
thereof			
Cash at banks and in hand	1'730'803	1'624'780	1'484'298
Short term deposits less than 90 days	4'623	5'424	5'735

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 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
As at 1 July 2020	2'000	(39'268)	(1'324)	3'716	595'571	560'695	229	560'924
Net profit					60'919	60'919	99	61'018
Other comprehensive income			362	96	(3'877)	(3'419)	(5)	(3'424)
Total comprehensive income for the period			362	96	57'042	57'500	94	57'594
Participation plans					2'225	2'225		2'225
Change in treasury shares		(4'990)			904	(4'086)		(4'086)
Dividends					0	0	0	0
As at 31 December 2020	2'000	(44'258)	(962)	3'812	655'742	616'334	323	616'657
As at 1 January 2021	2'000	(44'258)	(962)	3'812	655'742	616'334	323	616'657
Net profit					68'180	68'180	198	68'378
Other comprehensive income			314	(2'212)	4'363	2'465	21	2'486
Total comprehensive income for the period			314	(2'212)	72'543	70'645	219	70'864
Participation plans					(1'967)	(1'967)		(1'967)
Change in treasury shares		(694)			2'503	1'809		1'809
Dividends					(48'335)	(48'335)	(218)	(48'553)
Change in liability to purchase non-controlling interests					(15'282)	(15'282)	0	(15'282)
Change in non-controlling interest						0	3'740	3'740
As at 30 June 2021	2'000	(44'952)	(648)	1'600	665'204	623'204	4'064	627'268

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 2020 consolidated annual financial statements which were published on 5 March 2021. 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 2020, with the exception of those principles introduced in section «New accounting principles» as at 1 January 2021.

New accounting principles

In the 2021 financial year, VZ Group applied the following new or revised standards and interpretations for the first time:

Interest Rate Benchmark Reform (IBOR Reform, Phase 2)

VZ Group has taken into account the changes from the second phase of the interest rate benchmark reform since 1 January 2021. Around the world, several reference interest rates will be replaced by new ones by the end of 2021. With regard to VZ Group, this concerns the change from Libor to Saron (Swiss Average Rate Overnight) in Switzerland. VZ Group's existing hedge accounting relationships can be continued even after this transition. The change to the new reference interest rate will be implemented in various hedging transactions primarily in the second half of 2021 and will have no material impact on the consolidated financial statements.

Other amendments

The amendment of IFRS 16 (rental concessions in connection with the Corona pandemic) has no impact on VZ Group's financial statements.

Foreign currency translation

Foreign currency unit	Exchange rates for balance sheets as at			Average exchange rates for income and cash flow statements		
	30.06.21	31.12.20	30.06.20	1. HJ 21	2. HJ 20	1. HJ 20
EUR	1.0962	1.0821	1.0652	1.0945	1.0766	1.0643
GBP	1.2771	1.2083	1.1747	1.2618	1.1910	1.2175
USD	0.9246	0.8848	0.9469	0.9083	0.9115	0.9658

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.

There have been no significant changes in the first half of 2021 compared to the risk management report in the 2020 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 2021 results are discussed below.

Benefit plans

The actuarial calculations at the end of 2020 were extrapolated at the end of June 2021. 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 gains of TCHF 5300 (30.6.2020: gains of TCHF 1140), which were recognised directly in equity. The next actuarial calculations will be made at the balance sheet date of 31 December 2021.

Provisions for operational risks

VZ Group increased the existing provision in the first half of 2021 by TCHF 538 (previous period TCHF 610) to TCHF 9624. The increase is an update of the existing provision for VAT risks.

Income taxes

For the financial years prior to 2020 (concerning financial years 2015 to 2019), which have not yet been definitively assessed for tax purposes, 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 3240 in the previous years and increased these by TCHF 280 to TCHF 3520 in the first half 2021 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 01.01.2021	Addition to the scope of consolidation	IFRS 9 measurement effect in the income statement	Impairment according to IFRS 9 as at 30.06.2021
Assets				
Cash and cash equivalents (A)	(8)	(1)	2	(7)
Short-term investments (A)	(7)		(8)	(15)
Trade receivables (V)	(11)		1	(10)
Other receivables (V)	(6)		(21)	(27)
Financial assets (A)	(73)		3	(70)
Total	(105)	(1)	(23)	(129)

	Impairment according to IFRS 9 as at 01.01.2020	Addition to the scope of consolidation	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)	0	(46)	(140)

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

On 17 May 2021, VZ Holding Ltd acquired 50.1 percent of the shares in Lumin Group Limited, London. Lumin Group Limited in turn holds 100 percent of the shares in the following subsidiaries:

- Lumin Wealth Limited
- Lumin Wealth Management Limited
- Lumin Pension Services Limited
- Chamberlain Stean and West Limited

Details of this investment are shown on the next page.

On 23 June 2021, VZ Legal and Tax Consulting Ltd was founded as a spin-off from VZ VermögensZentrum AG. This change has no effect on the consolidated financial statements.

Acquisition of Lumin Group Limited

VZ Group acquired an interest in the British consulting firm Lumin Group Limited (Lumin) on 17 May 2021. In the course of this transaction, VZ Holding Ltd acquired 50.1 percent of the voting and capital rights in Lumin Group Limited, based in St. Albans, London. Lumin is an Independent Financial Advisor (IFA) offering independent advice on a fee basis. The company was founded in 2010, employs approximately 40 people and operates primarily in the North London area.

The assets and liabilities of Lumin were included in VZ Group's consolidated financial statements as of 17 May 2021 at the following values:

CHF '000

Assets

Cash & cash equivalents	9'164
Other assets	467
Current assets	9'631
Other assets	614
Client relationships	6'364
Deferred tax assets	97
Non-current assets	7'074
Total assets	16'705
Current liabilities	1'026
Long-term liabilities	6'867
Deferred tax liabilities	1'317
Non-current liabilities	8'184
Total liabilities	9'210
Fair value of acquired net assets	7'495
Fair value of acquired net assets non-controlling interests (49.9 %)	3'740
Fair value of acquired net assets VZ Group (50.1 %)	3'755
Goodwill from acquisition	9'547
Purchase price paid	13'302
Of which attributable to capital investment	7'636
Acquired cash & cash equivalents	(9'164)
Net outflow of cash & cash equivalents	(4'138)

All values were converted at 1.2727 CHF/GPB on the transaction date.

The 50.1 percent stake cost GBP 10.5 million (CHF 13.3 million) and was paid in cash at the time of purchase.

As part of the purchase price allocation, the fair value of the customer relationships was determined using the multi-period excess earnings method. These valuations fall into Level 3 of the fair value hierarchy because several non-observable input parameters were used, including the estimated revenues and costs as well as the attrition rate of the acquired customer relationships. The customer relationships are amortised over 10 years. With the exception of goodwill (residual) and customer relationships, all other assets and liabilities fall into the Level 1 or Level 2 measurement of the fair value hierarchy. The definitions for the fair value measurement in Levels 1 to 3 are provided on page 22. The goodwill from this acquisition can be primarily justified by Lumin Group's expected growth potential and VZ Group's entry into the UK market. The impairment test will be based on Lumin's results.

The minority shares are held by Lumin's management and employees. The holders of these shares have the right to sell them to VZ Group after 5 years. At the same time, VZ Group has the right to purchase these shares after 5 years. For the purchase of the minority shares, VZ Group recognises a liability in the amount of the estimated purchase price against equity. The estimated liability amounts to approximately GBP 12.0 million (CHF 15.3 million) as at the acquisition date. Changes in the liability are recognised in equity. The valuation of the liability is explained in the section Fair Value of Financial Instruments on page 19. The non-controlling interests continue to be allocated their share of profit or loss in the income statement and statement of comprehensive income. The non-controlling interests were recognised in VZ Group's balance sheet at CHF 3.7 million according to their proportion of the fair value of the acquired net assets at the time of acquisition.

Lumin has been included in VZ Group's consolidated financial statements since 17 May 2021. This increases operating revenues by CHF 1.3 million and net profit by CHF 0.1 million in the first half of 2021. If the transaction had taken place on 1 January 2021, operating revenues would have increased by CHF 2.8 million and net profit by CHF 0.6 million for the first half of the year. The transaction costs of around CHF 0.5 million were charged to the income statement.

Operating revenues

CHF '000

	1H 2021	2H 2020	1H 2020
Consulting fees	13'116	13'757	11'255
Management fees			
Management fees on assets under management	120'379	106'397	98'908
Fees for the management of securities portfolios	101'217	87'723	81'181
Custody fees	5'276	4'820	4'623
Fees for the management of residential property mortgages	13'886	13'854	13'104
Other management fees	12'910	12'362	11'817
Total management fees	133'289	118'759	110'725
Banking income from commission and trading activities			
Income from commission business	12'941	12'282	13'931
Commission income	14'459	13'840	15'493
Commission expenses	(1'518)	(1'558)	(1'562)
Commission expenses	13'057	9'869	11'392
Other banking income	10	16	18
Total banking income from commissions and trading activities	26'008	22'167	25'341
Banking income from interest operations			
Interest income ^{1,2}	8'468	7'953	7'342
Interest expense ³	(43)	(47)	(324)
Total banking income from interest operations	8'425	7'906	7'018
Net earned insurance premiums	6'770	5'857	5'361
Net impairment (losses)/recoveries on financial assets	(23)	35	(46)
Other operating revenues	170	385	182
Total operating revenues	187'755	168'866	159'836

1 Interest income is calculated using the effective interest method.

2 Interest income from liabilities amounts to TCHF 1489 in the first half of 2021 (2H 2020 TCHF 1358, 1H 2020 TCHF 848).

3 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks in 1H 2021 TCHF 148 (2H 2020: TCHF 146, 1H 2020: TCHF 315).

Other operating expenses

CHF '000

	1H 2021	2H 2020	1H 2020
Premises expenses	1'904	1'938	1'621
Marketing expenses	5'054	4'391	4'943
General and administrative expenses ¹	16'021	13'633	12'574
Total	22'979	19'962	19'138

1 General administrative expenses for 2021 include higher expenses for IT systems of around CHF 1.8 million compared to the second half of 2020, as well as transaction costs for the acquisition of Lumin of CHF 0.5 million.

Fair value of financial instruments as at 30.06.2021

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'735'426	1'735'426	0
Short term investments	97'566	97'566	0
Marketable securities at fair value			
Marketable securities at fair value	129	129	0
Derivative financial instruments	7'534	7'534	0
Trade receivables	2'757	2'757	0
Other receivables	39'669	39'669	0
Other current assets	14'314	14'314	0
Financial assets			
Mortgage	2'580'257	2'655'024	74'767
Bonds	367'952	371'429	3'477
Time deposits	305'243	314'650	9'407
Other financial assets	14'267	14'362	95
Subtotal	5'165'114	5'252'860	87'746
Liabilities			
Trade payables	1'698	1'698	0
Other current liabilities			
Other current liabilities	26'123	26'123	0
Derivative financial instruments	530	530	0
Due to banks	475'876	475'876	0
Due to customers	3'736'402	3'736'402	0
Long-term debts			
Medium-term notes	407	414	(7)
Loans from central mortgage institutions	347'034	353'515	(6'481)
Time deposits more than 1 year from customers	11'000	11'411	(411)
Time deposits more than 1 year from banks	5'000	5'056	(56)
Leasing liabilities	52'886	52'886	0
Other non-current liabilities	66'737	66'737	0
Subtotal	4'723'693	4'730'648	(6'955)
Total of divergence			80'791

Fair value of financial instruments as at 31.12.2020

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'630'204	1'630'204	0
Short term investments	116'388	116'388	0
Marketable securities at fair value			
Marketable securities at fair value	111	111	0
Derivative financial instruments	12'686	12'686	0
Trade receivables	2'279	2'279	0
Other receivables	19'104	19'104	0
Other current assets	6'552	6'552	0
Financial assets			
Mortgage	2'371'768	2'454'477	82'709
Bonds	325'805	331'616	5'811
Time deposits	258'235	270'718	12'483
Other financial assets	16'534	16'656	122
Subtotal	4'759'666	4'860'791	101'125
Liabilities			
Trade payables	614	614	0
Other current liabilities			
Other current liabilities	16'043	16'043	0
Derivative financial instruments	233	233	0
Due to banks	530'697	530'697	0
Due to customers	3'289'923	3'289'923	0
Long-term debts			
Medium-term notes	657	667	(10)
Loans from central mortgage institutions	333'979	343'573	(9'594)
Time deposits more than 1 year from customers	15'000	15'186	(186)
Time deposits more than 1 year from banks	10'000	10'137	(137)
Leasing liabilities	49'899	49'899	0
Other non-current liabilities	48'277	48'277	0
Subtotal	4'295'322	4'305'249	(9'927)
Total of divergence			91'198

Fair value of financial instruments as at 30.06.2020

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			76'480

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/Saron and swap curves. For investment funds, the published net asset values are applied.

Level 3 instruments are financial instruments whose fair value is based on a valuation technique that uses at least one significant input that is not directly or indirectly observable in the market. This includes the obligation to purchase the minority shares resulting from Lumin Group's minority shareholders' right to sell their shares.

For the fair value of the obligation to purchase these non-controlling interests, Lumin's business development is estimated on the basis of internal business plans, and the present value of the liability at the exercise date of the options is calculated. Several non-observable parameters are used, such as the expected growth of assets under management, the development of costs or the discount rate.

The following table shows the change in Level 3 financial instruments in the balance sheet and income statement.

Level 3 financial instruments

CHF '000

	30.06.2021
Holdings at the beginning of the year	0
Addition to the scope of consolidation	15'293
Expense recognised in the income statement	25
Income recognised in other comprehensive income	0
Changes recognised in equity	0
Translation differences	53
Total carrying amount at balance sheet date	15'371

Sensitivity of fair values of Level 3 instruments

Key assumptions for the valuation of the obligation to acquire the minority shares in Lumin Group Ltd are the expected average growth in results and the discount rate. The following table shows the effect on the valuation if these two assumptions are changed.

CHF '000

Key assumption	Change of key assumption	Change of Fair Value
Discount rate	+1 percentage point	(718)
Discount rate	-1 percentage point	761
Expected growth	+1 percentage point	847
Expected growth	-1 percentage point	(810)

As in the previous year, no financial instruments were reclassified in the first half-year 2021.

Valuation methods for financial instruments carried at fair value

CHF '000

	Level 1	Level 2	Level 3	Total
as at 30.06.2021				
Assets				
Marketable securities at fair value ¹	94	35	0	129
Derivative financial instruments ¹	0	7'534	0	7'534
Liabilities				
Derivative financial instruments ²	0	530	0	530
Change in market value of hedged loans from central mortgage institutions ³	0	4'466	0	4'466
Liability to acquire non-controlling interests ⁴	0	0	15'371	15'371
as at 31.12.2020				
Assets				
Marketable securities at fair value ¹	81	30	0	111
Derivative financial instruments ¹	0	12'686	0	12'686
Liabilities				
Derivative financial instruments ²	0	233	0	233
Change in market value of hedged loans from central mortgage institutions ³	0	7'527	0	7'527
as at 30.06.2020				
Assets				
Marketable securities at fair value ¹	59	29	0	88
Derivative financial instruments ¹	0	12'275	0	12'275
Liabilities				
Derivative financial instruments ²	0	476	0	476
Change in market value of hedged loans from central mortgage institutions ³	0	7'907	0	7'907

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».

4 Included in the balance sheet item «Other non-current liabilities».

Off-balance sheet information

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Contingencies		1'296		1'296
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	13'883	5'576		19'459
Payment obligation regarding depositor protection measures			12'484	12'484
Total unconditional commitments/ payment obligations	13'883	5'576	12'484	31'943
Additional funding obligation			1'006	1'006
Total as at 30.06.2021	13'883	6'872	13'490	34'245
Total as at 31.12.2020	21'525	5'394	13'490	40'409
Total as at 30.06.2020	11'728	4'457	11'694	27'879

Treasury shares

Number			in '000 CHF		
30.06.21	31.12.20	30.06.20	30.06.21	31.12.20	30.06.20
708'875	731'532	677'592	44'952	44'258	39'268

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 2021, the dividend of CHF 1.23 per share for 2020 was distributed. The total of dividend pay out was TCHF 48'335.

Subsequent events

No events took place between 30 June 2021 and 9 August 2021 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 9 August 2021, 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 142 of the annual report 2020
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 142 of the annual report 2020
Net profit	Net profit of VZ Group including non-controlling interests
Net profit margin	Net profit in relation to operating revenues
Operating profit (EBITDA)	Total operating revenues less total operating expenses (see consolidated income statement, page 8 of the half-year report 2021).
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 2021	3 March 2022
General meeting 2022	12 April 2022
Publication of the half-year report 2022	12 August 2022

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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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