



HALF-YEAR REPORT 2022
VZ GROUP

HALF-YEAR REPORT 2022

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KEY FIGURES

Income statement

in CHF million

	1H 22	2H 21	1H 21	2H 20	1H 20
Operating revenues	210.0	201.1	187.8	168.9	159.8
Operating expenses	109.3	103.2	97.8	88.4	85.2
Operating profit (EBIT)	90.0	87.4	80.1	71.2	65.8
Net profit	77.0	74.8	68.4	61.1	56.4

Balance sheets

in CHF million

	30.06.22	31.12.21	30.06.21	31.12.20	30.06.20
Total assets	6'025.2	5'770.8	5'415.4	4'973.2	4'591.1
Equity	690.9	699.7	627.3	616.7	560.9
Net cash	581.6	588.2	479.8	501.6	384.8

Equity key figures

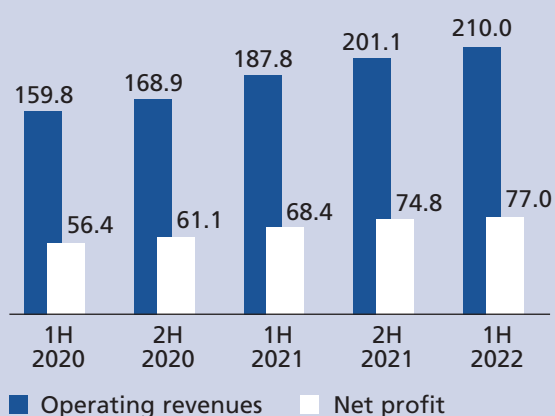
	30.06.22	31.12.21	30.06.21	31.12.20	30.06.20
Equity ratio	11.5 %	12.1 %	11.6 %	12.4 %	12.2 %
Common equity tier 1 capital ratio	23.5 %	25.2 %	23.2 %	26.6 %	24.7 %
Total eligible capital ratio	23.5 %	25.2 %	23.2 %	26.6 %	24.7 %

Assets under management

in CHF million

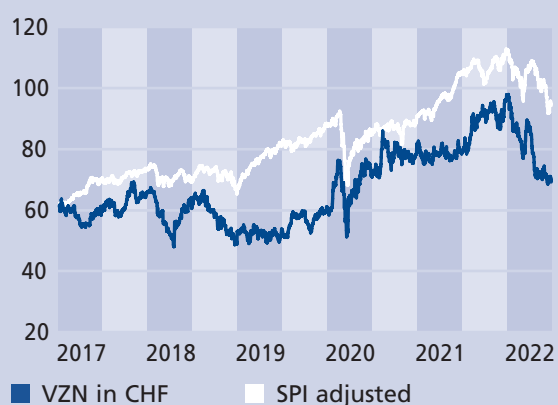
	30.06.22	31.12.21	30.06.21	31.12.20	30.06.20
Assets under Management	37'646	39'002	36'354	31'459	28'585

Revenue and profit growth in CHF million



Share price VZ Holding N (VZN)

1.1.2017 to 30.6.2022



Share statistics

	30.06.22	31.12.21	30.06.21
Shares issued	40'000'000	40'000'000	40'000'000
Registered shareholders	2'228	1'929	1'978
Share price in CHF	69.20	97.80	78.40
Lowest price in CHF	68.50	78.40	75.00
Highest price in CHF	97.90	97.80	82.70
Market capitalisation in CHF million	2'768	3'912	3'136

Ownership structure

	30.06.22	31.12.21	30.06.21
Matthias Reinhart (direct and indirect)	61.10 %	61.07 %	61.07 %
Members of the Board of Directors	1.49 %	1.47 %	1.47 %
Other members of the Executive Board	1.93 %	1.88 %	1.88 %
Employees ¹	3.62 %	3.48 %	3.55 %
Treasury shares	1.67 %	1.55 %	1.77 %

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

Rating VZ Depository Bank Ltd

	30.06.22	31.12.21	30.06.21
Moody's rating VZ Depository Bank Ltd (long-term deposit rating)	Aa3	Aa3	–

Employees

	30.06.22	31.12.21	30.06.21	31.12.20	30.06.20
Full-time equivalents (FTE)	1'186.2	1'142.5	1'089.2	1'035.7	985.1

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 27.

VZ GROUP: FIRST HALF YEAR 2022

Dear Shareholder

Financial markets
under severe pressure

The war in Ukraine, supply bottlenecks and inflation are weighing on the economic outlook and led to a sharp decline in the value of all major asset classes in the first half of the year. Equities, bonds and real estate investments all lost value simultaneously, which hardly ever happens in market downturns.

Operating revenues
grow by 12 percent

Even in this unfavourable environment, VZ Group's business developed positively – primarily thanks to the momentum we have carried over from the previous year. Compared to the first half of 2021, operating revenues increased by 11.8 percent from 187.8 to 210 million Swiss francs. Two thirds thereof are management fees on assets under management. They grew by 11.5 percent from 120.4 to 134.3 million francs in the first half of the year, while profit increased by 12.6 percent from 68.4 to 77 million francs.

Over 4000 additional
platform clients

The demand for competent and comprehensive advice continues to increase, which is reflected in the growing consulting fees. In addition, more than 4000 clients opted for our management services following a consultation in the first half of the year. At 2.5 billion francs, net new money came in at a similar level as in the first half of 2021.

Rock-solid balance
sheet

Our balance sheet ratios are exceptionally solid, and the balance sheet has a very low-risk profile. Since the end of 2021, the balance sheet total has grown by 255 million to 6 billion francs. This increase is due to the growing number of clients. At 23.5 percent, our Common Equity Tier 1 (CET1) ratio is well above the industry average. Because the Swiss National Bank (SNB) has raised its interest rates and lowered its exemption threshold for cash deposits, we will significantly curb our interbank business. Despite a steadily increasing number of clients, we therefore project low balance sheet growth for the next 12 months.

Outlook

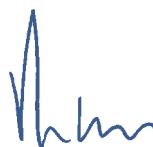
We expect demand for consultancy to remain strong in the second half of the year. However, the persisting uncertainty is likely to slow down the conversion to platform services. Due to the lower valuation of the assets under management, the fees on these assets will stagnate or grow slightly at most, while banking income is likely to decrease somewhat. All other revenues are expected to grow at a similar pace as in the first half of the year. For the entire business year 2022, we therefore forecast only slightly higher profit than in 2021. Beyond the current year, we expect to return to the usual growth as soon as the financial markets normalise.

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

Zug, 12 August 2022



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chairman of the Executive Board

«Because our business has a very reliable foundation, it grows even in difficult phases like the one we are going through.»

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

Mr Reinhart, the last six months have been devastating in many respects. How do you assess the situation and the outlook for your business?

Once again it has been confirmed that the demand for our advice does not depend on the economy, but mainly on demographics. That is why our consulting fees grow even in difficult phases like this. In addition, the trend to use several of our platforms is also favourable. Both show that our business is built on a very reliable foundation.

You earn your money primarily from portfolio management. The market upheavals certainly left their mark...

It's true: Two thirds of our operating revenues come from managing the assets that our clients entrust to us. The value of these assets is decisive for the long-term development of our revenues. However, changes in value are reflected in the revenues with a time lag.

«Our clients are prepared for short-term upheavals and stick to their investment strategy.»

The increase in revenues in the first half year is mainly due to the strong growth of the assets in the previous year. By the same token, revenues will grow at a slower pace in the second half of the year because of the strong correction we have experienced in the first six months.

What does this mean in terms of profit in the second half of the year?

In absolute numbers we expect a slightly lower profit than in the first half of the year. The decisive factor will be how the financial markets develop by the end of the year.

Does that mean you have to put the brakes on costs?

No, we invest in our long-term growth regardless of short-term fluctuations. In the medium term, a constant increase in demand is foreseeable. That is why we will expand our capacity to meet this demand. At the same time, we are continuously developing our services and investing in digitalisation to further extend our lead.

The interest rates have changed significantly in the last few months. How does that affect VZ?

The sum of all effects led to a lower valuation of the assets under management. If the SNB abandons negative interest rates, this will on the one hand take pressure off clients to invest liquid assets, which could dampen the growth of net new money. On the other hand, it would have a positive impact on our interest result.

Do your clients withdraw money when the stock markets are doing badly?

No, because our clients are long-term oriented. They usually pursue their investment strategy very consistently as they are well prepared for short-term upheavals. Unlike our competitors, we have very few clients who trade in a short-term and speculative manner.

Mortgages account for a large part of your balance sheet total. Are write-offs necessary because the risks have increased?

Our balance sheet is very low-risk. We invest half of our assets with the SNB and in a repo-eligible bond portfolio. Both are very safe and liquid. The other half is invested in residential mortgages held by clients. The average loan-to-value ratio is low, and there is also plenty of leeway in terms of affordability: even if property prices were to plummet, we do not expect any losses.

What are your experiences in the UK, one year after investing in Lumin?

We are very pleased with our entry into this new market. Our expectations have been confirmed, and we see great potential for development. The new colleagues fit in perfectly because we all share the same



ideas and goals. This match is encouraging, and we intend to develop our business as planned.

And what are your further plans in the UK?

There are four pillars: First, we want to grow organically. Our marketing expertise from Switzerland and Germany contributes to achieving this goal. Secondly, we are investing in the training and further education of new advisors in order to increase our consulting capacity. Thirdly, we are acquiring smaller Independent Financial Advisors (IFA), especially from owners who are looking for successors. And in the medium term, we are integrating the portfolio management into our platform. This will allow us to offer differentiated solutions at lower costs.

«In the medium term, we anticipate revenues and profit to grow similarly to the average of the past years.»

What are the next steps in the digitalisation of your business?

The development is most visible within VZ Finanzportal, our digital client interface. In 2021 we migrated our e-banking to a more performant infrastructure. And a few months ago we launched «Finanzportal Pro», a professional trading platform. No other provider offers investors similar content and tools at a compara-

ble price. Next, we plan to introduce advanced payment services like those offered by the leading neo-banks.

How is the business with corporate clients evolving, and what's new there?

SMEs can use our corporate portal, for example for their pension scheme, their insurances and their personnel administration. This simplifies things greatly for them and provides another advantage. We are currently founding VZ BVG Rück: from 2023, we want to insure our collective foundations' disability and death risks directly on the reinsurance market. This will lower costs for the insured and increase our efficiency.

Next year you will hand over the management of VZ Group to Giulio Vitarelli and take over the chairmanship of the Board of Directors. Is VZ ready for this change?

Yes: We have been preparing this transition for years. It has been carefully planned, communicated and initiated. We are fortunate that our set-up creates the best conditions to guarantee continuity and stability for all stakeholders.

And what is your outlook?

In the second half of the year, the market correction seen in the first half will be reflected in the weaker growth of management fees on assets under management, as well as in a more hesitant behaviour of our clients. However, every strong correction creates room for a strong recovery and opens up new investment opportunities. In the medium term, we expect a market recovery and continued growth. Over the years, we have strengthened our competitive position by expanding capacities and extending our market coverage. We also use the economies of scale from our platform service business to pass them on to our clients in the form of attractive prices. If no unexpected crises occur, we anticipate that revenues and profit will continue to grow over the coming years at a pace similar to the average of the last few years.

FINANCIAL STATEMENTS VZ GROUP

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CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	1H 2022	2H 2021	1H 2021
Consulting fees		14'747	14'627	13'116
Management fees	18			
On assets under management		134'256	134'925	120'379
Other management fees		14'293	14'408	12'910
Banking income from commissions and trading activities	18	28'154	20'522	26'008
Banking income from interest operations	18			
Interest income		9'986	9'119	8'468
Interest expense		68	223	(43)
Net earned insurance premiums		8'388	6'982	6'770
Net impairment (losses)/recoveries on financial assets	15	(22)	26	(23)
Other operating revenues		108	279	170
Total operating revenues		209'978	201'111	187'755
Personnel expenses		(78'139)	(74'088)	(70'694)
Other operating expenses	18	(26'375)	(25'973)	(22'979)
Expenses related to insurance contracts		(4'806)	(3'154)	(4'122)
Total operating expenses		(109'320)	(103'215)	(97'795)
EBITDA		100'658	97'896	89'960
Depreciation and amortisation		(10'690)	(10'503)	(9'839)
EBIT		89'968	87'393	80'121
Finance expense		(494)	(354)	(284)
Finance income		52	18	60
Net finance income		(442)	(336)	(224)
Profit before income taxes		89'526	87'057	79'897
Income taxes	14	(12'495)	(12'231)	(11'519)
Net profit		77'031	74'826	68'378
Attributable to:				
Shareholders of VZ Holding Ltd		76'882	74'412	68'180
Non-controlling interests		149	414	198
Basic earnings per share (CHF) ¹		1.955	1.886	1.735
Diluted earnings per share (CHF) ¹		1.952	1.883	1.734

¹ The earnings per share figures are exceptionally presented with three decimal places because rounding to the otherwise usual two decimal places would result in the diluted earnings per share for the second half of 2021 being CHF 0.01 higher than the undiluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	1H 2022	2H 2021	1H 2021
Net profit recognised in the income statement	77'031	74'826	68'378
Other comprehensive income, which can be reclassified to the income statement			
Cumulative translation adjustments	(809)	(1'205)	329
Change in cashflow hedge reserves	(31'270)	(7'045)	(2'511)
Tax effects	3'726	837	299
Total other comprehensive income (net of tax), which can be reclassified to the income statement	(28'353)	(7'413)	(1'883)
Other comprehensive income, which cannot be reclassified to the income statement			
Remeasurement of defined benefit obligation	12'165	(3'933)	5'300
Tax effects	(2'146)	644	(931)
Total other comprehensive income (net of tax), which cannot be reclassified to the income statement	10'019	(3'289)	4'369
Total comprehensive income	58'697	64'124	70'864
Attributable to:			
Shareholders of VZ Holding Ltd	58'750	63'849	70'645
Non-controlling interests	(53)	275	219

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	30.06.2022	31.12.2021	30.06.2021
Assets				
Cash and cash equivalents		1'690'452	1'799'086	1'735'426
Short term investments		115'973	89'283	97'566
Marketable securities at fair value		533	2'964	7'663
Trade receivables		3'578	3'119	2'757
Other receivables		36'683	13'834	39'669
Accrued income and deferred expenses		69'405	68'646	70'205
Other current assets		3'334	9'071	14'314
Current assets		1'919'958	1'986'003	1'967'600
Financial assets		3'905'791	3'606'605	3'267'719
Investments in associates		424	446	449
Property and equipment		146'292	132'708	137'140
Intangible assets		39'064	34'957	32'100
Deferred tax assets		13'692	10'073	10'349
Non-current assets		4'105'263	3'784'789	3'447'757
Total assets		6'025'221	5'770'792	5'415'357
Liabilities and equity				
Trade payables		1'083	704	1'698
Other current liabilities		82'918	24'179	26'653
Due to banks		415'958	624'842	475'876
Due to customers		4'336'467	3'874'421	3'736'402
Income tax payables		19'519	25'616	17'945
Provisions		1'383	1'350	9'624
Accrued expenses and deferred income		38'791	38'395	35'487
Current liabilities		4'896'119	4'589'507	4'303'685
Long-term debts		378'718	410'446	416'327
Other non-current liabilities		57'585	69'839	66'737
Deferred tax liabilities		1'867	1'316	1'340
Non-current liabilities		438'170	481'601	484'404
Total liabilities		5'334'289	5'071'108	4'788'089
Share capital		2'000	2'000	2'000
Treasury shares	25	(47'122)	(41'472)	(44'952)
Retained earnings		690'067	598'811	597'024
Net profit		76'882	142'592	68'180
Other equity components	12	(34'464)	(6'327)	952
Equity attributable to shareholders of VZ Holding Ltd		687'363	695'604	623'204
Non-controlling interests		3'569	4'080	4'064
Total equity		690'932	699'684	627'268
Total liabilities and equity		6'025'221	5'770'792	5'415'357

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	1H 2022	2H 2021	1H 2021
Operating activities			
Net profit	77'031	74'826	68'378
Depreciation and amortisation of fixed assets and intangible assets	10'690	10'503	9'839
Income tax paid	(22'924)	(2'981)	(18'983)
Interest paid from net finance income	(126)	(87)	14
Interest received from net finance income	13	8	7
Net capital (gains) losses and impairments on financial assets and liabilities	(19'236)	(864)	(1'708)
(Increase)/decrease in dues from short term investments	(26'690)	8'284	18'821
(Increase)/decrease in market value of marketable securities at fair value	2'431	4'699	5'134
(Increase)/decrease in trade receivables	(435)	(362)	(147)
(Increase)/decrease in financial assets	(261'057)	(322'759)	(208'503)
(Increase)/decrease in other operational assets	(21'480)	32'913	(42'174)
Increase/(decrease) in trade payables	319	(994)	980
Increase/(decrease) in other operational liabilities	65'084	6'678	41'978
Increase/(decrease) in due to banks	(208'884)	148'965	(54'820)
Increase/(decrease) in due to customers	464'173	140'399	446'479
Non cash share-based payment transactions	3'943	1'176	3'191
Other non-cash items	(16'826)	(9'666)	(13'255)
Cash flows (used in)/provided by operating activities	46'026	90'738	255'231
Investing activities			
Purchase of property and equipment	(18'662)	(3'778)	(3'752)
Proceeds from sale of property and equipment	0	0	5
Purchase of financial assets	(56'989)	(40'846)	(115'808)
Proceeds from financial assets	17'147	22'706	27'627
Purchase of intangible assets	(6'041)	(7'060)	(6'144)
Dividend from associates	13	20	0
Acquisition of subsidiaries	(1'725)	0	(4'138)
Cash flow (used in)/provided by investing activities	(66'257)	(28'958)	(102'210)
Financing activities			
Purchase of treasury shares	(10'667)	(2'656)	(5'724)
Proceeds of treasury shares	1'618	10'794	2'375
Repayment of long-term debts	(12'100)	(17'526)	(18'250)
Proceeds from long-term debts	3'000	18'624	25'115
Payment of lease liabilities	(3'492)	(3'480)	(3'327)
Dividends paid to shareholders	(62'379)	(260)	(48'552)
Cash flow (used in)/provided by financing activities	(84'020)	5'496	(48'363)
Effect of foreign exchange rate changes	(4'383)	(3'616)	564
Net increase/(decrease) in cash and cash equivalents	(108'634)	63'660	105'222
Cash and cash equivalents at beginning of the period	1'799'086	1'735'426	1'630'204
Cash and cash equivalents at the end of the period	1'690'452	1'799'086	1'735'426
thereof			
Cash at banks and in hand	1'685'452	1'793'662	1'730'803
Short term deposits less than 90 days	5'000	5'424	4'623

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF '000

	Share capital	Treasury shares	Cumulative conversion adjustments ¹	Cashflow hedge reserve ¹	Retained earnings	Equity to shareholders of VZ Holding Ltd	Non-controlling interests	Total equity
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
Change in 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
As at 1 July 2021	2'000	(44'952)	(648)	1'600	665'204	623'204	4'064	627'268
Net profit					74'412	74'412	414	74'826
Other comprehensive income			(1'071)	(6'208)	(3'284)	(10'563)	(139)	(10'702)
Total comprehensive income for the period			(1'071)	(6'208)	71'128	63'849	275	64'124
Change in participation plans					1'176	1'176		1'176
Change in treasury shares		3'480			4'658	8'138		8'138
Dividends					0	0	(259)	(259)
Change in liability to purchase non-controlling interests					(763)	(763)	0	(763)
Change in non-controlling interest						0	0	0
As at 31 December 2021	2'000	(41'472)	(1'719)	(4'608)	741'403	695'604	4'080	699'684
As at 1 January 2022	2'000	(41'472)	(1'719)	(4'608)	741'403	695'604	4'080	699'684
Net profit					76'882	76'882	149	77'031
Other comprehensive income			(593)	(27'544)	10'005	(18'132)	(202)	(18'334)
Total comprehensive income for the period			(593)	(27'544)	86'887	58'750	(53)	58'697
Change in participation plans					(2'701)	(2'701)		(2'701)
Change in treasury shares		(5'650)			3'244	(2'406)		(2'406)
Dividends					(61'884)	(61'884)	(495)	(62'379)
Change in non-controlling interest						0	37	37
As at 30 June 2022	2'000	(47'122)	(2'312)	(32'152)	766'949	687'363	3'569	690'932

¹ «Cumulative conversion adjustments» and «Cash flow hedge reserves» are reported in the balance sheet item «Other equity components».

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 2021 consolidated annual financial statements which were published on 3 March 2022. 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 2021, with the exception of those principles introduced in section «New accounting principles» as at 1 January 2022.

New accounting principles

In the 2022 financial year, VZ Group applied the following new or revised standards and interpretations for the first time:

IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

The amendment to the standard concerns «onerous contracts – costs of fulfilling a contract». In particular, it addresses the costs that must be taken into account when assessing an onerous contract. The amendment has been applied as of 1 January 2022. However, it has not had a significant impact on VZ Group's results.

Foreign currency translation

Foreign currency unit	Exchange rates for balance sheets as at			Average exchange rates for income and cash flow statements		
	30.06.22	31.12.21	30.06.21	1. HJ 22	2. HJ 21	1. HJ 21
EUR	0.9993	1.0368	1.0962	1.0319	1.0811	1.0945
GBP	1.1608	1.2342	1.2771	1.2253	1.2578	1.2618
USD	0.9551	0.9116	0.9246	0.9448	0.9142	0.9083

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 2022 compared to the risk management report in the 2021 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 2022 results are discussed below.

Benefit plans	The actuarial calculations at the end of 2021 were extrapolated at the end of June 2022. Due to changed market conditions, the discount rate was increased from 0.3 percent to 2.1 percent, while the other parameters remained unchanged. These projections resulted in actuarial gains of TCHF 12'165 (30.6.2021: gains of TCHF 5300), which were recognised directly in equity. The next actuarial calculations will be made at the balance sheet date of 31 December 2022.
Income taxes	For the financial years prior to 2020 (concerning financial years 2014 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 3520 in the previous years. No change was made as at 30 June 2022 (in the first half of 2021, an increase of TCHF 280 to TCHF 3520 was recognised in profit or loss as at 30 June 2021). 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 01.01.2022	Addition to the scope of consolidation	IFRS 9 measurement effect in the income statement	Cumulative conversion adjustments	Impairment according to IFRS 9 as at 30.06.2022
Assets					
Cash and cash equivalents (A)	(6)		(5)		(11)
Short-term investments (A)	(9)		2		(7)
Trade receivables (V)	(12)		1		(11)
Other receivables (V)	(4)		(14)		(18)
Financial assets (A)	(71)		(6)	(1)	(78)
Total	(102)	0	(22)	(1)	(125)

	Impairment according to IFRS 9 as at 01.01.2021	Addition to the scope of consolidation	IFRS 9 measurement effect in the income statement	Cumulative conversion adjustments	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	(73)		3		(70)
Total	(105)	(1)	(23)	0	(129)

(A) = Calculation according to the general approach.

(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

Lumin Group Ltd, based in St Albans, UK, has acquired two Independent Financial Advisor (IFA) firms in 2022.

Company	Shares	Date of acquisition
Nhance Independent Ltd, St Albans	100 %	21 February 2022
Ashridge Financial Management Ltd, St Albans	100 %	26 May 2022

VZ Holding Ltd holds a stake of 50.1 percent of the voting and capital rights in Lumin Group Limited. Lumin is an Independent Financial Advisor (IFA) offering independent advice on a fee basis. The company was founded in 2010, employs approximately 60 people and operates primarily in the North London area.

Nhance Independent Ltd (Enhance) and Ashridge Financial Management Ltd (Ashridge) are active in the same business segment and will be integrated into Lumin in the medium term. The assets and liabilities were included in VZ Group's consolidated financial statements at the following values:

CHF '000

	Enhance	Ashridge	Total
Assets			
Cash & cash equivalents	127	506	633
Other assets	21	9	30
Current assets	148	515	663
Other assets		4	4
Client relationships	1'574	1'136	2'710
Deferred tax assets		2	2
Non-current assets	1'574	1'142	2'716
Total assets	1'722	1'657	3'379
Current liabilities			
Deferred tax liabilities	299	216	515
Non-current liabilities	299	216	515
Total liabilities	957	244	1'201
Exchange rate at the time of acquisition GBP/CHF	1.2104	1.2081	
Fair value of acquired net assets¹			2'178
Goodwill from acquisition			2'937
Purchase price paid			5'115
of which paid at acquisition date			2'358
of which recognised as residual liability from acquisitions			2'757
Acquired cash & cash equivalents			(633)
Net outflow of cash & cash equivalents			(1'725)

¹ For the acquisition balance sheet for Ashridge prepared as at the acquisition date of 26 May 2022, the contractually defined review process with the seller of the shares has not yet been completed. Therefore, this is still a provisional purchase price allocation.

The acquisition costs for the two companies amount to GBP 4.2 million (CHF 5.1 million). About half of these costs was paid in cash at the time of acquisition. The remaining 50 percent of the acquisition price will be paid in two equal instalments of 25 percent one and two years after the acquisition. The amount of these residual liabilities from acquisitions depend on the revenues in the first two years after the acquisition. The development of the residual liabilities from acquisitions are shown on page 23.

As part of the purchase price allocation, the fair value of the client relationships of both acquired companies 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 client relationships. The client relationships are amortised over 10 years. With the exception of goodwill (residual) and client 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 resulting from these transactions is primarily due to the growth potential. The impairment test will be based on Lumin's results. Goodwill and its amortisation are not deductible for tax purposes.

Enhance has been included in VZ Group's consolidated financial statements since 21 February 2022 and Ashridge since 26 May 2022. In the first half of 2022, the acquisitions resulted in an increase in operating revenues of CHF 0.5 million (of which Enhance CHF 0.4 and Ashridge CHF 0.1 million) and an increase in net profit of CHF 0.1 million (of which Enhance CHF 0.1 million). If both transactions had taken place on 1 January 2022, operating revenues would have increased by CHF 0.9 and net profit by CHF 0.2 million in the first half of the year. The acquisition-related costs of CHF 0.3 million were recognised directly in the income statement as general expenses.

The goodwill recognised initially on the acquisition of the Lumin Group in the first half of 2021 had to be reduced slightly by TCHF 37 in the first half of 2022. This was due to necessary adjustments in Lumin's balance sheet items, the cause of which can be traced back to the period before the acquisition by VZ Group and which led to an increase in the net assets acquired. Non-controlling interests were increased by TCHF 37 in the same context. The adjustment had no effect on the income statement or the residual purchase price liability.

Operating revenues

CHF '000

	1H 2022	2H 2021	1H 2021
Consulting fees	14'747	14'627	13'116
Management fees			
Management fees on assets under management	134'256	134'925	120'379
Fees for the management of securities portfolios	113'581	114'178	101'217
Custody fees	5'520	5'660	5'276
Fees for the management of residential property mortgages	15'155	15'087	13'886
Other management fees	14'293	14'408	12'910
Total management fees	148'549	149'333	133'289
Banking income from commission and trading activities			
Income from commission business	13'553	11'195	12'941
Commission income	15'761	12'859	14'459
Commission expenses	(2'208)	(1'664)	(1'518)
Commission expenses	14'586	9'318	13'057
Other banking income	15	9	10
Total banking income from commissions and trading activities	28'154	20'522	26'008
Banking income from interest operations			
Interest income ^{1,2}	9'986	9'119	8'468
Interest expense ³	68	223	(43)
Total banking income from interest operations	10'054	9'342	8'425
Net earned insurance premiums	8'388	6'982	6'770
Net impairment (losses)/recoveries on financial assets	(22)	26	(23)
Other operating revenues	108	279	170
Total operating revenues	209'978	201'111	187'755

1 Interest income is calculated using the effective interest method.

2 Interest income from liabilities amounts to TCHF 1809 in the first half of 2022 (2H 2021 TCHF 1972, 1H 2021 TCHF 1489).

3 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks in 1H 2022 TCHF 261 (2H 2021: TCHF 185, 1H 2021: TCHF 148).

Other operating expenses

CHF '000

	1H 2022	2H 2021	1H 2021
Premises expenses	3'031	3'175	1'904
Marketing expenses	6'470	4'487	5'054
General and administrative expenses ¹	16'874	18'311	16'021
Total	26'375	25'973	22'979

1 Of which IT expenses 1H 2022 TCHF 9983 (2H 2021 TCHF 9779, 1H 2021 TCHF 9072).

Fair value of financial instruments as at 30.06.2022

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'690'452	1'690'452	0
Short term investments	115'973	115'973	0
Marketable securities at fair value			
Marketable securities at fair value	106	106	0
Derivative financial instruments	427	427	0
Trade receivables	36'683	36'683	0
Other receivables	69'405	69'405	0
Other current assets	3'334	3'334	0
Financial assets			
Mortgage	3'163'527	3'175'075	11'548
Bonds	359'181	330'121	(29'060)
Time deposits	355'507	328'824	(26'683)
Other financial assets	27'576	27'364	(212)
Subtotal	5'822'171	5'777'764	(44'407)
Liabilities			
Trade payables	1'083	1'083	0
Other current liabilities			
Other current liabilities	24'498	24'498	0
Derivative financial instruments	58'483	58'483	0
Due to banks	415'958	415'958	0
Due to customers	4'336'467	4'336'467	0
Long-term debts			
Medium-term notes	281	282	(1)
Loans from central mortgage institutions	324'215	323'028	1'187
Time deposits from customers	8'000	7'883	117
Leasing liabilities	46'222	46'222	0
Other non-current liabilities ¹	18'453	18'453	0
Subtotal	5'233'660	5'232'357	1'303
Total of divergence			(43'104)

¹ Financial instruments included in Other non-current liabilities.

Fair value of financial instruments as at 31.12.2021

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'799'086	1'799'086	0
Short term investments	89'283	89'283	0
Marketable securities at fair value			
Marketable securities at fair value	114	114	0
Derivative financial instruments	2'850	2'850	0
Trade receivables	3'119	3'119	0
Other receivables	13'834	13'834	0
Other current assets	9'071	9'071	0
Financial assets			
Mortgage	2'902'954	2'977'607	74'653
Bonds	359'924	361'034	1'110
Time deposits	316'803	320'461	3'658
Other financial assets	26'924	27'414	490
Subtotal	5'523'962	5'603'873	79'911
Liabilities			
Trade payables	704	704	0
Other current liabilities			
Other current liabilities	17'475	17'475	0
Derivative financial instruments	6'704	6'704	0
Due to banks	624'842	624'842	0
Due to customers	3'874'421	3'874'421	0
Long-term debts			
Medium-term notes	381	385	(4)
Loans from central mortgage institutions	350'715	352'564	(1'849)
Time deposits from customers	6'000	6'056	(56)
Time deposits from banks	5'000	5'043	(43)
Leasing liabilities	48'350	48'350	0
Other non-current liabilities ¹	20'162	20'162	0
Subtotal	4'954'754	4'956'706	(1'952)
Total of divergence			77'959

¹ Financial instruments included in Other non-current liabilities.

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 from customers	11'000	11'411	(411)
Time deposits from banks	5'000	5'056	(56)
Leasing liabilities	52'886	52'886	0
Other non-current liabilities ¹	66'737	66'737	0
Subtotal	4'723'693	4'730'648	(6'955)
Total of divergence			80'791

¹ Financial instruments included in Other non-current liabilities.

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 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 non-controlling interests 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 remaining 50 percent of the acquisition price for the two companies acquired by Lumin Group Ltd in the first half of 2022 will be settled in two equal instalments of 25 percent one and two years after the purchase. The amount of these remaining acquisition price payments depends on the revenues in the first two years after the acquisition. The residual liabilities from acquisitions are determined and accounted for at closing based on the revenue to date and the expected revenue for the remaining period. Changes in residual liabilities arising from acquisitions are recognised in the income statement.

Level 3 financial instruments

CHF '000

	Residual liability from acquisitions 30.06.2022	Residual liabilities to acquire non- controlling interests Lumin as at 30.06.2022	31.12.2021
Holdings at the beginning of the year		15'684	0
Addition to the scope of consolidation	2'757		15'293
Expense recognised in the income statement	(19)	119	121
Changes recognised in equity			753
Cumulative conversion adjustments	(110)	(937)	(483)
Total carrying amount at balance sheet date	2'628	14'866	15'684

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

Sensitivity of fair values of Level 3 instruments

Key assumptions for the valuation of the liability to acquire non-controlling interests 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	
		as at 30.06.2022	as at 31.12.2021
Expected growth	+1 percentage point	864	870
Expected growth	-1 percentage point	(838)	(844)
Discount rate	+1 percentage point	(553)	(660)
Discount rate	-1 percentage point	579	697

As in the previous year, no financial instruments were reclassified in the first half-year 2022.

Valuation methods for financial instruments carried at fair value

CHF '000

	Level 1	Level 2	Level 3	Total
as at 30.06.2022				
Assets				
Marketable securities at fair value ¹	83	23	0	106
Derivative financial instruments ¹	0	427	0	427
Liabilities				
Derivative financial instruments ²	0	58'483	0	58'483
Change in market value of hedged loans from central mortgage institutions ³	0	18'169	0	18'169
Liability to acquire non-controlling interests ⁴	0	0	14'866	14'866
Residual liability from acquisitions ⁴	0	0	2'628	2'628
as at 31.12.2021				
Assets				
Marketable securities at fair value ¹	85	29	0	114
Derivative financial instruments ¹	0	2'850	0	2'850
Liabilities				
Derivative financial instruments ²	0	6'704	0	6'704
Change in market value of hedged loans from central mortgage institutions ³	0	2'023	0	2'023
Liability to acquire non-controlling interests ⁴	0	0	15'684	15'684
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

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		3'346		3'346
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	32'891	9'818		42'709
Payment obligation regarding deposi- tor protection measures			14'838	14'838
Total unconditional commitments/ payment obligations	32'891	9'818	14'838	57'547
Additional funding obligation			1'006	1'006
Total as at 30.06.2022	32'891	13'164	15'844	61'899
Total as at 31.12.2021	16'469	7'566	15'844	39'879
Total as at 30.06.2021	13'883	6'872	13'490	34'245

Treasury shares

Number			in '000 CHF		
30.06.22	31.12.21	30.06.21	30.06.22	31.12.21	30.06.21
668'878	621'145	708'875	47'122	41'472	44'952

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 20 April 2022, the dividend of CHF 1.57 per share for 2021 was distributed. The total of dividend pay out was TCHF 61'884.

Subsequent events

No events took place between 30 June 2022 and 10 August 2022 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 2022, 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 146 of the annual report 2021
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 146 of the annual report 2021
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 2022)
Platform clients	Clients who use a platform service (asset management, banking service, mortgage, pension or insurance)
Platform solutions	Services related to portfolio management, banking services, mortgages, pension plans or insurances

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 2022	2 March 2023
General meeting 2023	12 April 2023
Publication of the half-year report 2023	16 August 2023

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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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