



**ANNUAL REPORT 2022**  
**VZ GROUP**

## KEY FIGURES

### Income statement

in CHF '000

	2022	2021	2020	2019	2018
Operating revenues	413'917	388'866	328'702	301'718	284'188
Operating expenses	216'051	201'010	173'582	159'340	157'004
Operating profit (EBIT)	176'225	167'514	136'963	124'750	116'764
<b>Net profit</b>	<b>151'319</b>	<b>143'204</b>	<b>117'452</b>	<b>102'305</b>	<b>98'246</b>

### Balance sheets

in CHF '000

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
<b>Total assets</b>	<b>5'945'912</b>	<b>5'770'792</b>	<b>4'973'249</b>	<b>4'056'231</b>	<b>3'087'945</b>
Equity	771'268	699'684	616'657	549'774	512'266
Net cash	686'276	588'229	501'576	432'380	439'543

### Assets under Management

in CHF million

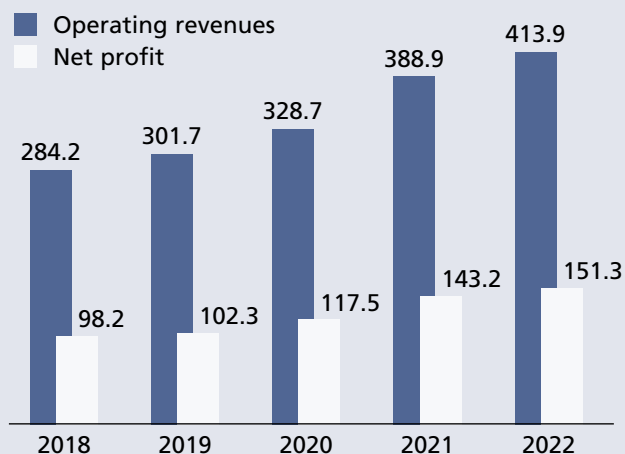
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Assets under Management	39'108	39'002	31'459	27'627	23'056

### Equity key figures

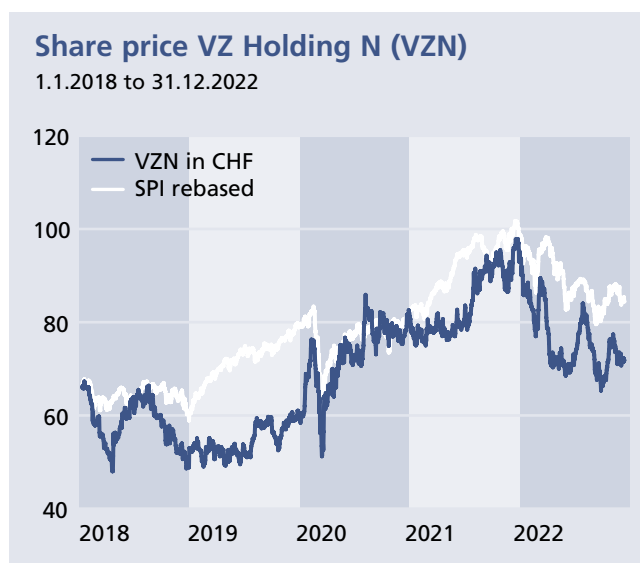
	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Equity ratio	13.0 %	12.1 %	12.4 %	13.6 %	16.6 %
Common equity tier 1 capital ratio (CET1)	25.2 %	25.2 %	26.6 %	27.7 %	30.1 %
Total eligible capital ratio (T1 & T2)	25.2 %	25.2 %	26.6 %	27.7 %	30.1 %

### Revenue and profit growth

in CHF million



# INFORMATION FOR SHAREHOLDERS



## Ticker symbols/listing

	Bloomberg	Reuters	Telekurs
SIX Swiss Exchange	VZN SW	VZN.S	VZN
ISIN number	CH0528751586		
Securities number	52875158		

## Important dates

General meeting 2023	12 April 2023
Ex-Date	14 April 2023
Record-Date	17 April 2023
Dividend payment	18 April 2023
Publication of the half-year report 2023	16 August 2023
Publication of the annual report 2023	29 February 2024
General meeting 2024	8 April 2024

## Contact

VZ Holding Ltd  
Innere Güterstrasse 2  
6300 Zug

### Investor Relations

Petra Märk  
Phone +41 44 207 27 27  
petra.maerk@vzch.com

### Media

Adriano Pavone  
Phone +41 44 207 27 27  
adriano.pavone@vzch.com

## Share statistics

	2022	2021
Shares issued	40'000'000	40'000'000
Registered shareholders as at 31.12.	2'198	1'929
Highest price in the year	CHF 97.90	CHF 97.80
Lowest price in the year	CHF 65.30	CHF 75.00
Share price as at 31.12.	CHF 71.80	CHF 97.80
Market capitalisation as at 31.12.	CHF 2'872 mio.	CHF 3'912 mio.
Dividend per share	1.74 <sup>1</sup>	1.57
Payout ratio	46 %	44 %
Payment date	18.4.2023	20.4.2022

<sup>1</sup> Board of Directors's proposal to the shareholders' meeting on 12 April 2023.

## Ownership structure

	31.12.2022	31.12.2021
Matthias Reinhart (direct and indirect)	61.10 %	61.07 %
Members of the Board of Directors	1.49 %	1.47 %
Other members of the Executive Board	1.93 %	1.88 %
Employees <sup>1</sup>	3.57 %	3.48 %
Treasury shares	1.89 %	1.55 %

<sup>1</sup> Shares held by VZ employees that are registered in the share register are shown.

## Employees

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Full-time equivalents (FTE)	1'247.4	1'142.5	1'035.7	944.8	897.5

## Rating VZ Depository Bank Ltd

	31.12.2022	31.12.2021
Moody's rating VZ Depository Bank Ltd (long-term deposit rating)	Aa3	Aa3

## 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 174.

**ANNUAL REPORT 2022**  
**VZ GROUP**

# ANNUAL REPORT 2022



Anton Reckziegel: Eismeer Jungfrau, 1906

The images in this report are taken from «Reiseland Schwiiz», the third volume of a book series on Swiss poster art. VZ VermögensZentrum produces these books as an exclusive Christmas gift for its clients.

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# VZ GROUP: FINANCIAL YEAR 2022

## Dear Shareholder

Pressure on economy and financial markets

Ongoing supply bottlenecks and the war in Ukraine caused price levels to rocket in the year under review. Central banks increased interest rates significantly as a means to keep inflation under control. This slowed economic growth and led to losses across the financial markets for all asset classes.

Operating revenues up by 6.4 percent

In the second half of the year, the market correction had a negative impact on revenues from assets under management, and revenue growth slowed from +11.8 percent in the first half of the year to +1.4 percent in the second half. This resulted in an increase of 6.4 percent for the whole year, from 388.9 to 413.9 million Swiss francs. Our business is able to grow even in adverse conditions, because the economy and financial market performance have a limited impact on the demand for our services. In 2022, our EBIT and net profit margins were practically unchanged, while profits grew by 5.7 percent from 143.2 million to 151.3 million francs.

Continued strong demand

Clients typically opt for one or several of our platform services after a comprehensive consulting project with us. This was also the case last year: Around 7900 households and companies opted for one or more of our platforms, which is a similar level to the previous year. Despite the sharp correction on the financial markets, net new money remained approximately the same, at 4.6 billion compared to 4.8 billion francs in 2021.

Very stable balance sheet

Our balance sheet only grew from 5.8 to 5.9 billion francs, with two factors having a neutralising effect: With the additional clients, client deposits increased, while interbank business declined following the return to positive interest rates. Our capital ratios remain solid and well above the industry average. The Board of Directors proposes to the Annual General Meeting to increase the dividend from 1.57 to 1.74 francs per share. As a result, the pay-out ratio increases from 44 to 46 percent as planned.

Outlook

We expect demand to remain high in the current year. Provided there are no unexpected crises, our business should grow stronger than the long-term average, thanks to base effects. Growth is set to accelerate in the second half of the year. Also, our interest rate business will contribute more to the bottom line.

We would like to thank everyone who is associated with VZ and who help shape its future as well as those who have an interest in its development.

Zug, 2 March 2023



Fred Kindle  
Chairman of the Board of Directors



Giulio Vitarelli  
Chief Executive Officer



# THANK YOU FOR TWO FASCINATING DECADES ON THE BOARD

## Dear Shareholder

- Retrospective** It has been a privilege to spend a good 20 years on the Board of Directors helping shape VZ's development – since 2014 as its Chairman. At the upcoming Annual General Meeting, I will hand over to Matthias Reinhart and step down from the BoD. I would like to take this opportunity to thank everyone for the trust and confidence they have placed in me.
- An unusual success story** In recent Swiss economic history, VZ has stood out as one of the most interesting companies. Started from scratch 30 years ago, it has grown to become the leading provider in the industry. Once a small start-up, it is now a listed corporate group, with branch offices throughout Switzerland as well as in Germany and England. Nowadays, the Group even includes a bank and an insurance company.
- Constant innovation** To achieve such success, it was not enough to simply offer «more of the same». Today, disruption is the term used to describe the way in which VZ, as an outsider, shook up the industry with unconventional ideas in the 1990s. To this day, we are constantly launching new solutions, because the power of innovation is anchored in the company's DNA. VZ radically focuses on the needs of its clients – this is and remains the key to our extraordinary success.
- Time for a change** The time has come for a change at the helm: Giulio Vitarelli has been VZ Group's CEO since the start of the year and Matthias Reinhart will stand for election as the Chairman of the Board in April. I am very optimistic because the transition is convincing in every respect – at a human, cultural and strategic level. I will remain closely linked with our enterprise and wish everybody at the company the greatest of success!

Zug, 2 March 2023



Fred Kindle  
Chairman of the Board of Directors

## «Once again, we have shown that our business can thrive even in difficult times.»

Adriano Pavone, Head of Media Operations, discusses the results and outlook for VZ Group with Giulio Vitarelli (G.V.), who has been VZ Group's CEO since 1 January, and his predecessor Matthias Reinhart (M.R.), who will stand for election as the Chairman of the Board of Directors at the upcoming Annual General Meeting.

### **Mr Vitarelli, Mr Reinhart: Are you satisfied with the 2022 financial year?**

**M.R.:** Given the dramatic events of the past twelve months and the considerable turbulence on the markets, the result is positive. Once again, we have shown that our business can thrive even in difficult times.

**G.V.:** Our business performance depends less on the economy and market trends than it does on demographics, and our market is continually growing: more and more people are realising that they need to plan their retirement carefully. And as long as our clients are satisfied with the advice we provide, a large portion of them will opt for our platform services.

## «We expect growth to accelerate in the second half of the year.»

### **Revenue growth slowed from 11.8 to 1.4 percent in the second half of the year. Is that a result of the poor financial market performance?**

**G.V.:** While we were still benefiting from the growth in assets under management from the prior period, the loss in value posted during the first half had a negative impact on the result in the second half of the year. Once financial markets reach equilibrium, revenues in the current year are likely to grow more strongly than the long-term average, thanks to base effects. We expect growth to accelerate in the second half of the year.

### **Despite the market correction, the profit margin remained almost the same. How is this the case?**

**M.R.:** We constantly have an eye on optimising our costs over the long term. Throughout the company, we focus on standardising and automating processes so that

we can continue to be as lean and flexible as possible. This helps us during a downturn, as we do not have any unnecessary fixed costs. At the same time, we have many sources of revenue that are not impacted by the market situation, such as consulting fees and revenues from our mortgage, corporate clients and insurance businesses. This helps to smooth out the fluctuations in revenues from assets under management.

### **It comes as a surprise that net new money is almost the same despite the downturn ...**

**G.V.:** This underlines the resilience of our business model. Clients do not come to us primarily for investment advice, but because they want to prepare carefully for their retirement. In the years around retirement, many investment decisions that are not linked to the current stock market situation but to the age of the clients have to be made.

**M.R.:** On the other hand, net new money fluctuates to a certain extent with market prices. Experience shows that our clients are more reluctant to invest during difficult market phases.

### **Can we assume that net new money per consultant will remain so high?**

**G.V.:** This ratio has been significantly above the long-term average for two years now. Also in 2022, it was clearly above the average of 17 to 20 million francs, coming in at over 22 million francs per consultant FTE. It is still too early to increase our expectations; we are currently collecting more evidence to determine whether this trend is likely to continue.

### **In 2022, around 7,900 clients started using your platforms. Is this a realistic number going forward?**

**G.V.:** We assume that both demand and our consulting capacity will grow continuously. This means that the number of new platform clients will continue to increase in the coming years.

### **How well are you performing as an asset manager?**

**M.R.:** Every single one of our clients pursues an individual investment strategy. Our investment style has proven itself. We adhere to a strategic asset



allocation, continuously adjust the weighting with intelligent rebalancing and rely on index investments that closely track the market. Compared to our competitors, our performance is consistently in the top third. In Germany, we were named best asset manager for the second time in a row – this shows that we are doing many things right.

### «Capital ratios remain high, and we can continue to finance our organic growth from our own means.»

#### **Last year, the SNB returned to positive interest rates. How does that affect your business?**

**G.V.:** Clients receive interest on their accounts for the first time in years. This reduces the pressure to invest. For years, our balance sheet was geared towards negative interest rates. Now we have reduced our interbank business, while client deposits have increased. These effects roughly cancel each other out, with risks remaining low. From 2023 onwards, we expect a significantly higher interest result.

#### **The corporate clients and pension fund business is growing strongly. Now VZ also plans to offer group insurance for disability and death: What risks does this entail?**

**G.V.:** VZ BVG Rück Ltd places around 90 percent of these risks on the reinsurance market. We pass on

the vast majority of the margins from primary insurance to our corporate and pension fund clients. This makes our pension fund services even more attractive and we are able to further strengthen our position in this segment.

#### **How is business outside of Switzerland?**

**M.R.:** In Germany, we have made a leap forward in marketing success, and we have opened a branch office in Lörrach, which specialises in advice to cross-border commuters. In the UK, our focus is on establishing our marketing strategy, increasing our consulting capacity, acquiring small IFAs and developing an asset management platform.

#### **Dividends are set to rise again. What can shareholders expect?**

**M.R.:** Over the medium term, we intend to pay out 50 percent of net profits. This year, the pay-out ratio increases from 44 to 46 percent. Over the long term, dividends are likely to grow in line with our profits. Retained earnings strengthen our equity. As a result, capital ratios remain high, and we can continue to finance our organic growth from our own means.

#### **And finally: what is your business outlook?**

**G.V.:** Provided there are no external shocks, it appears that revenues and profits will grow faster in 2023 than they have on average in recent years. The key factor in this respect is the strong demand that is driving more and more clients to us. The changed interest rate environment also contributes to this positive trend. Over the long term, our competitive advantage will help us on a number of levels: our consulting expertise is unrivalled, and thanks to our cost-efficient platforms, we can offer our clients higher interest and lower fees and premiums.

## VZ PRESENTS ITSELF

The first choice for wealth-related issues

In Switzerland, VZ VermögensZentrum has long been the first port of call for independent financial consulting. Each year several thousand clients plan their retirement with us, have their investments reviewed, improve the financing of their real estate, optimise their taxes and insurance policies or settle their estates. VZ Group is present in around 40 locations in Switzerland, Germany and England and is listed on the SIX Swiss Exchange.

### Independence and expertise

Independence

We judge without reservation in the interests of our clients because we do not earn money from the brokerage of financial products. We focus on providing advice on behalf of our clients in the same way as law firms and management consultancy firms. There, clients pay not for products but for expertise – namely for the time that experts spend answering their questions, solving problems and finding promising implementation measures. This work can be reported and invoiced transparently.

Detailed action plan

Our main target groups are individuals and couples over 50 with residential property. Many of them come to us to plan their finances after retirement. After the consultation they have a comprehensive concept as a basis for their decisions, together with a tailor-made action plan. The result of a consultation is tangible added value: for example, a solid financial plan for the next phase of their lives, a better risk/return ratio on investments, a lower tax burden or more favourable mortgages and insurance. This creates trust and opens many doors for us: more and more consultancy clients are also using other VZ services.

### All financial services from a single source

VZ enables private households to manage all their assets efficiently, cost-effectively and securely – from bank accounts and securities, through mortgages and insurance policies to retirement savings and estates. For these services we are remunerated by our clients, not by providers of financial products.

Portfolio management

We combine proven investment strategies with independent implementation and active support. Clients choose the extent to which they wish to place the management of their portfolios in professional hands or to manage them on their own. There is a suitable mandate for all of them. Depending on their risk profile and preferences, clients can opt for index investments, focus on sustainability, follow the investment strategy of large pension funds or invest in individual securities. Regardless of their choice, they benefit from low fees and inexpensive financial instruments. These savings directly benefit their performance.

Banking services	VZ Depository Bank offers all banking services from a single source. It does not issue financial products and does not sell third-party financial products. VZ Depository Bank's costs and fees are significantly lower than the usual market prices.
Mortgages	In Switzerland, most mortgage lenders are capital lenders, risk bearers and administrators at the same time. However, HypothekenZentrum is a lender that brings mortgage borrowers together with institutional investors who wish to invest in prime mortgages. This eliminates any conflicts of interest, for example in respect of maturities. As HypothekenZentrum operates very cost-effectively, clients also benefit from low interest rates.
Occupational benefits	Our foundations enable companies to insure their employees inexpensively, to manage their occupational benefit plans effectively and to invest assets profitably. Many of our clients pay up to 30 percent less for equivalent or better benefits. VZ Foundations cover the entire second and third pillars of occupational benefits (Swiss Occupational Pensions Act «BVG», executive pension plans, vested pension benefits and 3a retirement savings).
Insurance	VZ Group's insurance pool offers property and liability insurance for private individuals. The benefits are typically identical to those of the best providers, but significantly cheaper. This is possible because the pool works very efficiently, and sales costs and commissions are practically eliminated. VZ BVG Rück insures death and disability risks and places the majority of these risks on the reinsurance market. It passes on a large part of the margin from primary insurance to its corporate and pension fund clients.
Financial portal	VZ Finanzportal is a cockpit from which our clients manage their financial transactions conveniently online. They have their credit balances, mortgages, insurance policies and taxes under control, know the value of their total assets and have an overview of all payment flows.

## Prime service online and offline

We want our clients to be well prepared for their retirement and to experience the following phase of life without financial worries. To achieve this, we use all our expertise and experience and support them in all topics related to money. Our financial consultants ensure that clients understand all the relevant information in order to make the right decision on every single issue, while always keeping an eye on the overall financial situation.

A-la-carte support	Our clients decide for themselves how closely they want to be assisted. Even those who manage most of their finances independently online, can contact our experts at any time if they wish to be supported.
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HANDSCHIN

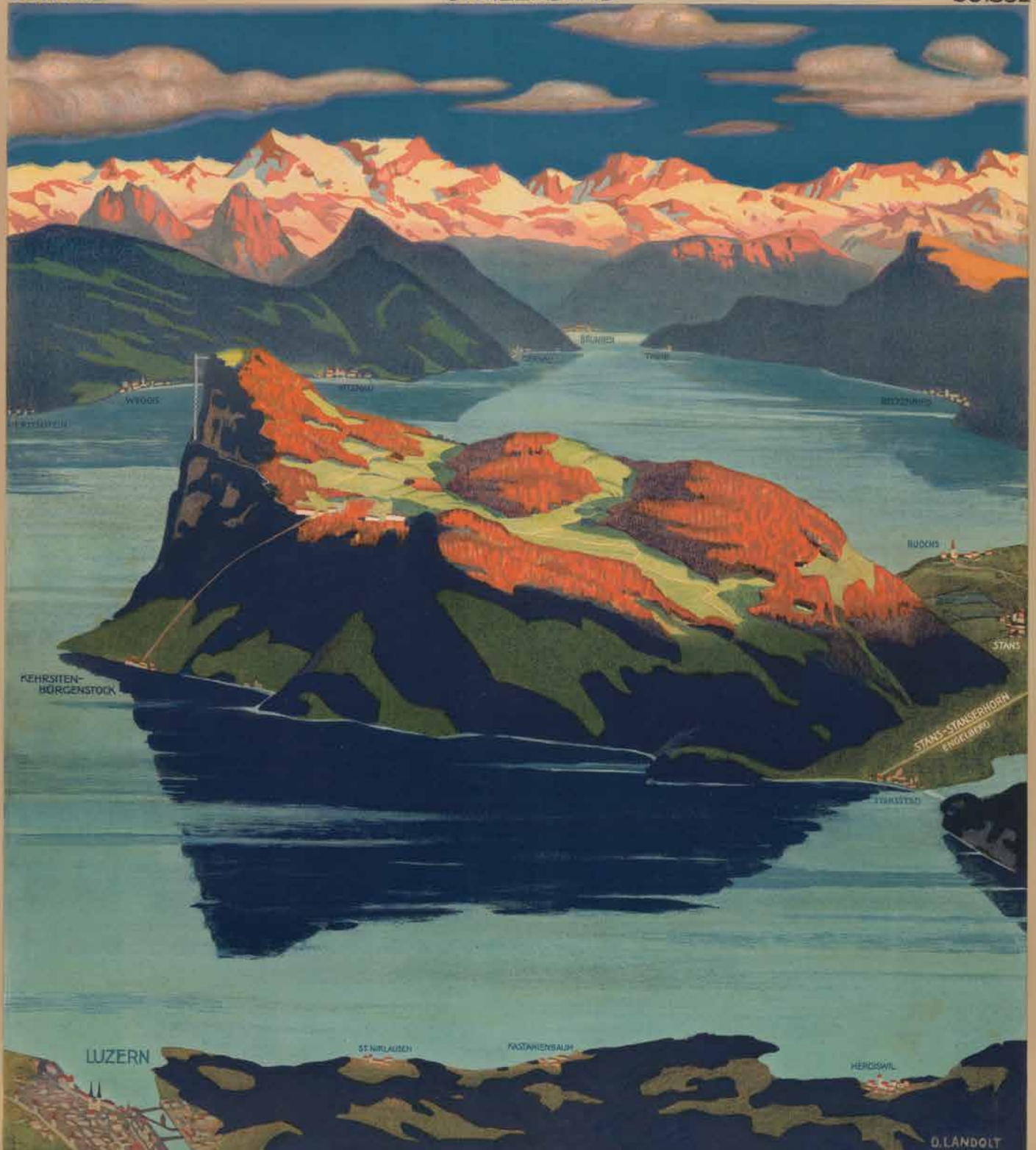


BERG-STRANDBAD

AROSA  
SCHWEIZ

MANN REKLAME, BASEL

GRAPH. ANSTALT W. WASSERMANN, BASEL



# BÜRGENSTOCK

**LUFT-KURORT**

FUNICULAIRE 870 M.D.M. RAILWAY

**PALACE, GRAND & PARK-HOTELS**

Station: 870 m. a. M. 2000 m. a. S. 1900 m. a. S. 1800 m. a. S. 1700 m. a. S. 1600 m. a. S. 1500 m. a. S. 1400 m. a. S. 1300 m. a. S. 1200 m. a. S. 1100 m. a. S. 1000 m. a. S. 900 m. a. S. 800 m. a. S. 700 m. a. S. 600 m. a. S. 500 m. a. S. 400 m. a. S. 300 m. a. S. 200 m. a. S. 100 m. a. S. 0 m. a. S.

**BAHN bei LUZERN**

GRAPHWERKSTÄTEN GEBR. PRETZ ZÜRICH

KUNSTVERLAG E. GOETZ LUZERN

Otto Landolt: Bürgenstock, 1914

# CORPORATE GOVERNANCE

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## BOARD OF DIRECTORS



From left to right:  
Fred Kindle, Roland Iff, Roland Ledergerber, Olivier de Perregaux, Dr. Albrecht Langhart (all functions are listed in the section «Members of the Board of Directors», pages 23 and 24)

## EXECUTIVE BOARD



From left to right:

Thomas Schönbacher, Philipp Heer, Rafael Pfaffen, Simon Tellenbach, Lorenz Heim, Matthias Reinhart, Tom Friess, Giulio Vitarelli, Marc Weber, Manuel Rüttsche (all functions are listed in the section «Members of the Executive Board», page 33)

# CORPORATE GOVERNANCE

Effective corporate governance ensures fairness and transparency vis-à-vis all stakeholders, in particular vis-à-vis shareholders. VZ Group is committed to protecting the interests of shareholders and to disclosing all relevant information.

## Best Practice

VZ Holding Ltd's standards and principles are in accordance with the requirements for a good corporate governance. VZ Group's Code of Conduct describes the values, objectives and behaviour that serve as a guideline for all employees within the group. This Code of Conduct can be downloaded from [www.vzch.com](http://www.vzch.com).

The information in this section is based upon VZ Holding's articles of association and SIX Swiss Exchange's directives. The information is structured according to the SIX Exchange Regulation «Corporate Governance Directive» and Economiesuisse's «Swiss Code of Best Practice».

## Revised company law

In June 2020, parliament passed the revised company law. Some provisions have been in force for some time, such as the introduction of benchmarks for the gender ratio in management bodies of listed companies. As of 1 January 2023, also the remaining provisions of the revised company law apply.

The Board of Directors has revised VZ Holding Ltd's articles of association with regard to the revision of the company law. These new articles of association will be voted on by VZ Holding Ltd's Annual General Meeting on 12 April 2023. The changes resulting from the revision for the section «Corporate Governance» will be shown in the Annual Report 2023.

All information in this report refers to 31 December 2022 or the financial year 2022, respectively.

## Regulations

VZ Group is a financial services group. It is subject to the consolidated financial supervision of the Swiss Financial Market Supervisory Authority (FINMA). VZ Depository Bank Ltd is licensed to operate as a depository bank. VZ InsurancePool Ltd is monitored by FINMA as a non-life insurer. The German subsidiary VZ VermögensZentrum Bank Ltd, Munich, reports to the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and to the Deutsche Bundesbank. Lumin Group Ltd, in which VZ Holding Ltd has held a stake since 2021, is regulated by the Financial Conduct Authority (FCA).

## Group structure and shareholders

### Group structure

VZ Group encompasses the following legally-independent companies:

VZ Holding Ltd			
VZ Vermögens-Zentrum Ltd	VZ Vermögens-Zentrum Bank Ltd	VZ Legal and Tax Consulting Ltd	VZ Depository Bank Ltd
VZ Operations Ltd	Hypotheken-Zentrum Ltd <sup>1</sup>	VZ Insurance Services Ltd	VZ Versicherungs-Zentrum Ltd
VZ Versicherungs-Pool Ltd	VZ Vorsorge Ltd	VZ BVG Rück Ltd	VZ Corporate Services Ltd
VZ Investment Research Ltd	Claridenhof Ltd	Lumin Group Ltd <sup>2</sup>	Früh & Partner Vermögensberatung Ltd <sup>3</sup>

<sup>1</sup> HypothekenZentrum Ltd holds 100 percent of the share capital of HZ Servicing Ltd and HZ Credit Support Ltd.  
<sup>2</sup> VZ Holding Ltd holds 50.1 percent of Lumin Group Ltd. Lumin in turn holds eight subsidiaries and one minority interest.  
<sup>3</sup> VZ Holding Ltd holds 40 percent of the capital and 51 percent of the voting rights of Früh & Partner Vermögensberatung Ltd.

#### Listed company

VZ Holding Ltd (Zug) is the only listed company within the scope of consolidation. Its entire share capital is listed on SIX Swiss Exchange's International Reporting Standard (securities number 52'875'158, ISIN CH0528751586). The market capitalisation as at 31 December 2022 amounted to CHF 2872 million.

#### Non-listed companies

The scope of consolidation comprises the following subsidiaries (unless stated otherwise VZ Holding Ltd is the sole shareholder of these companies):

#### VZ VermögensZentrum Ltd, Zurich

Financial consulting for private clients in Switzerland.  
Share capital: CHF 2'000'000

#### VZ VermögensZentrum Bank Ltd, Munich (Germany)

Financial consulting, wealth management and banking services for private clients in Germany.  
Registered capital: EUR 20'000'000

#### VZ Legal and Tax Consulting Ltd

Fee based legal and tax consulting, execution of wills and fiduciary services.  
Share capital: CHF 250'000

#### VZ Depository Bank Ltd, Zug

Securities accounts, securities and currency transactions, portfolio advisory and management for private clients and institutional investors; provision and purchasing of mortgage credits; sureties and guarantees for clients who have deposited assets at VZ Depository Bank as collateral for these sureties and guarantees.  
Share capital: CHF 45'000'000

#### **VZ Operations Ltd, Zurich**

Services in connection with banking, financial consulting, financial services and securities trading, especially for VZ Group companies. The company may also provide these services to third parties.

Share capital: CHF 100'000

#### **HypothekenZentrum Ltd, Zurich**

Management of mortgages and transfer of mortgages to institutional investors.

Share capital: CHF 250'000

In order to optimise its business activities, HypothekenZentrum Ltd has established two subsidiaries; HZ Credit Support Ltd, Zurich, and HZ Servicing Ltd, Zurich.

#### **VZ Insurance Services Ltd, Zurich**

Risk management consulting as well as insurance and pension fund management for corporate clients.

Share capital: CHF 100'000

#### **VZ Versicherungszentrum Ltd, Zurich**

Management of insurance portfolios for private clients.

Share capital: CHF 100'000

#### **VZ InsurancePool Ltd, Zurich**

Property and casualty insurances for individuals in Switzerland.

Share capital: CHF 17'500'000

#### **VZ Vorsorge Ltd, Zurich**

Consulting and management services for as well as management of investment foundations, pension funds and other institutions providing occupational benefit schemes.

Share capital: CHF 100'000

#### **VZ BVG Rück Ltd, Zurich**

Operation of a group life insurance as part of occupational benefit schemes.

Share capital: CHF 25'000'000

#### **VZ Corporate Services Ltd, Zurich**

IT, marketing, HR, accounting and controlling services for VZ Group companies.

Share capital: CHF 100'000

#### **VZ Investment Research Ltd, London (United Kingdom)**

Analysis of the UK market for financial consulting and portfolio management.

Registered capital: GBP 100'000

### **Claridenhof Ltd, Zurich**

The company's purpose is the acquisition, holding and sale of real estate. It is not operative and holds properties, which are used predominantly by VZ Group.

Share capital: CHF 104'000

Subsidiary with a majority of voting rights within the scope of consolidation:

### **Lumin Group Ltd, St Albans (United Kingdom)**

Lumin is an Independent Financial Advisor (IFA) and offers independent advice on a fee basis. VZ Holding Ltd holds 50.1 percent of Lumin Group's voting and capital rights. Lumin in turn holds eight subsidiaries and one minority interest (see page 144, section «Scope of consolidation» and pages 110 and 111, section «Investments in associates»).

Share capital: GBP 5323

### **Früh & Partner Vermögensberatung Ltd, Zurich**

Financial consulting for entrepreneurs in Switzerland. VZ Holding Ltd holds 40 percent of Früh & Partner Vermögensberatung Ltd's share capital and 51 percent of the voting rights.

Share capital: CHF 250'000

#### **Minority holdings**

VZ Holding Ltd holds 33 percent of Dufour Capital Ltd, Zurich, and takes a seat on Dufour's Board of Directors. Dufour is an asset manager specialising in the development of rule-based investment solutions. It holds a licence from FINMA and is supervised by OSFIN. Dufour Capital AG works with VZ Group and has a share capital of TCHF 150.

As per 31 December 2022 no other participation in companies other than stated above were held by VZ Group.

### **Major shareholders**

The Federal Law on Financial Market Infrastructures and the Market Behavior in Securities and Derivatives Trading (Finanzmarktinfrastrukturgesetz) requires that shareholders and holders of rights to acquire or sell shares disclose their holdings if those exceed or fall below certain limits. This is designed to ensure that material changes in ownership and voting rights are transparent for all market participants.

Matthias Reinhart, founder and Chief Executive Officer of VZ Group, holds a majority of 61.10 percent of all shares (last disclosure notice in 2012: 60.87 percent) both directly and indirectly through Madarex Ltd, a company he controls. Apart from Matthias Reinhart, no other shareholder held at least 3 percent of the voting rights as at 31 December 2022. No disclosure notices have been received during the year under report.

## Shareholders on 31.12.2022

Matthias Reinhart (directly and indirectly)	61.10 %
Members of the Board of Directors <sup>1</sup>	1.49 %
Other members of the Executive Board <sup>1</sup>	1.93 %
VZ employees <sup>2</sup>	3.57 %
Treasury shares	1.89 %
Free float/remainder	30.02 %

<sup>1</sup> Without related parties.

<sup>2</sup> Shares held by VZ employees that are registered in the share register are shown.  
For additional information, please refer to the table on page 20.

SIX Swiss Exchange's disclosure office publishes all relevant notifications ([www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/](http://www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/)).

There are no shareholder pooling agreements.

## Cross-shareholdings

There are no cross-shareholdings.

## Capital structure

### Ordinary share capital

VZ Holding Ltd's nominal share capital amounts to CHF 2 million, divided into 40 million fully paid-up registered shares with a nominal value of CHF 0.05 each. Each registered share entitles its holder to one voting right. VZ Holding AG does not issue participation or dividend-right certificates.

### Authorised and conditional capital

There is no authorised capital.

The conditional share capital is limited to CHF 40'000, equal to 2 % of the existing share capital. This sum is available to exercise the option rights they have acquired within the framework of the management benefit programme. For this purpose, VZ Holding Ltd may issue a maximum of 800'000 fully paid-up registered shares with a nominal value of CHF 0.05 each. The preferential subscription rights of the shareholders are excluded for this conditional capital increase. By the end of 2022, no shares were issued out of the conditional share capital.

Acquisition of the registered shares by exercising option rights and the subsequent transfer of the registered shares is subjected to the transfer restrictions described in the section «Transfer restrictions» on page 19. The conditions for the issuance, including issue price, date of dividend rights, type of contribution and the participation plan are set by the Board of Directors. The shares may be issued at a price below the market price.

### Changes in capital

VZ Holding Ltd buys its own shares for share-based payments. In 2022, there were 231'935 registered shares (2021: 103'082). 96'508 registered shares were allocated to or sold to employees as part of the management benefit programme (2021: 213'469). Members of the Board of Directors were allocated 3594 registered shares (2021: 4183). Treasury shares are recognised in the balance sheet at a value of TCHF 53'629 (2021: TCHF 41'472). Further details are shown in the notes to the consolidated financial statements under «Share capital and reserves» (pages 121 and 122). For the year 2020, please refer to the 2020 annual report, page 20 (available online: [www.vzch.com/annualreport2020](http://www.vzch.com/annualreport2020)).

### Dividend payments

	2022	2021	2020
Dividends in % (annual profit VZ Group)	46 %	44 %	42 %
Dividends in TCHF	68'284 <sup>1</sup>	61'884	48'334
Payment date	18.4.2023	18.4.2022	16.4.2021

<sup>1</sup> The dividend payments are based on a dividend of CHF 1.74 per registered share proposed to the shareholders' meeting of 12 April 2023. No dividend will be paid on treasury shares. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment.

### Restrictions on transferability and nominee registration in the share register

#### Transfer restrictions

Currently 210'417 registered shares are subject to a lock-up period. Only shares related to the management benefit programme or to the Board of Directors' compensation are locked-up. During the year under report 69'614 shares were allocated based on the management benefit programme (2021: 61'986) and 3594 shares were allocated to members of the Board of Directors as compensation (2021: 4183).

The vesting period is three years for all shares in the management benefit programme. Allocations to members of the management take place at the end of February, while allocations to members of the Executive Board and the Board of Directors only take place in early April, after their remuneration has been approved by the Annual General Meeting. This is why the vesting period for management employees will expire in February 2023 respectively 2024 and 2025, while it will end in April 2023 respectively 2024 and 2025 for members of the Executive Board and the Board of Directors. Detailed information on the management benefit programme can be found in the notes to the consolidated financial statements under «Share-based payments» (page 81) and under «Share-based management benefit programme» (pages 127 to 129).



## Locked-up shares as of 31.12.2022

	until 24.2.23 Management Number in %		until 8.4.23 EB/BoD Number in %		until 24.2.24 Management Number in %		until 12.4.24 EB/BoD Number in %		until 24.2.25 Management Number in %		until 12.4.25 EB/BoD Number in %		Total Number in %	
Members of the Board of Directors	0	0.00	5'070	0.01	0	0.00	4'183	0.01	0	0.00	3'594	0.01	12'847	0.03
Members of the Executive Board	1'575	0.00	17'260	0.04	1'443	0.00	16'564	0.04	0	0.00	22'505	0.06	59'347	0.14
Management	46'295	0.12	840	0.00	43'979	0.11	0	0.00	47'109	0.13	0	0.00	138'223	0.36
<b>Total</b>	<b>47'870</b>	<b>0.12</b>	<b>23'170</b>	<b>0.05</b>	<b>45'422</b>	<b>0.11</b>	<b>20'747</b>	<b>0.05</b>	<b>47'109</b>	<b>0.13</b>	<b>26'099</b>	<b>0.07</b>	<b>210'417</b>	<b>0.53</b>

### Conditions for entry in the share register

The Board of Directors keeps a share register, where the name and address of each holder and usufructuary of VZ shares are registered. Entry in the share register is contingent upon proof that the share has been acquired for ownership or for the establishment of a usufruct. Vis-à-vis VZ Group, shareholders or usufructuaries shall be deemed to be only those persons who are recorded in the share register. Upon request, a shareholder's voting rights shall be recorded in the share register, provided the shareholders explicitly acknowledge to have acquired the share in their own name and for their own account.

### Exceptions

Apart from the provisions on nominee registrations, no exceptions to these transfer restrictions shall be granted.

### Nominees

The Board of Directors may register persons who hold shares in the name of third parties («nominees») up to 5 percent of the share capital stated in the Commercial Register as shareholders with voting rights. The Board of Directors may approve the entry of voting rights exceeding 5 percent for nominees who disclose the name, address and number of shares of those persons for whose account they hold 0.5 percent or more of the share capital stated in the Commercial Register. This is a discretionary decision. With these nominees the Board of Directors concludes agreements regarding notification requirements, representation of the shares and exercise of the voting rights. If an entry in the share register was based on false information by the shareholder, the company may cancel the entry after a hearing with the nominee. The Board of Directors informs the affected shareholders immediately about the cancellation. Changes to the statutory provisions and restrictions on the transferability of shares are subject to the approval of two thirds of the represented votes and the absolute majority of the represented nominal share values at the shareholders' meeting. The articles of association of VZ Holding Ltd do not stipulate any statutory privileges.

### **Convertible bonds and options**

The share based management benefit programme provides options for VZ Group's senior employees. These options have a maturity of six years, and may be redeemed only in exchange for shares (subscription ratio 1:1). In addition, the options are blocked for a period of three years and shall become worthless and lapse if their owners leave VZ Group within this period. As at 31 December 2022 VZ Holding Ltd held 756'572 VZ shares (31.12.2021: 621'145). These shares are designated for share allotments and options exercised by employees. By the end 2022 no shares were issued from the conditional capital.

During the year under report 139'228 options were granted under this programme (2021: 123'972), whereof 134'268 were still outstanding on 31.12.2022. If these options are exercised, 134'268 registered shares will be transferred. During the year under report a total of 22'635 options were exercised (2021: 147'278). Options outstanding under all option plans totalled 639'804 as at 31 December 2022 (31.12.2021: 534'779). If all these options will be exercised, 639'804 options will be transferred. Detailed information on the benefit programme including the exercise prices per option plan is disclosed in the notes to the consolidated financial statements (page 81, section «Share-based payments» and pages 127 to 129, section «Share-based management benefit programme»).

No convertible bonds were outstanding during the year under report.

## Board of Directors

### Authorities

VZ Holding Ltd's Board of Directors is responsible for the supervision and control of the Group's Executive Board. It appoints and monitors the members of the Group Executive Board and revises and signs off the Group's strategy. The Board of Directors acts as a collective body, issues the necessary guidelines, establishes the Group's organisation and risk policy and is briefed about the course of business on a regular basis. The Board of Directors has the necessary leadership skills, expertise and experience in the banking and financial sector. In addition to the main business areas, all areas including finance and accounting as well as risk management are competently represented.

In its current composition, the Board of Directors covers the following competencies in particular:

#### Distribution of the key competences

Management	5/5
Finance/Accounting/Audit	3/5
Legal/Regulatory/Risk Management	5/5
People management and development	5/5
ESG	4/5
IT/outsourcing/project and change management	4/5
Banking or insurance specific experience (ALM, treasury, balance sheet management, claims handling, underwriting etc.)	3/5

### Changes in 2023

Matthias Reinhart stepped down as Chief Executive Officer as of 31 December 2022 and handed the operational management of VZ Group over to Giulio Vitarelli. The Board of Directors proposes to the Annual General Meeting of 12 April 2023 to elect Matthias Reinhart as Chairman of the Board of Directors. Fred Kindle is stepping down from the Board of Directors and will not stand for re-election.

## Members of the Board of Directors

Name, Year of birth, Nationality	Function	Elected (for the first time/until)	Professional background, other activities, vested interests and education
Fred Kindle, born 1959, CH	Chairman, Head of Compensation Committee	2002 to 2023	<p>Since the end of 2015, Fred Kindle has been a consultant for Clayton, Dubilier &amp; Rice (CD&amp;R), the investment firm based in New York and London, where he had been a partner from 2008 through 2015.</p> <p>Before joining CD&amp;R, Mr Kindle managed ABB Group worldwide (2004 to 2008). Prior to this, he served as CEO of Sulzer Ltd (2001 to 2004) and Sulzer Industries, Switzerland (1999 to 2001). From 1992 to 1998 he held a number of senior positions within Sulzer Group.</p> <p>He had previously worked with McKinsey, New York and Zurich, and Hilty Ltd, Liechtenstein, for several years. He graduated in engineering at the Swiss Federal Institute of Technology in Zurich before completing an MBA at the Northwestern University, Evanston (USA).</p> <p>Fred Kindle is Vice President and Lead Independent Director of Schneider Electric, Rueil-Malmaison (F).</p> <p>As a non-executive and independent member of the Board of Directors, Fred Kindle has never been a member of the Executive Board of VZ Holding Ltd or any of its group companies. Apart from a lombard loan issued in 2015, he has no significant business relationships with VZ Group companies. Further information can be found in the remuneration report on page 42.</p>
Roland Iff, born 1961, CH	Vice-Chairman, Head of Risk & Audit Committee	2006 to 2023	<p>Roland Iff was Chief Financial Officer of Geberit Group until the end of 2021. He joined Geberit in 1993 as Head of Group Development. In mid 1995 he was given responsibility for group management accountancy. From 1997 onwards he ran the Group Treasury. Roland Iff has been Chief Financial Officer since 2005. Before joining Geberit, he spent six years working for Mead Corporation in Zurich, Milan (IT) and Dayton (USA). He graduated in business administration at the University of St. Gallen (lic. oec. HSG), majoring in finance and accountancy.</p> <p>Roland iff is member of the Board of Directors of Bauwerk Group Ltd, St. Margrethen.</p> <p>As a non-executive and independent member of the Board of Directors, Roland Iff has never been a member of the Executive Board of VZ Holding Ltd or of any of its group companies. He does not maintain any material business relationships with the companies of VZ Group.</p>

(continuation)

Name, Year of birth, Nationality	Function	Elected (for the first time/until)	Professional background, other activities, vested interests and education
Dr. Albrecht Langhart, born 1961, CH	Member of the Risk & Audit Committee	2000 to 2023	<p>Dr. Albrecht Langhart is a partner of Blum &amp; Grob Rechtsanwälte Ltd in Zurich (2005 to 2008 BLUM Rechtsanwälte). Prior to this he was an associate and partner with various commercial law firms in Zurich (1989 to 2005). From 2000 to 2021 he has served as an arbitrator at the VSV Verband Schweizerische Vermögensverwalter (Association of Swiss Asset Managers). He studied at the University of Zurich (lic. iur. 1986, Dr. iur. 1993) and at the Queen Mary and Westfield College of the University of London (Master of Laws, LL.M. European Law, 1993). He was called to the bar of the Canton of Zurich in 1988.</p> <p>Albrecht Langhart serves on the Board of Directors of WABAG Wassertechnik Ltd, Winterthur.</p> <p>As a non-executive and independent member of the Board of Directors, Albrecht Langhart has never been a member of the Executive Board of VZ Holding Ltd or any of its group companies. He advises VZ Group in legal matters in his capacity as a partner of Blum &amp; Grob Rechtsanwälte Ltd. Apart from this he does not maintain any material business relationships with the companies of VZ Group.</p>
Roland Ledergerber, born 1961, CH	Member of Compensation Committee	2014 to 2023	<p>Roland Ledergerber has been Chairman of the Board of Directors of St. Galler Kantonalbank (SGKB) since May 2022.</p> <p>Ledergerber joined SGKB in 1998 as Head of Corporate Clients and Deputy Head of Division. From 2002 he was a member of the Executive Board and Head of Private and Business Clients, and from 2008 until the end of April 2021 he was Chairman of the Executive Board. Before joining SGKB, he worked at UBS AG in the areas of Corporate Development, Corporate and Institutional Banking Europe and Corporate Banking Switzerland in Switzerland and abroad. Roland Ledergerber graduated in business administration at the University of St. Gallen (lic. oec. HSG).</p> <p>Directors, Roland Ledergerber has never been a member of the Executive Board of VZ Holding Ltd or of any of its group companies. He does not maintain any material business relationships with the companies of VZ Group.</p>
Olivier de Perregaux, born 1965, CH	Member of the Risk & Audit Committee	2014 to 2023	<p>Olivier de Perregaux has been with LGT Group in Liechtenstein since 1999 and is CEO of LGT Private Banking since 2021. He was CFO and member of the Group Executive Committee and since 2006 a member of the Senior Management Board of the LGT Group. Prior to this he worked for Zurich Financial Services and for McKinsey &amp; Co. in Switzerland and abroad. Olivier de Perregaux graduated in business administration at the University of St. Gallen (lic. oec. HSG).</p> <p>As a non-executive and independent member of the Board of Directors, Olivier de Perregaux has never been a member of the Executive Board of VZ Holding Ltd or of any of its group companies. He does not maintain any material business relationships with the companies of VZ Group.</p>

### **Other activities and vested interests**

The activities and vested interests are listed in the section «Members of the Board of Directors» on pages 23 and 24. For reasons of materiality, other activities are listed only if the entity in question is subject to a regular audit.

### **Restriction of additional activities**

Members of the Board of Directors may exercise functions on senior management level or as members of boards of other legal entities only if these activities are compatible with their workloads and responsibilities at VZ Group. Mandates from legal entities that must be entered in the commercial register or a comparable foreign register are subject to the Board of Directors' approval.

A maximum of 5 mandates from public companies, 15 from other legal entities and 5 gratuitous mandates are permitted, the total number being limited to 20 mandates. Excluded from this restriction are functions that a member of the Board of Directors exercises at the direction of VZ Group. Functions at companies that are part of the same group are deemed to constitute one function.

### **Compensation, shareholdings and loans**

For additional information please refer to the «Compensation Report» on page 42 to 53.

### **Election and term of office**

#### **Election**

The shareholders' meeting elects all members of the Board of Directors individually for a term of one year. The period of office ends upon the conclusion of the next ordinary shareholders' meeting. The year for the first election is specified in the section «Members of the Board of Directors» (pages 23 and 24). There are no restrictions on how often a member of the Board of Directors may be re-elected.

The Board of Directors periodically discusses the composition of the Board of Directors and long-term succession planning. In doing so, the relevant competences, aspects of diversity and independence are taken into account.

The rules within the articles of association of VZ Holding Ltd governing the appointment of the chairman, the members of the Compensation Committee and the independent proxy correspond to the regulatory requirements. If the Chairman of the Board of Directors does not exercise his office until the end of the period of office, the Board of Directors shall elect a replacement from amongst its members for the period until the next shareholders' meeting.

### **Internal organisation**

#### **Tasks**

The Board of Directors consists of five or more members. Decisions are taken by the entire Board of Directors, based on the majority of the votes present. If a vote results in a tie, the Chairman takes the final decision. In the case of routine matters and in urgent cases, the Board may accept or reject applications in writing, unless at least one member requests a meeting.

For support and in order to ease its own workload, the Board of Directors has established a Risk & Audit Committee as well as a Compensation Committee. These committees prepare decisions relating to their topics, and also submit motions to the Board of Directors. Since most business is discussed and decided by the entire Board of Directors, no further committees are necessary. Members of the Board of Directors abstain from voting on matters that relate to their own interests or the interests of natural persons or legal entities with which they are associated.

#### Board of Directors

Pursuant to the Swiss Code of Obligations, VZ Holding Ltd's articles of association and internal organisational regulations, the Board of Directors has the following duties:

- the ultimate management of the company and the issue of the necessary directives
- the establishment of the organisation
- the structuring of the accounting system, financial controls and financial planning
- the appointment and dismissal of the persons entrusted with the management and representation of the company and regulation of signatory powers
- the ultimate supervision of the persons entrusted with the management in connection with compliance with applicable law, articles of association, regulations and directives
- the drawing up of the company's annual report as well as the preparation of the shareholders' meeting and the execution of its resolutions
- Preparation of the remuneration report
- the notification of the responsible legal authorities in the event of over-indebtedness
- the passing of resolutions relating to the subsequent payment of capital contributions on shares which have not been fully paid-up
- the passing of resolutions relating to the confirmation of capital increases and the ensuing amendments to the articles of association
- Reviewing the professional qualifications of the licensed audit experts or state-regulated audit firms in cases where the law provides for the use of such auditors or audit firms
- the assignment and monitoring of the internal audit, the assignment of the statutory audit company and the evaluation of their reports
- the decision on the formation, liquidation or acquisition of subsidiaries, branches and offices in new regional markets, the participation in companies, the establishing of joint-ventures and foundations
- the decision on acquisition or disposition of property
- the appointment and dismissal of the vice-chairman of the Board of Directors
- the appointment of the chairman of the Board for the time remaining until the next shareholder's meeting if the chairman elected resigns from his function
- Appointment of the members of Board Committees, (in particular the Risk & Audit Committee), with the exception of the Compensation Committee, whose members are elected by the Annual General Meeting
- the establishment of and amendments to the organisation's regulations
- the appointment and dismissal of the Chief Executive Officer, the deputy as well as the members of the Executive Board, of the Chief Risk Officers (CRO) and of the Head Legal & Compliance
- the decision on motions brought forward by the Risk & Audit Committee

- Issuing the regulations of the Compensation Committee within the framework of the principles laid down by law and in the articles of association
- the approval of the Executive Board's conceptual framework for group-wide risk management that defines the risk policy, the risk tolerance and the risk limits that result from it in all major risk categories and the definition of the responsibility for the regulation, establishment and monitoring of an effective risk management as well as the control of the overall risks
- Annual self-assessment of its own performance: The Board of Directors discusses its working methods once a year, usually at one of its meetings. In particular, it assesses the achievement of objectives, the composition in terms of expertise and personnel, as well as efficiency and effectiveness. External experts are not consulted for this assessment
- the definition and the approval of the job profiles for the members of the Board of Directors including their periodic assessment
- the definition, approval and periodic assessment of the job profiles for the members of the Executive Board, the CRO and the head of the internal audit
- the responsibility for an effective internal control system consisting of at least two bodies (profit-oriented business units and supervisory bodies that are independent from them) including the supervision of the control system

In addition to these tasks, the Board of Directors is also responsible for the forward-looking development of the company in the area of sustainability (Environment, Society and Governance ESG).

#### Chairman

The Chairman of the Board of Directors has the following duties:

- the chairmanship of the Board as a whole
- the preparation of the agenda for the shareholders' meetings and the meetings of the Board of Directors
- the convening of the meetings of the Board of Directors
- the chairing of the shareholders' meetings and the meetings of the Board of Directors
- the monitoring of the implementation of the decisions taken by the Board of Directors
- the keeping of the share register, whereas the administration of the register may be delegated to a suitable service provider
- the keeping of the company's records, documents and minutes
- the internal and external representation of the Board
- Decisive influence of VZ Group's strategy, communication and culture

#### Vice-Chairman

The Board of Directors elects each year, at the first meeting following the shareholders' meeting, a Vice-Chairman from amongst its own ranks. If the Chairman of the Board of Directors is unavailable, the Vice-Chairman assumes his duties and responsibilities.

#### Risk & Audit Committee

The Risk & Audit Committee comprises at least two independent, qualified members of the Board of Directors. The Chairman of the Board of Directors is not eligible for this committee. The principal responsibilities of the Risk & Audit Committee are to oversee the risk management, the accounting and the financial reporting as well as the compliance with the applicable legal and regulatory rules and regulations. It reviews the organisation and the effectiveness of the internal controls, namely the risk control, the compliance and



the internal audit, as well as the processes of the financial reporting. In addition, it oversees and coordinates the work of the external auditors, including the collaboration with the internal auditors. In the case of important decisions, the Risk & Audit Committee presents the Board of Directors with its recommendations. The Risk & Audit Committee reports to the Board of Directors twice per annum at least within the context of board meetings.

#### Compensation Committee

The Compensation Committee consists of at least two independent members of the Board of Directors who are elected at the shareholders' meeting individually for a period of office of one year. The Compensation Committee helps the Board of Directors to develop and monitor the remuneration system as well as to determine the compensation of the members of the Board of Directors and the members of the Executive Board of VZ Group.

The Compensation Committee checks adherence to the remuneration rules defined by the shareholders' meeting. In case of deviations, the Compensation Committee initiates corrective measures and monitors their implementation. The Compensation Committee draws up a compensation report that it presents to the Board of Directors for approval. In the event of important decisions associated with the remuneration of members of the Board of Directors and of the Executive Board, the committee submits proposals to the Board of Directors. The Compensation Committee reports to the Board of Directors twice per annum within the framework of the meetings of the Board of Directors.

#### Mode of operation

##### *Policies*

The Board of Directors meets as often as business requires, at least four times per year as a rule. These meetings usually take half a day. The Risk & Audit Committee meets at least twice a year, the Compensation Committee normally also meets twice a year. These meetings usually take 2 to 4 hours.

##### *Mode of operation of the Risk & Audit Committee*

The head of the Risk & Audit Committee proposes members of the Executive Board, other internal specialists or representatives of the internal or external auditors who, upon invitation, attend the meeting of the Committee and report from their area of responsibility. Usually, the CEO and CFO participate in these committee meetings. In the year under report, the CEO and CFO took part in all meetings held by the Risk & Audit Committee.

##### *Mode of operation of the Compensation Committee*

The Head of the Compensation Committee may invite other persons to the meetings of the committee. The invited participants have no voting rights in the meetings.

### *Meetings held in 2022*

Board of Directors: four ordinary meetings (as in 2021) plus a strategy workshop with the members of the Executive Board

Risk & Audit Committee: four meetings (as in 2021)

Compensation Committee: two meetings (as in 2021)

### **Attendance of the Board of Directors**

<b>BoD meeting</b>	<b>1.3.22</b>	<b>12.4.22</b>	<b>10.8.22</b>	<b>24.11.22</b>	<b>strategy workshop</b>
Fred Kindle	x	x	x	x	x
Roland Iff	x	x	x	x	x
Albrecht Langhart	x	x	x	x	x
Roland Ledergerber	x	x		x	x
Olivier de Perregaux	x	x	x	x	x

<b>Risk &amp; Audit Committee</b>	<b>1.3.22</b>	<b>4.4.22</b>	<b>10.8.22</b>	<b>23.11.22</b>
Roland Iff	x	x	x	x
Albrecht Langhart	x	x	x	x
Olivier de Perregaux	x	x	x	x

<b>Compensation Committee</b>	<b>25.2.22</b>	<b>24.11.22</b>
Fred Kindle	x	x
Roland Ledergerber	x	x

Neither the Board of Directors as a whole nor the two committees have invited any external consultants in the year under report.

### **Supervision of the Executive Board**

The Chief Executive Officer regularly reports to the Board of Directors about the performance of the group companies and the fulfilment of his tasks. He may inform all of the members of the board in writing or orally on the occasion of a board meeting. The Chief Executive Officer also provides reports on the company's financial situation to the other members of the board on a quarterly basis, and unsolicited points out unforeseen financial liabilities.

Irrespective of the regular reporting, the Chief Executive Officer also immediately informs the members of the board in writing about events that might have a substantial impact on the course of business, such as in particular:

- planned changes in the Executive Board,
- Events which may have a significant adverse effect on the financial situation of the Group, the Company or its subsidiaries, in particular impending litigation or the existence of an under-balance sheet or over-indebtedness,
- Determination of significant irregularities in the management of the company.

## Risk management system

An impeccable reputation among clients, investors, creditors, government agencies, business partners and the public is VZ Group's most valuable asset. Managing risks effectively contributes greatly to this reputation. Therefore, the correct assessment, the careful and conscious handling and the systematic monitoring of all important risks is crucial for the company's long-term success. No business activity is free of risks, and financial institutions active in the balance sheet business are exposed to particularly high risks. VZ Group avoids activities with an unfavourable risk/return ratio and enters a business field only if it has the human and technical resources to adequately control the risks.

VZ Group is exposed to reputational, operational, regulatory and legal risks. In addition, there are default, credit, market, liquidity and refinancing risks in the banking business and underwriting risks in the insurance business.

The overall responsibility including overall management, supervision and control of risk management lies with VZ Holding Ltd's Board of Directors. The Board of Directors sets the general guidelines for the entire group, approves the conceptual framework for group-wide risk management incl. risk policy, risk tolerances and limits, and issues the organisational, business and competence regulations. If laws, supervisory requirements or general conditions change, these principles are reviewed and adjusted if necessary.

The Risk Office is responsible for the ongoing risk control, including the independent control and monitoring of all risks, while the Legal & Compliance office is responsible for risks of legal and regulatory nature. The Risk Office draws up a bi-annual risk report, Legal & Compliance an annual activity report to the attention of the Risk & Audit Committee.

Additional information is set out in the notes to the consolidated accounts (pages 85 to 99, section «Risk management»).

## Independent supervisory bodies

The independent supervisory bodies are part of the internal control system and monitor the risks as well as legal, regulatory and internal compliance. The supervisory bodies assume the risk control and compliance functions. In order to fulfill their duties, they have unlimited rights of access, information and insight, as well as direct access to the Board of Directors.

## Internal audit

The internal auditors are elected by VZ Holding's Board of Directors and report to the Risk & Audit Committee. They carry out all tasks assigned by Risk & Audit Committee independently. The Board of Directors mandated Grant Thornton Ltd, Zurich as internal auditors, and for the German subsidiaries Warth & Klein Grant Thornton Ltd, Dusseldorf. For VZ InsurancePool Ltd the Board of Directors mandated Balmer-Etienne Ltd, Lucerne, which is accredited as auditors for insurance companies by the Swiss Financial market Supervisory Authority (FINMA), as an additional internal auditor.

The internal audit carries out a comprehensive risk assessment at least once a year. It takes into account external developments (e.g. economic environment, regulatory changes) as well as internal factors (e.g. important projects, business focus). Based on this risk assessment as well as other needs, the internal audit defines each year an audit plan with specific objectives that are in line with the risk-oriented multi-annual plan. The audit fields are based primarily upon the statutory requirements for audit obligations. In addition, the Board of Directors may define further fields.

When planning the audits, the internal audit shall coordinate with the external audit and shall make its audit results available to the external audit. The Risk & Audit Committee shall approve the annual audit plan at the latest on the occasion of the first ordinary meeting of the Risk & Audit Committee of the current year. The internal audit shall inform the Risk & Audit Committee, the Executive Board and the managers of the audited units in writing about the results of its audits. At the start of the year the internal audit shall furthermore draw up a report on its activities in the past year. In order to enable the internal audit to perform its duties, it has unlimited rights of access, information and insight.

**Right to request information**

Insofar as this is necessary for the fulfilment of their duties, each member of the Board of Directors may inspect the financial records and documents, and the Chairman of the Board may demand information from the Chief Executive Officer about the performance of the business and about individual transactions. If the Chairman and/or the Chief Executive Officer rejects a request for information, for a hearing or an inspection, then this shall be decided by the Board of Directors.

## Executive Board

### Authorities

The Executive Board of VZ Group is responsible for the management of the entire company. Together with the Board of Directors it is responsible for developing the business strategy of VZ Group. It discusses the focus of the subsidiary companies and of the business units in terms of strategy, corporate culture and business philosophy as well as interdepartmental projects of a personnel, risk policy or market profile nature. The Executive Board has the necessary leadership skills, expertise and experience in the banking and financial sector required for the approval of VZ Group's business operation.

### Changes in 2023

Matthias Reinhart stepped down as Chief Executive Officer as of 31 December 2022 and handed the operational management of VZ Group over to Giulio Vitarelli. The Board of Directors proposes to the Annual General Meeting on 12 April 2023 to elect Matthias Reinhart as Chairman of the Board of Directors.

Giulio Vitarelli has been responsible for VZ Group's advisory business with all branch offices in Switzerland since 2012. His successor is Philipp Heer, who has also helped shape VZ for many years and is a member of VZ Group's Executive Board.

### Chief Executive Officer

Within the framework of the law and the articles of association as well as the rules of organisation, the Chief Executive Officer is responsible for the management and representation of the company externally. His responsibilities include in particular:

- Organising, managing and monitoring the business activities at the operative level
- Submitting proposals to the Board of Directors concerning the appointment of members of the Executive Board, the deputy of the Executive Board, of the Chief Risk Officer (CRO) and Head Legal & Compliance, of directors and of holders of general commercial power of attorney
- Organising, managing and monitoring the accounting system, the financial controls and the financial reporting as well as managing the balance sheet structure and liquidity
- Preparing the passing of resolutions by the Board of Directors
- Designing and maintaining appropriate internal processes, an adequate management information system, an internal control system and an appropriate IT infrastructure
- Develop a conceptual framework for group-wide risk management to be adopted by the Board of Directors.

## Members of the Executive Board

Name, Year of birth, Nationality	Function	Professional background	Member of the Executive Board since
Matthias Reinhart, born 1960, CH	Chief Executive Officer	Lic. oec. HSG Associate and Engagement Manager at McKinsey & Co. in Zurich and Chicago Entry: 1992	1992
Giulio Vitarelli, born 1971, CH	Managing Director VZ VermögensZentrum (Switzerland)	Master of law (lic. iur.) Entry: 1998	2002
Thomas Schönbucher, born 1973, CH	Deputy Managing Director VZ VermögensZentrum (Switzerland)	Master of business administration (lic. oec. HSG) Entry: 2000	2012
Philipp Heer born 1984, CH	Managing Director Private Insurance and Region Berne, Central and Southern Switzerland	BSc Finance & Banking Entry: 2003	2021
Tom Friess, born 1968, CH	Chairman of the Board VZ VermögensZentrum Bank (Germany)	Degree in business administration (HWV) Bank Vontobel, Swiss Invest (Argentina) Entry: 1996	2000
Marc Weber, born 1976, CH	Managing Director VZ Depository Bank	MAS in Bank Management Vaudoise Versicherungen Entry: 1999	2008
Manuel Rüttsche, born 1984, CH	Managing Director Asset Management	MSc in Finance, London Business School Raiffeisenbank Entry: 2004	2018
Lorenz Heim, born 1968, CH	Managing Director HypothekenZentrum	Schweizerischer Bankverein Entry: 1994	1999
Simon Tellenbach born 1983, CH	Managing Director Corporate clients	Certified Swiss Pension Fund Manager, Business Economist (University of applied studies) Allianz Suisse Entry: 2005	2019
Rafael Pfaffen, born 1977, CH	Chief Financial Officer	MAS in Bank Management SwissRe CFO VZ Depository Bank Ltd since 2007 Entry: 2007	2017

### **Other activities and vested interests**

- Matthias Reinhart is a member of the Board of Directors of the following companies: Aktiengesellschaft für die Neue Zürcher Zeitung, Zurich, OM Pharma Ltd, Meyrin, Optimus Holding Ltd, Meyrin, Familie Ernst Basler Ltd, Zollikon and Reinhart Holding Ltd, Winterthur.
- Lorenz Heim is a member of the Foundation Board of HIG Immobilien-Anlagestiftung, Zurich and Vice President of HIG Asset Management, Zurich.

The members of the Group Executive Board do not hold any public or political office or a permanent management or advisory function for important Swiss or foreign interest groups. For reasons of materiality, other activities are listed only if the entity in question is subject to a regular audit.

### **Restriction of additional activities**

Members of the Executive Board may exercise functions on senior management level or as members of boards of other legal entities only if these activities are compatible with their workloads and responsibilities at VZ Group. Mandates of legal entities that must be entered in the commercial register or a comparable foreign register are subject to the Board of Directors' approval.

A maximum of 6 mandates against compensation (one of which from a public company) plus 6 gratuitous mandates are permitted. Excluded from this restriction are functions that members of the Executive Board exercise at the direction of VZ Group. Functions at companies that are part of the same group are deemed to constitute one function.

### **Changes during the reporting period**

There were no changes during the period under review.

Matthias Reinhart stepped down as Chief Executive Officer as of 31 December 2022 and handed the operational management of VZ Group over to Giulio Vitarelli. Giulio Vitarelli's successor as Managing Director of VZ VermögensZentrum (Switzerland) is Philipp Heer.

### **Management contracts**

VZ Holding AG has not concluded any management contracts.

### **Compensation, shareholdings and loans**

For additional information please refer to the «Compensation Report» on page 42 to 53.

## Shareholders' participation rights

### Share register

#### Representation and restrictions on voting rights

The Board of Directors keeps a share register, where the name and address of each holder and usufructuary of registered shares are registered. Each share listed in the share register entitles the holder to one vote. Entry in the share register is contingent upon proof that the share has been acquired for ownership or for the establishment of a usufruct. Vis-à-vis the company, shareholders or usufructuaries shall be deemed to be only those persons who are recorded in the share register. Further information about the registration conditions is set out in the section «Restrictions on transferability and nominee registration in the share register» on page 19.

If an entry in the share register was based on false information by the shareholder, the company may cancel the entry after a hearing with the nominee. The Board of Directors shall inform the affected shareholders immediately of the cancellation. Changes to the statutory provisions and restrictions on the transferability of shares are subject to the approval of two thirds of the represented votes and the absolute majority of the represented nominal share values at the shareholders' meeting. Shareholders may only exercise their voting rights if they are recorded as shareholders with voting rights in the share register of VZ Holding Ltd. The treasury shares of VZ Holding Ltd does not confer voting rights.

No exemptions to these provisions were granted during the year under report.

The rules pertaining to participation at the shareholders' meeting correspond to the rules of the Swiss Code of Obligations.

#### Quorums pursuant to the articles of association

The conversion of registered shares into bearer shares as well as the liquidation and dissolution of the company are only possible with the consent of the shareholders' meeting. The minimum quorum required is two thirds of the represented voting rights as well as the absolute majority of the nominal share value represented.

All other arrangements correspond to the provisions of Art. 703 and 704 of the Swiss Code of Obligations.

### Annual general meeting

#### Convening shareholders' meetings

VZ Group's procedures to convene the shareholders' meetings are in line with the provisions of the Swiss Code of Obligations.

#### Agenda

The agenda for the shareholders' meetings is set by the Board of Directors. Shareholders who individually or collectively represent shares with an aggregated value of at least one percent of the total share capital may submit proposals to be put on the agenda. The request must be submitted to the Board of Directors in writing, including a proof of the number of shares represented. Such a request must be received by the Board of Directors at least 45 days prior to the shareholders' meeting.



### **Entry in the share register**

The Board of Directors sets the deadline for entries in the share register and notifies the shareholders in the invitation to the annual general meeting. As a rule, the share register closes three days prior to the annual general meeting.

### **Instructions issued to the independent proxy**

Shareholders may issue powers of attorney and instructions to the independent proxy up to 48 hours before the start of the shareholders' meeting, including electronically. Specific instructions may be issued in respect of motions that are listed in the invitation to the shareholders' meeting, as well as general instructions on unannounced motions or new agenda items. The Board of Directors defines the rules that are to be used for the electronic issue of powers of attorney and instructions.

## **Changes of control and defence measures**

### **Mandatory public take-over offer**

The articles of association do not include any opting-out or opting-up clauses to suspend or limit the duty to make a public take-over offer based on Article 125 paragraph 3 and 4 (opting-out) and Article 135 para 1 (opting-up) of the Financial Market Infrastructure Act.

### **Changes of control**

No change-of-control clauses are included in the articles of association, in agreements or plans in favour of members of the Board of Directors, the Executive Board and/or the management.

## Auditors

### Duration of the mandate and term of office of the head auditor

The shareholders' meeting held on 12 April 2022 elected PricewaterhouseCoopers Ltd (PwC) as external auditor of VZ Holding and VZ Group for the financial year 2022. PwC has held this mandate since 2012, and Beat Rütscbe has been the head auditor since 2019. He assumed the mandate in 2019 and may exercise it for another three years before the legally required rotation is due.

### Auditing fee

PwC charged revision fees of TCHF 661 (2021: TCHF 678) for the financial and regulatory review in the financial year 2022.

### Additional fees

In 2022, PwC supported VZ Group in the implementation of regulatory requirements. Fees of TCHF 20 were charged for this service (2021: TCHF 15); representing 3.0 per cent of the audit fee. This additional service does not cause any conflicts of interest and is compatible with the audit tasks.

### Information instruments exercised by external auditors

The Risk & Audit Committee oversees the external auditing. It acknowledges the audit objectives and the audit plan, where these are not defined by supervisory authorities. It peruses the auditors' findings, recommendations and reports and monitors the scope and organisation of the audit activities. Finally, it assesses the quality of the audit and the compensation of the auditors. In order to assess the work of the external auditors, the Risk & Audit Committee holds meetings with the CEO, the CFO and the responsible head auditor. Evaluation criteria include qualifications, expertise and independence of the audit teams as well as of the head auditor. The Risk & Audit Committee identifies potential conflicts of interests with the auditors, especially where they take on additional consultancy mandates.

The external auditors review the annual statements with the members of the committee and attend additional meetings upon request. The committee regularly discusses the quality of the services and the cooperation with the head of the mandate. The head of the Risk & Audit Committee regularly informs the entire Board of Directors about the auditing activities.

In the reporting year, the external auditors participated in two meetings of the Risk & Audit Committee.

## Information policy

### Regular provision of information

VZ Group has a policy of communicating with shareholders, the capital market and the public in a transparent, comprehensive and regular manner. Regular reporting to shareholders includes publication of the annual and half-yearly reports, shareholder letters, media and analysts' conferences as well as the shareholders' meeting. In addition, VZ Group takes part in conferences for financial analysts and investors on a regular basis.

Important dates are listed under [www.vzch.com/investor-relations](http://www.vzch.com/investor-relations) and at the beginning of this report.

### Permanent source of information

VZ Group publishes news simultaneously for all market participants under [vzch.com](http://vzch.com). Interested parties may subscribe to a mailing list in the «Financial News Alert» section to be automatically updated: [www.vzch.com/investor-relations](http://www.vzch.com/investor-relations)

### Contact addresses

The main contact addresses are listed at the beginning of this report under «Information for shareholders».

### Relevant changes since balance sheet date

Matthias Reinhart stepped down as Chief Executive Officer as of 31 December 2022 and handed the operational management of VZ Group over to Giulio Vitarelli. Giulio Vitarelli had been Managing Director of VZ VermögensZentrum (Switzerland) since 2012. His successor in this function is Philipp Heer.

Apart from this, there were no material changes between 31 December 2022 and 2 March 2023 that would require disclosure.

The Board of Directors proposes to the Annual General Meeting of 12 April 2023 to elect Matthias Reinhart as Chairman of the Board of Directors. Fred Kindle is not standing for re-election and will step down from the Board of Directors.

## Trading suspension periods («blackout periods»)

To prevent insider trading, individuals and groups of individuals are excluded from trading in listed financial instruments if they have access to unpublished, potentially price-sensitive information. During the financial reporting period, VZ Group imposes general blocking periods for trading in VZ shares and financial instruments thereon for certain groups of people. The details are set out in an internal directive.

### General blackout periods

General trading restrictions apply to members of the Board of Directors, Executive Board and employees who have access to confidential information (category 1). One month before the publication of the results, the trading restrictions apply to all employees of VZ Group and persons closely associated with them (category 2):

- **Annual accounts and annual report**

Category 1: 15 December

Category 2: 1 month before publication

- **Half-yearly financial statements and half-year report**

Category 1: 15 June

Category 2: 1 month prior to publication

The blackout period ends 24 hours after the publication of the results.

### Additional blackout periods

VZ Group's CEO may set additional trading blackout periods at any time if required. In his absence, the CFO shall assume this task together with the Chairman of the Board of Directors.

### Exceptions

The Board of Directors has decided that employees who are not members of the Executive Board may enter a limited stock exchange order for the exercise of options that expire during the trading blackout period before the trading blackout period begins. These orders may remain in place during the trading blackout period. In order to safeguard the interests of the employees, options that expire during the trading blackout period are exercised on the expiry date or, in exceptional cases, the exercise period is extended beyond the trading blackout period.

Apart from this, no exceptions to these provisions were granted in the reporting year.

# COMPENSATION REPORT

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# COMPENSATION REPORT

The compensation report provides information about VZ Group's guiding principles and responsibilities for compensation. In addition, the individual components of the compensation of the Board of Directors and of the Executive Board are described in detail.

## Legal standards and best practice

VZ Holding Ltd's remuneration principles are outlined in its articles of association and published in the investor relations/corporate governance section on [www.vzch.com](http://www.vzch.com). The informations in the report are based on VZ Holding's articles of association and regulations and the legal requirements. The remunerations also comply with the recommendations of SIX's «Corporate Governance Directive» and of Economiesuisse's «Swiss Code of Best Practice». The legal requirements state in particular that severance payments, remuneration in advance or commissions for the acquisition of companies are not permitted. VZ Group's remunerations do not fall into any of these categories.

FINMA Circular 2010/1 «Remuneration systems» applies to banks, investment firms, financial groups and conglomerates that are required to hold at least CHF 10 billion in own funds and to insurers that are required to hold at least CHF 15 billion in own funds. VZ Group does not belong to this category.

## Equal pay

The revised Federal Gender Equality Act (GlG) has been in force since 1 July 2020. Companies with 100 or more employees had to analyse by mid-2021 whether they pay men and women equally, then have their analysis reviewed by an independent body and inform employees and shareholders of the results by mid-2023.

The GlG applies to VZ VermögensZentrum Ltd, VZ Depository Bank Ltd and VZ Corporate Services Ltd, each of which employs more than 100 people. In 2020, the management of VZ Group had not only the salaries of these companies analysed, but those of the entire Group. The analysis with the Confederation's standard analysis tool (Logib) did not reveal any significant, inexplicable wage differences. PwC has verified that the equal pay analyses of VZ VermögensZentrum Ltd, VZ Depository Bank Ltd and VZ Corporate Services Ltd was carried out in a formally correct manner and confirms that it «did not come across any facts from which it would have to conclude that the analyses do not comply with the legal requirements in all respects.» PwC's confirmation is included in the 2020 annual report.

In 2021 and 2022, VZ Group analysed wages again using the same methodology and tool. These analyses also showed no significant, inexplicable wage differences between women and men. These additional analyses were not reviewed by PwC because an external review is only required once.

## Changes during the year under report

VZ Group's compensation principles remain unchanged. The Remuneration Committee confirms that they are adequate because they support VZ Group's strategy and promote a culture that will ensure its long-term success.

## Compensation principles

### Compensation policy and goals

For VZ Group to remain successful in the long term, it needs to attract, develop and retain sufficiently qualified and loyal employees. This is the aim of VZ Group's compensation system. Compensation is structured in such a way that it supports the strategy and promotes a culture that safeguards the company's long-term success. All activities of VZ employees focus on client satisfaction. For this reason, employees are assessed based on what they directly and indirectly contribute towards this goal. In addition to monetary remuneration, immaterial aspects are also important. These include an open working atmosphere, honest interactions and the recognition of individual performances.

VZ Group's remuneration is based upon the following four principles:

Objective and fair	Objectivity is the basis of a fair remuneration system and ensures that nobody is discriminated against. For this reason, objective criteria are applied when setting compensation.
Performance-based	At VZ, compensation reflects first and foremost the performance and the function of a person (skills and responsibility). In addition to the individual performance, the work within a team and across departments is also encouraged and recognised. In certain functions, experience or specific know-how are also important components. In addition to the fixed remuneration, compensation may also contain variable components – above all where the individual performance is measurable and contributes directly towards the success of the business.
Competitive	VZ Group needs a competitive compensation system to recruit and retain a sufficient number of employees. For this reason, it is orientated towards the compensation models of companies that compete with VZ for talent.
Long-term	Corporate culture at VZ Group is based on long-term success. This is demonstrated by the services, processes and structures, as well as by the development of the employees in particular. Also the compensation system is designed to support VZ Group's long-term and sustainable development. For this reason, the variable components in particular are structured in such a way that no conflicts with the interests of the company arise. For example, the compensation must not create incentives to take disproportionate risks. Executives draw a part of their variable compensation in the form of locked-up shares. This brings their interests into line with those of VZ and supports their long-term commitment.

## Responsibility for compensation

	CEO	CC <sup>1</sup>	BoD	SM
Principles	P	R	A	
Compensation report		P	A	
Compensation BoD and EB				
Maximum compensation BoD		P	R	A
Maximum fixed compensation EB		P	R	A
Variable compensation EB		P	R	A
Individual compensation BoD		P	A	
Individual compensation CEO		P	A	
Individual compensation remaining EB	P	R	A	

P = proposal  
R = review  
A = approval

1 Board of Directors' Compensation Committee

### Compensation Committee

The Compensation Committee helps the Board of Directors develop and monitor VZ Group's compensation system. It reviews the compensation principles proposed by the CEO, and submits these to the Board of Directors for approval. It helps the Board of Directors to set the compensation for the members of VZ Group's Board of Directors and Executive Board, and prepares the compensation report. It moreover conducts regular checks to verify that the shareholders' meeting guidelines and the statutory provisions on compensation are being fulfilled. In conjunction with the compensation of the Board of Directors and Executive Board, the Compensation Committee has the following responsibilities:

- It proposes to the Board of Directors the maximum compensation of the Board of Directors as well as the maximum fixed compensation and the variable compensation of the Executive Board that is to be approved by the shareholders' meeting.
- It reviews the compensation of the members of the Board of Directors, and proposes this to the Board of Directors.
- It reviews the compensation of the CEO and submits this to the Board of Directors for approval.
- It reviews the compensation of the members of the Executive Board, which is proposed by the CEO, and submits this to the Board of Directors for approval.

The Compensation Committee consists of at least two independent members who are individually elected by the shareholders' meeting for one-year periods of office. Fred Kindle and Roland Ledergerber are the current members. The committee shall meet as often as the business requires, although at least twice per year. Two meetings took place in 2022, as in 2021, in which both members took part. If the upcoming matters so require, the Head of the Compensation Committee may invite further persons to attend the meeting in an advisory capacity without voting rights.



The Compensation Committee shall have a quorum if both members are present. Resolutions are passed unanimously, in the event of a tie the entire Board of Directors decides. If the number of members of the Compensation Committee is increased, the committee shall have a quorum if the majority of members is present, a majority of the votes present shall pass resolutions and in the event of a tie the Chairman of the Compensation Committee decides. As in the previous year, no external experts were consulted in the reporting period to determine the compensation.

### Board of Directors

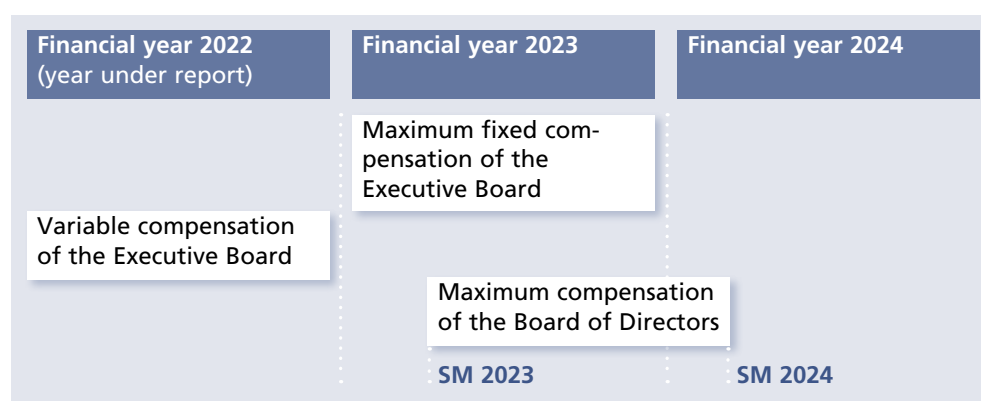
The Board of Directors has the overall responsibility for the duties and powers that it assigns to the Compensation Committee. It approves the compensation principles and the compensation report, checks the compensation of the Board of Directors and Executive Board, and submits the maximum compensation of the Board of Directors, the maximum fixed compensation and the variable compensation of the Executive Board to the shareholders' meeting for approval. In addition, it approves the individual compensation of the members of the Board of Directors, the CEO and the members of the Executive Board.

### Shareholders' meeting

The shareholders' meeting approves the overall compensation of the Board of Directors and the Executive Board in a binding vote. Pursuant to VZ Holding's articles of association, the shareholders' meeting shall pass resolutions on the following three motions:

- The maximum compensation of the Board of Directors until the next ordinary shareholders' meeting
- The maximum fixed compensation of the Executive Board for the current financial year
- The variable compensation of the Executive Board for the past financial year

The shareholders' meeting scheduled for 12 April 2023 will address the following three motions:



This means that following publication of the annual results, the shareholders can vote prospectively on the maximum compensation of the Board of Directors and Executive Board, and retrospectively in respect of the variable compensation of the Executive Board. This method ensures high transparency vis-à-vis shareholders.

If the shareholders' meeting rejects one of these motions, the Board of Directors may submit one or more new motions to the same shareholders' meeting. If the Board of Directors decides not to submit any new motions, or if these are not approved, then it may call a new shareholders' meeting within the context of the statutory guidelines and the provisions of the articles of association.

## Compensation provisions in the articles of association

The articles contain the following provisions regarding compensation:

### Supplement for new members

If the approved total remuneration of the Executive Board is not sufficient because additional members are appointed after the General Meeting, the approved amount may be increased by a maximum of 30 percent.

### Performance-related compensation

The performance-related compensation is based upon the qualitative and quantitative objectives defined by the Board of Directors. The bonus may be paid out in cash or in the form of shares, convertible or option rights. The articles of association stipulate that the bonus of a member of the Executive Board must not exceed 150 percent of his or her fixed compensation. The Board of Directors has structured the bonus scheme accordingly. As a result, the current bonus is limited to 63, 80 or 100 percent of a fixed basic salary, depending upon an Executive Board member's managerial level.

### Shares, convertible and option rights

The articles of association stipulate that VZ Group may allocate shares, convertible or option rights to members of the Board of Directors and Executive Board. The value of such securities corresponds to the value that they are attributed at the time of allocation, applying generally accepted valuation methods. The Board of Directors may stipulate a lock-up period for the holding of these securities or rights. It shall also stipulate when, to what extent and under which conditions lock-up periods shall be lifted. The management benefit programme is described in the section «Compensation in shares and options (Share-based payments)» on page 81 and in the notes to the consolidated financial statements in the section «Share-based management benefit programme» on pages 127 to 129.

If members of the Board of Directors or Executive Board receive convertible rights or options in their capacity as VZ shareholders, on the grounds that the share capital is raised or reduced, then these rights or options shall not be deemed to constitute compensation.

### Loans and credits

The conditions for loans and credits granted by VZ Group are the same for all employees and for members of the Board of Directors. The total volume of such loans and credits to members of the Board of Directors and the Executive Board is limited to CHF 100 million, the volume per person to CHF 20 million. The requirements for creditworthiness and credit standing are the same as for outsiders.

### Pension benefits

VZ Group uses two collective foundations for the occupational benefits of the members of the Executive Board and the Board of Directors. The mandatory and extra-mandatory benefits are defined in the pension plans and regulations of the basic and supplementary

pension plans. If the members of the Board of Directors carry out their activities in a secondary capacity, they may take out voluntary insurance. In such a case, VZ Group pays the regulatory contributions. If a member of the Executive Board or the Board of Directors is not insured through VZ Group's pension plan, the reimbursement of contributions may not exceed 40 percent of the annual remuneration of the person concerned.

## Compensation of the Board of Directors

### Determination method

The Compensation Committee shall review the compensation of the Board of Directors (as a rule, every two years) and base its assessment on comparable listed companies and the necessary involvement. In accordance with the Committee's proposal, the Board of Directors shall stipulate the compensation of its members and shall submit the maximum remuneration of the Board of Directors to the shareholders' meeting for approval.

### Compensation components

The members of the Board of Directors shall be enabled to exercise their supervisory function independently. For this reason each member of the Board of Directors shall receive a fixed basic compensation. A supplementary fixed sum shall be stipulated for additional tasks, e.g. serving as chair or head of a committee. This remuneration is not linked to specific targets or performance goals. These rules apply for all members of the Board of Directors.

#### Fixed compensation

100 percent of the fixed compensation is paid in VZ shares, which are locked for three years. The subscription price corresponds to the weighted average price of the shares traded within the defined period in January of the year in which the fee is paid out. The subscription price for the 2022/23 period of office is CHF 73.25, the weighted average price of the shares traded between 3 and 30 January 2023.

Function	Compensation per period <sup>1</sup>	Form <sup>2</sup>
Chair of the Board of Directors	CHF 110'000	locked-up shares
Member of the Board of Directors	CHF 60'000	locked-up shares
Head of the Risk & Audit Committee	additional CHF 20'000	locked-up shares
Member of the Risk & Audit Committee	additional CHF 10'000	locked-up shares
Head of the Compensation Committee <sup>3</sup>	additional CHF 10'000	locked-up shares
Member of the Compensation Committee	additional CHF 5'000	locked-up shares

<sup>1</sup> Plus contributions to social insurance

<sup>2</sup> Locked-up for 3 years

<sup>3</sup> If the the remuneration committee is not headed by the chairman of the Board of Directors

Information on the functions of all members of the Board of Directors can be found in the Corporate Governance section on pages 23 and 24.

Variable compensation	The members of the Board of Directors shall not receive any variable compensation.
Other compensation	Salary components such as public transport season tickets and private use of company cars are reported under the heading «other compensation». During the year under report, as well as in the previous year, the members of the Board of Directors did not receive any compensation that falls into these categories.
Social insurance contributions	The reported employer contributions to social insurance schemes encompass expenditure on occupational pensions, OASI, DI, ILI, FCO (incl. administrative costs). The contributions of VZ Holding Ltd to the Board of Directors are limited to the statutory minimum.
Loans and credits	On 31 December 2022, there were loans to members of the Board of Directors of totalled CHF 18.5 million (31 December 2021: CHF 13.9 million). The full amount has been granted as loan against securities (Lombard loan) to Fred Kindle, Chairman of the Board of Directors.
Additional fees and remuneration	In 2022 VZ Group paid Blum & Grob Attorneys at Law Ltd legal fees totalling TCHF 9 (2021: TCHF 36). Blum & Grob is represented by Dr. Albrecht Langhart, member of VZ Group's Board of Directors. These services are charged at market rates. VZ Group also acquires further goods and services from companies with which members of the Board of Directors are associated. However, the scope of these services does not impair the independence of the members of the Board of Directors. Additional information is set out in the notes to the consolidated accounts (pages 125 and 126, section «Related party disclosures»).
Former members	VZ Group does not compensate any former members of the Board of Directors.

### Compensation of the Board of Directors in 2022

The reported compensation of the Board of Directors during the year under report consists of the deferred share of the compensation of the 2022/23 period of office, i.e. from 13 April 2022 to the end of 2022, as well as the already paid-out share of the 2021/22 period of office (1 January to 12 April 2022).

Last name <sup>1</sup>	First name	Fixed compensation <sup>2</sup>		Variable compensation		Other compensation		Employer social insurance contributions		Total	
		2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
CHF '000											
Kindle	Fred	106	100	–	–	–	–	7	7	113	107
Iff	Roland	76	70	–	–	–	–	10	6	86	76
Langhart	Albrecht, Dr.	66	60	–	–	–	–	5	4	71	64
Ledergerber	Roland	61	55	–	–	–	–	4	4	65	59
de Perregaux	Olivier	66	60	–	–	–	–	5	4	71	64
<b>Total Board of Directors</b>		<b>375</b>	<b>345</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31</b>	<b>25</b>	<b>406</b>	<b>370</b>

1 Functions: Fred Kindle: Chairman, Head of the Compensation Committee, Roland Iff: Vice-Chairman, Head of Risk & Audit Committee, Dr. Albrecht Langhart: member of Risk & Audit Committee, Roland Ledergerber: member of the Compensation Committee, Olivier de Perregaux: member of Risk & Audit Committee

2 Compensation in shares

## Compensation of the Board of Directors: Proposal to the 2023 shareholders' meeting

For the 2022/23 term of office (13 April 2022 to 12 April 2023), the shareholders' meeting approved the maximum remuneration of TCHF 470 (incl. employer contributions to social insurance agencies).

CHF '000

	2022/2023 period of office:			2023/2024 period of office:
	Approved at the 2022 shareholders' meeting	Compensation April 2023 <sup>1</sup>	Difference	Proposal to the 2023 shareholders' meeting
Fixed compensation	430	395	35	525
Employer social insurance contribution	40	31	9	45
<b>Total</b>	<b>470</b>	<b>426</b>	<b>44</b>	<b>570</b>

<sup>1</sup> On 2 March 2023 the Board of Directors has approved of the compensations for the 2022/2023 period of office. It will be paid out after the shareholders' meeting held in April 2023.

For the term of office 2023/24, the Board of Directors proposes to the shareholders' meeting on 12 April 2024 to increase the maximum remuneration of the Board of Directors to TCHF 570 (including employer's social security contributions).

The Board of Directors proposes that Matthias Reinhart be newly elected as Chairman of the Board of Directors on 12 April 2023. If his election is confirmed, he will receive the compensation for this position as of 13 April 2023.

## Compensation of the Executive Board

### Determination method

Each year, the CEO proposes the fixed compensation for each member of the Executive Board to the Board of Directors' Compensation Committee in respect of the current financial year, as well as the variable compensation for the past financial year. The committee reviews these proposals and makes recommendations to the Board of Directors. In addition, the committee submits the proposed fixed compensation for the CEO to the Board of Directors for the current financial year, as well as the variable compensation for the past financial year. The CEO participates in the meeting of the Compensation Committee when the proposed compensation of the members of the Executive Board are discussed. On the basis of the recommendations of the Compensation Committee, the Board of Directors proposes the maximum fixed and variable compensation of the Executive Board and submits this proposal to the shareholders' meeting for approval.

### Compensation components

#### Fixed components

The CEO and the other members of the Executive Board receive a basic salary. The level of the basic salary is based above all on the function (responsibilities and skills) as well as the experience and qualifications of the member of the Executive Board. The compensation is also based on current statistics for executive salaries paid by comparable listed and non-listed Swiss corporations. The salary is paid out monthly in cash.

**Variable components** The bonus paid to the CEO and the other members of the Executive Board consists of two components, reflecting on the one hand VZ Group's consolidated results and on the other the individual target achievement. The first component depends upon the growth in operating revenues and profit. The Board of Directors defines these targets each year in advance. The individual component is dependent upon the targets for each Executive Board member's management area, defined each year by the CEO.

The variable compensation (bonus) depends on the achievement of the result targets at Group level and the individual targets at divisional level; taking into account the achievement of the quantitatively measurable component of the Group targets and the qualitative assessment of the individual targets. If the targets are not achieved, the bonus component is reduced or suspended. If the targets are exceeded, the bonus increases. The maximum bonus is capped at 63, 80 or 100 percent of the fixed base salary, depending on the management level. The Board of Directors monitors compliance with this regulation and may decide on exceptions if it deems it appropriate.

The Board of Directors proposes a variable remuneration in the amount of TCHF 2798 (2021: TCHF 3383). Regardless of the management level, their variable compensation varies from 48 to 67 percent of their fixed compensation, depending on the individual target achievement.

The variable compensation for the year under report will be paid out once this has been approved by the shareholders' meeting of 12 April 2023. The variable salary components are reported in accordance with the accrual principle, i.e. in the form of a provision in the year under report.

**Shares and options (Management Benefit Programme)** The Management Benefit Programme stipulates that Executive Board members shall receive 50 percent of their bonus in the form of locked-up shares. They may also draw a larger proportion in the form of shares; the maximum share component amounts to 75 percent. The subscription price corresponds to the weighted average price of the traded shares within the defined period in January in the year following the bonus period. The subscription price for the variable compensation for the financial year 2022 corresponds to the weighted average price of the shares traded between 3 and 30 January 2023, and is CHF 73.25.

Shares from the Management Benefit Programme are subject to a three-year lock-up period. The lock-up period continues even when holders of such shares leave VZ Group – unless they retire, in which case their shares will be exempt from the lock-up. For each share purchased, members of the Executive Board receive at the same time two free options to purchase two additional shares. The exercise price of the option is 110 percent of the subscription price of the underlying security.

The options have a duration of six years and can only be redeemed for shares; cash settlements are excluded. In addition, the options are locked for three years and expire worthless if the Executive Board member leaves VZ Group during this period. Members of the Executive Board have 6 months after termination of their employment to exercise their

free options. If they leave the VZ Group because they retire, all options will be released from the lock-up period. In this case, they must exercise all their options within 6 months of termination of employment.

The parameters taken into account in the option valuation model are set out in the notes to the consolidated financial statements on pages 127 to 129 in the management benefit plan section.

Other components	Other salary components contain public transport season tickets and private shares of company vehicles.
Social insurance contributions	Social insurance and pension benefits are designed to provide employees and their families with reasonable protection if they fall ill or become disabled, retire or die. The benefits correspond to the statutory guidelines, and in some respects exceed these. The reported employer contributions to social insurance schemes encompass expenditure on occupational pensions, for OASI, DI, ILI, FCO (incl. administrative costs) as well as statutory per diem sickness benefit and accident insurance.
Loans and credits	At the end of 2022, there was a credit line for members of the Executive Board of CHF 4.8 million (31.12.2021: CHF 4.4 million). As in the previous year, CHF 2.6 million of this amount was outstanding, of which CHF 2.0 million was attributable to a Lombard loan to Lorenz Heim (31.12.2021: CHF 2.2 million). As in the previous year, no loans or credits were outstanding to persons related to members of the Executive Board.
Former officers	No compensation was paid to members of the Executive Board who left in 2021 or 2022.

### Compensation of the Executive Board in the financial year 2022

The compensation of the Executive Board during the year under report consists of all salary components that belong to this period. The shareholders' meeting approves the variable compensation (cf. motions submitted to the shareholders' meeting 2023 on page 52).

CHF '000	Fixed compensation		Variable compensation		Other compensation		Employer social insurance contribution		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Total Executive Board</b>	<b>3'637</b>	<b>3'554</b>	<b>2'647</b>	<b>3'188</b>	<b>38</b>	<b>37</b>	<b>859</b>	<b>798</b>	<b>7'181</b>	<b>7'577</b>
<i>thereof cash</i>	<i>3'637</i>	<i>3'554</i>	<i>537</i>	<i>683</i>	<i>38</i>	<i>37</i>	<i>859</i>	<i>798</i>	<i>5'071</i>	<i>5'072</i>
<i>thereof shares</i>	–	–	<i>1'608</i>	<i>2'049</i>	–	–	–	–	<i>1'608</i>	<i>2'049</i>
<i>thereof options</i>	–	–	<i>502</i>	<i>456</i>	–	–	–	–	<i>502</i>	<i>456</i>
<b>thereof Matthias Reinhart<sup>1</sup></b>	<b>525</b>	<b>525</b>	<b>358</b>	<b>409</b>	<b>19</b>	<b>17</b>	<b>108</b>	<b>101</b>	<b>1'010</b>	<b>1'052</b>
<i>thereof cash</i>	<i>525</i>	<i>525</i>	<i>73</i>	<i>88</i>	<i>19</i>	<i>17</i>	<i>108</i>	<i>101</i>	<i>725</i>	<i>731</i>
<i>thereof shares</i>	–	–	<i>217</i>	<i>262</i>	–	–	–	–	<i>217</i>	<i>262</i>
<i>thereof options</i>	–	–	<i>68</i>	<i>59</i>	–	–	–	–	<i>68</i>	<i>59</i>

1 Highest compensation within the Executive Board as CEO of VZ Group.

In the year under review, there were no new Executive Board members, so the additional amount was not used. Standard market conditions apply to compensation paid to persons closely associated with key management personnel.

### Executive Board compensation:

#### Motions submitted to the 2023 shareholders' meeting

In respect of the financial year 2022, the shareholders' meeting approved the maximum fixed compensation of the Executive Board amounting to TCHF 4700 (incl. employer social insurance contributions). In addition, in respect of the financial year 2021, it approved the variable compensation amounting to TCHF 3383. These amounts include the employer's social security contributions.

### Fixed compensation

CHF '000

	Financial year 2022:			Financial year 2023:
	Approved at the 2022 shareholders' meeting	Compensation 2022	Difference	Proposal to the 2023 shareholders' meeting
Fixed compensation <sup>1</sup>	4'000	3'676	324	4'000
Employer social insurance contribution	700	707	(7)	730
<b>Total</b>	<b>4'700</b>	<b>4'383</b>	<b>317</b>	<b>4'730</b>

<sup>1</sup> Including other salary components.

For the financial year 2023, the Board of Directors is proposing a maximum compensation amounting to TCHF 4730 (incl. employer contributions to social insurance agencies) to the shareholders' meeting of 12 April 2023.

For the financial year 2022, the Board of Directors proposes a variable compensation of TCHF 2798 (including employer contributions to social security).

### Variable compensation

CHF '000

	Bonus Financial year 2021:	Bonus financial year 2022:
	Approved at the 2022 shareholders' meeting	Proposal to the 2023 shareholders' meeting
Variable compensation	3'188	2'647
Employer social insurance contribution	195	151
<b>Total</b>	<b>3'383</b>	<b>2'798</b>



## Share ownership

### Share portfolio of Board of Directors, including related parties

Last name	First name	Number of shares per 31.12.2022	Number of shares per 31.12.2021
Kindle	Fred	500'775	499'733
Iff	Roland	34'733	34'004
Langhart	Albrecht, Dr.	40'355	34'420
Ledergerber	Roland	13'780	13'207
de Perregaux	Olivier	6'462	5'837

### Share portfolio of Executive Board, including related parties

Last name	First name	Number of shares per 31.12.2022	Number of shares per 31.12.2021
Reinhart	Matthias	24'441'789 <sup>1</sup>	24'428'777 <sup>1</sup>
Vitarelli	Giulio	129'335	126'025
Schönbucher	Thomas	20'000	17'500
Heer	Philipp	12'429	10'363
Friess	Tom	223'615	221'808
Weber	Marc	82'028	78'863
Rütsche	Manuel	6'397	4'745
Heim	Lorenz	272'104	270'658
Tellenbach	Simon	8'532	6'549
Pfaffen	Rafael	21'727	17'606

1 22'039'870 of the shares are held through Madarex Ltd, Zug, of which Matthias Reinhart is the sole shareholder.

### Options portfolio of Executive Board, including related parties as at 31.12.2022

Last name	First name	Year of allocation				
		2022	2021	2020	2019	2018
Reinhart	Matthias	5'784	4'040	4'660	0	4'090
Vitarelli	Giulio	6'610	5'388	5'460	6'720	5'110
Schönbucher	Thomas	3'966	3'270	3'730	4'200	3'400
Heer	Philipp	4'132	2'886	3'150	3'220	1'810
Friess	Tom	3'614	3'116	3'640	4'580	3'870
Weber	Marc	6'330	5'136	5'860	6'500	5'140
Rütsche	Manuel	3'304	2'790	2'020	1'490	810
Heim	Lorenz	2'892	2'886	3'260	3'640	2'950
Tellenbach	Simon	3'966	3'078	2'420	1'340	0
Pfaffen	Rafael	4'462	3'462	3'500	3'640	1'810
Exercised options		0	0	0	5'320	0
Exercise price in CHF		99.80	85.75	70.65	66.90	82.5
Maturity		11.4.2028	11.4.2027	7.4.2026	8.4.2025	9.4.2024

11'395 options allocated in 2017 (exercise price CHF 75.25, maturity 23.2.2023 or 5.4.2023) have not yet been exercised.

## Report of the statutory auditor

to the General Meeting of VZ Holding Ltd

Zug

### Report on the audit of the remuneration report

#### Opinion

We have audited the remuneration report of VZ Holding Ltd (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14 to 16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Ordinance) of the remuneration report.

In our opinion, the information on remuneration, loans and advances in the remuneration report (pages 42 to 53) complies with Swiss law and article 14 to 16 of the Ordinance.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the remuneration report' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked 'audited' in the remuneration report, the consolidated financial statements, the financial statements and our auditor's reports thereon.

Our opinion on the remuneration report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the remuneration report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the remuneration report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Board of Directors' responsibilities for the remuneration report

The Board of Directors is responsible for the preparation of a remuneration report in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a remuneration report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich, Switzerland  
Telefon: +41 58 792 44 00, [www.pwc.ch](http://www.pwc.ch)

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### Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to article 14 to 16 of the Ordinance is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the remuneration report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

PricewaterhouseCoopers AG



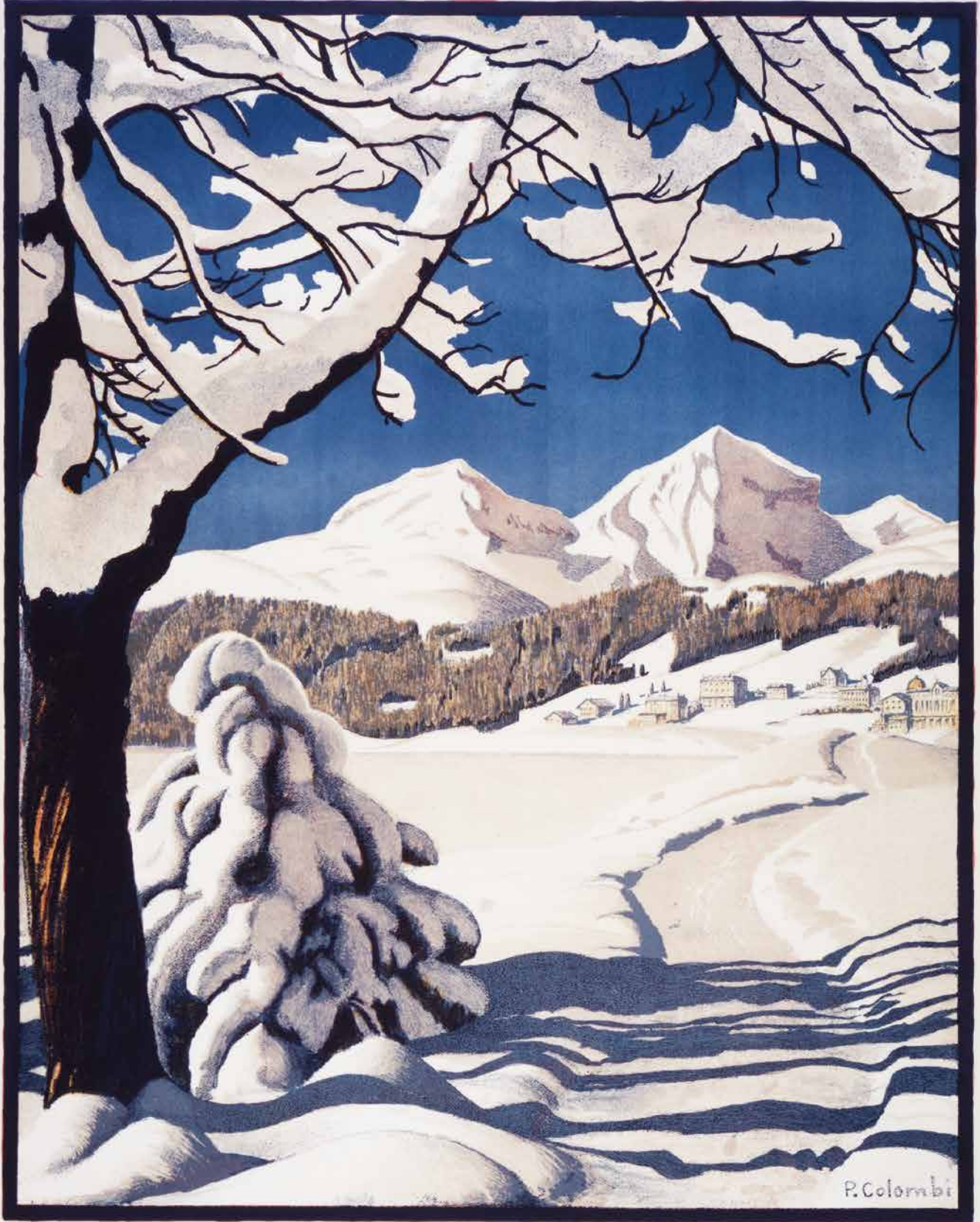
Beat Rütsche  
Licensed audit expert  
Auditor in charge



Patrick Wiech  
Licensed audit expert

Zurich, 28 February 2023





# ST. MORITZ

ENGADINE

SWITZERLAND

6000 ft.



# SILVAPLANA

ENGADIN

SURLEJ

1816 M

Johannes Handschin: Silvaplana, 1934

# FINANCIAL STATEMENTS VZ GROUP

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# CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	2022	2021
Consulting fees	100	31'269	27'743
Management fees			
On assets under management	101	266'034	255'304
Other management fees	101	29'408	27'318
Banking income from commissions and trading activities	101	47'572	46'530
Banking income from interest operations			
Interest income	100	23'739	17'587
Interest expense	100	(1'669)	180
Net earned insurance premiums	101	17'258	13'752
Net impairment (losses)/recoveries on financial assets	91	(24)	3
Other operating revenues	101	330	449
<b>Total operating revenues</b>		<b>413'917</b>	<b>388'866</b>
Personnel expenses	103	(156'808)	(144'782)
Other operating expenses	104	(49'148)	(48'952)
Expenses related to insurance contracts	101	(10'095)	(7'276)
<b>Total operating expenses</b>		<b>(216'051)</b>	<b>(201'010)</b>
<b>EBITDA</b>		<b>197'866</b>	<b>187'856</b>
Depreciation and amortisation	111, 112	(21'641)	(20'342)
<b>EBIT</b>		<b>176'225</b>	<b>167'514</b>
Finance expenses	104	(1'062)	(638)
Finance income	104	304	78
<b>Net finance income</b>		<b>(758)</b>	<b>(560)</b>
<b>Profit before income taxes</b>		<b>175'467</b>	<b>166'954</b>
Income taxes	105	(24'148)	(23'750)
<b>Net profit</b>		<b>151'319</b>	<b>143'204</b>
Attributable to:			
Shareholders of VZ Holding Ltd		151'030	142'592
Non-controlling interests		289	612
Undiluted earnings per share (CHF)	106	3.85	3.62
Diluted earnings per share (CHF)	106	3.85	3.62

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	2022	2021
Net profit recognised in the income statement	151'319	143'204
<b>Other comprehensive income, which can be reclassified to the income statement</b>		
Cumulative conversion adjustments	(1'062)	(876)
Change in cashflow hedge reserve	(42'025)	(9'556)
Tax effects	4'993	1'136
<b>Total other comprehensive income (net of tax), which can be reclassified to the income statement</b>	<b>(38'094)</b>	<b>(9'296)</b>
<b>Other comprehensive income, which cannot be reclassified to the income statement</b>		
Remeasurement of defined benefit obligation	33'577	1'367
Tax effects	(5'716)	(287)
<b>Total other comprehensive income (net of tax), which cannot be reclassified to the income statement</b>	<b>27'861</b>	<b>1'080</b>
<b>Total comprehensive income</b>	<b>141'086</b>	<b>134'988</b>
Attributable to:		
Shareholders of VZ Holding Ltd	141'083	134'494
Non-controlling interests	3	494



# CONSOLIDATED BALANCE SHEET

CHF '000

	Page	31.12.2022	31.12.2021
<b>Assets</b>			
Cash and cash equivalents	107	1'290'234	1'799'086
Short term investments	107	172'485	89'283
Marketable securities at fair value	107	1'343	2'964
Trade receivables	108	3'220	3'119
Other receivables	108	18'191	13'834
Accrued income and deferred expenses	109	71'725	68'646
Other current assets	109	7'198	9'071
<b>Current assets</b>		<b>1'564'396</b>	<b>1'986'003</b>
Financial assets	109, 110	4'185'837	3'606'605
Investments in associates	110	421	446
Property and equipment	111	145'807	132'708
Goodwill and other intangible assets	112	38'139	34'957
Deferred tax assets	117	11'312	10'073
<b>Non-current assets</b>		<b>4'381'516</b>	<b>3'784'789</b>
<b>Total assets</b>		<b>5'945'912</b>	<b>5'770'792</b>
<b>Liabilities and equity</b>			
Trade payables	115	2'777	704
Other current liabilities	115	90'967	24'179
Due to banks	115	130'444	624'842
Due to customers	115	4'431'605	3'874'421
Income tax payables		30'334	25'616
Provisions	118	1'383	1'350
Accrued expenses and deferred income	119	44'902	38'395
<b>Current liabilities</b>		<b>4'732'412</b>	<b>4'589'507</b>
Long-term debts	119	401'574	410'446
Other non-current liabilities	119	39'108	69'839
Deferred tax liabilities	117	1'550	1'316
<b>Non-current liabilities</b>		<b>442'232</b>	<b>481'601</b>
<b>Total liabilities</b>		<b>5'174'644</b>	<b>5'071'108</b>
Share capital	121	2'000	2'000
Treasury shares	121	(53'629)	(41'472)
Retained earnings	122	708'076	598'811
Net profit		151'030	142'592
Other equity components	122	(44'082)	(6'327)
<b>Equity attributable to shareholders of VZ Holding Ltd</b>		<b>763'395</b>	<b>695'604</b>
Non-controlling interests		7'873	4'080
<b>Total equity</b>		<b>771'268</b>	<b>699'684</b>
<b>Total liabilities and equity</b>		<b>5'945'912</b>	<b>5'770'792</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	Page	2022	2021
<b>Cashflow from operating activities</b>			
<b>Net profit</b>		<b>151'319</b>	<b>143'204</b>
Depreciation and amortisation of fixed assets and intangible assets	111, 112	21'641	20'342
Income tax paid		(23'294)	(21'964)
Interest paid from net finance income		(136)	(73)
Interest received from net finance income		72	15
Net capital (gains) losses and impairments on financial assets and liabilities		(23'260)	(2'572)
(Increase)/decrease in dues from short term investments	107	(83'202)	27'105
(Increase)/decrease in market value of marketable securities at fair value	107	1'621	9'833
(Increase)/decrease in trade receivables	108	(78)	(509)
(Increase)/decrease in financial assets	109, 110	(489'167)	(531'262)
(Increase)/decrease in other assets	108, 109	(6'793)	(9'261)
Increase/(decrease) in trade payables	115	2'012	(14)
Increase/(decrease) in other liabilities		72'185	48'656
Increase/(decrease) in due to banks	115	(494'398)	94'145
Increase/(decrease) in due to customers	115	560'184	586'878
Non cash share-based payment transactions		7'598	4'367
Other non-cash items		(11'653)	(22'921)
<b>Cashflow from operating activities</b>		<b>(315'349)</b>	<b>345'969</b>
<b>Cashflow from investing activities</b>			
Purchase of property and equipment	111	(25'043)	(7'530)
Proceeds from sale of property and equipment	111	0	5
Purchase of financial assets	109	(127'790)	(156'654)
Proceeds from financial assets	109	34'769	50'333
Purchase of intangible assets	112	(7'432)	(13'204)
Dividend from associates	110	27	20
Purchase of subsidiaries	145	(2'136)	(4'138)
<b>Cashflow from investing activities</b>		<b>(127'605)</b>	<b>(131'168)</b>
<b>Cashflow from financing activities</b>			
Purchase of treasury shares	121	(17'444)	(8'380)
Proceeds of treasury shares	121	1'993	13'169
Repayment of long-term debts	119, 120	(24'278)	(35'776)
Proceeds from long-term debts	119, 120	46'468	43'739
Payments of leasing liabilities	119, 120	(6'868)	(6'807)
Dividends paid to shareholders	153	(62'571)	(48'812)
<b>Cashflow from financing activities</b>		<b>(62'700)</b>	<b>(42'867)</b>
Effect of foreign exchange rate changes		(3'198)	(3'052)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(508'852)</b>	<b>168'882</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>1'799'086</b>	<b>1'630'204</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1'290'234</b>	<b>1'799'086</b>
thereof			
Cash at banks and in hand		1'243'982	1'799'086
Short term deposits less than 90 days		46'251	0

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF '000

	Share capital <sup>1</sup>	Treasury shares <sup>1</sup>	Cumulative conversion adjustment <sup>1,3</sup>	Hedge reserve <sup>2,3</sup>	Retained earnings <sup>1</sup>	Equity to shareholders of VZ Holding Ltd <sup>1</sup>	Non-controlling interests	Total equity
<b>As at 1 January 2021</b>	<b>2'000</b>	<b>(44'258)</b>	<b>(962)</b>	<b>3'812</b>	<b>655'742</b>	<b>616'334</b>	<b>323</b>	<b>616'657</b>
Net profit					142'592	142'592	612	143'204
Other comprehensive income			(757)	(8'420)	1'079	(8'098)	(118)	(8'216)
<b>Total comprehensive income for the period</b>			<b>(757)</b>	<b>(8'420)</b>	<b>143'671</b>	<b>134'494</b>	<b>494</b>	<b>134'988</b>
Participation plans					(791)	(791)		(791)
Treasury shares <sup>1</sup>		2'786			7'161	9'947		9'947
Dividends					(48'335)	(48'335)	(477)	(48'812)
Liability to purchase non-controlling interests					(16'045)	(16'045)		(16'045)
Change in non-controlling interests						0	3'740	3'740
<b>As at 31 December 2021</b>	<b>2'000</b>	<b>(41'472)</b>	<b>(1'719)</b>	<b>(4'608)</b>	<b>741'403</b>	<b>695'604</b>	<b>4'080</b>	<b>699'684</b>
<b>As at 1 January 2022</b>	<b>2'000</b>	<b>(41'472)</b>	<b>(1'719)</b>	<b>(4'608)</b>	<b>741'403</b>	<b>695'604</b>	<b>4'080</b>	<b>699'684</b>
Net profit					151'030	151'030	289	151'319
Other comprehensive income			(723)	(37'032)	27'808	(9'947)	(286)	(10'233)
<b>Total comprehensive income for the period</b>			<b>(723)</b>	<b>(37'032)</b>	<b>178'838</b>	<b>141'083</b>	<b>3</b>	<b>141'086</b>
Participation plans					954	954		954
Treasury shares <sup>1</sup>		(12'157)			3'349	(8'808)		(8'808)
Dividends					(61'884)	(61'884)	(687)	(62'571)
Liability to purchase non-controlling interests					(3'554)	(3'554)	0	(3'554)
Change in non-controlling interests						0	4'477	4'477
<b>As at 31 December 2022</b>	<b>2'000</b>	<b>(53'629)</b>	<b>(2'442)</b>	<b>(41'640)</b>	<b>859'106</b>	<b>763'395</b>	<b>7'873</b>	<b>771'268</b>

1 Further details are shown on page 121.

2 Further details are shown on pages 61 and 141.

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

**Rh.B.**



**GRAUBÜNDEN SCHWEIZ**

WOLFSBERG ZÜRICH

Augusto Giacometti: Graubünden, 1924

# NOTES TO THE FINANCIAL STATEMENTS

## Accounting principles

The Board of Directors approved VZ Holding Ltd's consolidated financial statements on 28 February 2023. They are also subject to approval by the shareholders' general meeting on 12 April 2023.

### Corporate information

VZ Group comprises VZ Holding Ltd and all its consolidated subsidiaries. VZ Holding Ltd is a Swiss public limited company headquartered in Zug with branch offices at around 40 locations in Switzerland, Germany and the England.

VZ Group's services are focused on individuals and couples aged 50 and over with residential property. Its advisory services focus on issues relating to retirement, investments, real estate, taxes and inheritance. Clients obtain a wide range of financial services through several platforms, including insurances, mortgages, pension solutions or banking services. The majority of revenues are generated from asset management.

### Principles

#### Basis of preparation

All values in the consolidated financial statements are in Swiss francs (CHF). Amounts in the notes are in thousands of Swiss francs (CHF '000) and rounded to the nearest thousand, unless otherwise specified. VZ Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law.

The preparation of the 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for determining the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. A revised estimate can affect both the current and future periods.

Decisions made by management in the application of IFRS can have a significant impact on the consolidated financial statements while estimates in the annual financial statements can entail significant material adjustment in the following year. Further details are provided in the section entitled «Estimates, assumptions and management's discretionary power» on pages 83 and 84.

## Changes in financial reporting

### New standards and interpretations that have been implemented

The International Financial Reporting Standards (IFRS) are continuously revised, expanded and interpreted. The most significant changes affecting the 2022 financial year are listed below:

Relevant standards, interpretations and explanations 2022

- IAS 37 – Amendment regarding «onerous contracts – costs of fulfilling a contract»
- IFRS 3 – Adjustments regarding the framework concept
- IAS 16 – Proceeds before intended use
- Annual Improvements to IFRS Standards (2018–2020)

The above amendments had no impact on the amounts recognised in prior periods and will not have a material impact on the consolidated financial statements.

### New standards and interpretations as of 2023

The following standards and interpretations take effect on or after 1 January 2023.

- IFRS 17 – Insurance contracts

The new standard regulates the principles for accounting, measurement and disclosure for insurance contracts. It replaces the previous standard IFRS 4 Insurance Contracts and is applicable from 1 January 2023. The implementation for the consolidated financial statements of VZ Group is currently being prepared.

The liabilities from insurance contracts recognised as at 31 December 2022 before the transition to IFRS 17 are shown on page 119. The technical result is disclosed on page 101. From the data listed there, it can be seen that changes due to the introduction of IFRS 17 have no significant impact on the equity and result of VZ Group.

- IAS 1 – Presentation of financial statements

These are amendments to the standard that clarify the criteria for classifying liabilities as current or non-current. The amendments will become effective on 1 January 2024 and will not have a material impact on VZ Group's consolidated financial statements.

- IAS 12 – Deferred taxes on assets and liabilities arising from a single transaction

If at the same time deductible and taxable temporary differences in the same amount arise when a transaction is first accounted for, deferred tax assets or liabilities must still be recognised from 2023. This is the case for leases, for example. The change will have no impact on VZ Group's consolidated financial statements.

- IAS 1 and IFRS Practice Note 2

These amendments redefine the «Disclosures of Accounting Policies». They will apply from 2023 and help ensure that only material information on accounting policies is presented in the notes to the consolidated financial statements. The amendments will have no material impact on VZ Group's consolidated financial statements.

## Summary of key accounting principles

VZ Group's consolidated financial statements comprise the financial statements of VZ Holding Ltd and its subsidiaries. They comply with the International Financial Reporting Standards (IFRS).

### Consolidation principles

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

#### Subsidiaries

Subsidiaries are fully consolidated from the date on which VZ Group obtains control over them and are deconsolidated from the date on which VZ Group loses control over them.

#### Associates

Companies in which VZ Group holds 20 to 50 percent of the voting rights and is able to exercise a significant influence are included according to the equity method. According to the equity method, shares in a company are recognised at acquisition cost from the day of their acquisition. After the acquisition, the carrying amount of the associates is increased or reduced by VZ Group's share of the comprehensive income and the owner-related changes in the associates' equity.

### Foreign currencies

#### Foreign currency transactions

Revenues and expenses denominated in foreign currencies are translated at the foreign exchange rate prevailing on the date of transaction. The consolidated financial statements are presented in Swiss francs (CHF), which is the functional and presentation currency of the companies in Switzerland. The functional currency of the companies in Germany is the Euro (EUR) and the British Pound (GBP) in England. At the end of the year, the assets and liabilities of this subsidiary are translated into VZ Group's presentation currency at the rate of exchange prevailing on the balance sheet date. Its income and cash flow statement are converted at the average exchange rates for the year. The resulting conversion differences are recorded directly in the statement of comprehensive income as cumulative conversion adjustments. Monetary assets and liabilities denominated in a foreign currency are converted at the balance sheet date. Non-monetary assets are converted at historical foreign exchange rates. Foreign exchange differences are recognised in the income statement.

The following exchange rates are used for the major currencies:

Foreign currency unit	Year end rates for the balance sheets as at		Average rates for income statements and cash flow statements for the years	
	31.12.2022	31.12.2021	2022	2021
EUR	0.9882	1.0368	1.0049	1.0811
GBP	1.1154	1.2342	1.1794	1.2578
USD	0.9250	0.9116	0.9550	0.9142

### Cash and cash equivalents in the consolidated cash flow statement

Cash and cash equivalents in the consolidated cash flow statement comprise petty cash and cash in bank accounts, call deposits and short-term money market investments with a maturity of three months or less from the date of acquisition, net of outstanding bank and postal overdrafts.

### Segment information

VZ Group focuses its services on individuals and couples over 50 with residential property and on advising corporate clients in the areas of insurance and occupational pension schemes. Through several platforms from one hand miscellaneous financial services are provided for these clients. Because of this focus VZ Group only reports one segment, in accordance with the applicable rules and VZ Group's management organisation.

VZ Group's external financial reporting is based on the internal reporting to the Executive Board of the Group, responsible for allocating resources and assessing the financial performance of the business. However, for its management decisions, the Executive Board reviews and uses the consolidated financial reports.

### Financial instruments (general information)

#### Initial recognition

Trade receivables and issued debt instruments are recognised for the first time when they arise. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

Purchases and sales of financial assets are recognised in the balance sheet on the transaction date. At the time of initial recognition, financial assets or liabilities are assigned to a corresponding category according to IFRS 9 criteria and measured at the fair value (including directly attributable transaction costs). In the case of trading portfolios (financial instruments through profit and loss), the transaction costs are classified with immediate effect on the income statement (see section «Financial instruments» on pages 135 to 143).



## Financial assets and liabilities

Financial assets are classified and valued according to two criteria:

- a) the business model in which the financial asset is held, and
- b) the characteristics of the financial asset's contractual cash flow.

The business model describes how a company manages its financial assets to generate cash flows. According to IFRS 9, there are the three following business models:

- the collection of contractual cash flows;
- the receipt of contractual cash flows as well as the sale of financial assets;
- financial instruments based on other models.

### Classification and valuation

For classification purposes, a distinction is made between financial instruments whose cash flow solely consists of principal and interest payments and those that contain other components.

Based on the analysis of the business model and the characteristics of the contractual cash flows, financial assets are allocated to one of three categories upon initial recognition and subsequently valued at:

- amortised cost in accordance with the effective interest method;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

#### *Amortised Cost*

Debt instruments are valued at amortised cost if:

- the objective of the business model is to collect contractual cash flows; and
- the cash flow consists exclusively of capital and interest payments.

### Determination of fair value

#### *Fair Value through other comprehensive income (FVOCI)*

Debt instruments are measured at fair value through other comprehensive income if the following criteria are met:

- the purpose of such assets is to generate contractual cash flows and to sell the assets; and
- the cash flows consist exclusively of capital and interest payments.

#### *Fair Value through profit and loss (FVTPL)*

All other financial instruments are recognised at fair value through profit and loss.

VZ Group applies this valuation principle to the positions «Securities at fair value» (trading portfolio) and «Derivatives for trading purposes». The valuation methods for «Derivatives for hedging purposes» are described in the section «Derivative financial instruments and hedge accounting» on page 74.

### *Equity instruments*

Such instruments are generally recognised at fair value through profit and loss. However, on initial recognition, an entity may make an irrevocable choice to reflect changes in the fair value of equity instruments not held for trading as other comprehensive income (OCI). VZ Group does not choose this option.

Financial liabilities are valued at amortised cost with the exception of instruments held for trading or hedging purposes (derivatives with a negative replacement value and hedged financial liabilities). The valuation methods for «Derivatives for hedging purposes» are described in the section «Derivative financial instruments and hedge accounting» on page 74.

After initial recognition, actively traded financial instruments are valued on the basis of market prices or traders' price quotations. Otherwise, fair value is determined using generally accepted valuation models based on observable parameters. The adequacy of the valuation is ensured by clearly defined methods and processes as well as independent controls.

IFRS 9 requires entities to recognise expected credit losses on initial recognition of a financial instrument as an impairment loss. Subsequently, the amount of expected credit losses is updated at each balance sheet date to reflect changes in credit risk. The impairment requirements apply to financial assets valued at amortised cost or at fair value through other comprehensive income (FVOCI) and to financial guarantees and loan commitments.

### Expected credit losses (ECL)

VZ Group bases its calculation of expected impairments under IFRS 9 mainly on the following procedures and models:

- General approach:

For the balance sheet items «cash and cash equivalents», «short-term investments» and «bonds» (included in the balance sheet item «financial investments»), counterparty valuations by international rating agencies and default probability data serve as the basis for calculating expected impairments. VZ Group uses its own rating system for «mortgage loans» (included in the balance sheet item «financial investments») and «Lombard loans» (included in the balance sheet item «short-term investments»). The calculation of expected impairments is based on a three-stage model. For financial instruments which credit risks have not significantly increased since initial recognition, the expected credit losses are estimated for 12 months (stage 1). For financial instruments for which the default risk has increased significantly, the expected losses are estimated over the entire remaining term (stage 2). If there is additional objective evidence of impairment, a specific allowance is recognised (stage 3).

VZ Group classifies financial instruments as stage 1 of the impairment model upon initial recognition. If a financial instrument's default risk increases significantly thereafter, and if its internal or external ratings are below investment grade, the instrument is transferred to stage 2. The key indicators of a significantly higher default risk are a default in payment, a significant deterioration in the rating (BBB or lower, or deterioration by two or more rating levels), market data related to default risk (e.g. expansion of the risk premium) or specific factors on the borrower side. For mortgage loans, a negative change in the loan-to-value ratio and the borrower's financial viability are included as additional assessment criteria. For Lombard loans, the development of the loan-to-value ratio (and thus the quality of the pledged assets) is the key criterion.

Under «bonds», VZ Group only holds liquid interest rate instruments from high-quality debtors that are rated «investment grade» by recognised rating agencies. The creditworthiness of debtors is continuously monitored on the basis of ratings, market factors and internal assessments. If an interest rate instrument stops complying with the creditworthiness guidelines, it is generally sold quickly. Otherwise, the next balance sheet date is used to assess whether there is a significant increase in the default risk or objective evidence of impairment.

«Fixed-term deposits» are limited to banks and public-sector borrowers in Switzerland with a high credit rating.

VZ Group's mortgage loans are limited to residential properties, distributed among a large number of mortgage borrowers and secured by mortgages. A rating is determined for each borrower according to the criteria of loan-to-value ratio and affordability. The default risks are considered to be low. The Saron is the reference interest rate for variable-rate money market mortgages<sup>1</sup>.

VZ Group generally only grants lombard loans to investment clients if the loans are covered by easily realisable securities deposited with VZ banks. Close monitoring of loan-to-value ratios minimises the probability that risks will have to be upgraded.

The methods and processes for managing counterparty risks from unsecured bank loans and overdrafts are described in the Risk management section.

The expected credit losses under the general approach for stages 1 and 2 are calculated by multiplying the amount outstanding by the probability of default and an assumed loss rate in the event of a potential default. The probabilities of default are determined using matrices from rating agencies and weighted once a year with a factor for the current economic situation on the reporting date. The loss ratio refers to the estimated portion of a receivable that could not be repaid by the debtor in the event of a loss. The loss ratios used for the calculation are based on empirical values published by rating agencies.

<sup>1</sup> Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate.

The expected credit losses on financial instruments in stage 3 are determined individually, taking into account the liquidation value of any collateral available. Derecognition takes place when a legal title confirms the completion of the liquidation procedure.

- Simplified approach

For the balance sheet items «Trade receivables» (consulting fee receivables), «Other receivables» and «Other current assets», the expected credit losses are calculated on the basis of a matrix with the axes maturity or past due in days and default rate in percent per maturity level. The matrix is based on historical default rates and is continuously adjusted for future-related estimates. Under the simplified approach, the calculation of expected credit losses is based on the aggregate maturity of the financial assets. The default rates used per category are shown in the notes to the balance sheet («receivables from customers») on page 108.

The expected impairments under both approaches are reported in the income statement under «Net impairments of financial assets». For information on the development of impairment losses on financial instruments, please refer to the section entitled «Risk management», «Default/credit risk» on page 87.

## Derecognition

Financial instruments assets are derecognised if the rights to receive payments from them have expired or are transferred and the group has transferred all risks and remuneration claims.

Financial liabilities are derecognised when the obligations specified in the contract are discharged, cancelled or expired.

### **Financial instruments (specifications for the balance sheet items)**

## Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash and cash in bank accounts, call deposits and short-term money market investments with a maturity of three months or less from the date of acquisition. Cash and cash equivalents are recognised at amortised cost less expected credit losses.

## Short-term investments

Short-term investments include fixed-term investments at banks as well as bridging loans for mortgage customers and lombard loans. All positions entail maturities of between three and twelve months. They are recognised at amortised cost less expected credit losses. As a rule, the asset is derecognised at the time at which a legal title confirms the completion of the realisation process.

Mortgages and Lombard loans are only granted on a secured basis or to counterparties with high credit ratings.

Interest income on balances that are not overdue is accrued and recognised in the income statement under «Banking income from interest operations». The revenues from short-term interim financing for mortgage customers are recognised as management fees.

Trading portfolio and other financial instruments at fair value

Financial instruments held for trading purposes are reported in the balance sheet at fair value under «Marketable securities». Profit and loss from sales and repayments, interest and dividend income as well as changes to the fair value are recorded in the income statement.

These receivables are recognised at amortised cost less expected credit losses. Actual defaults lead to the derecognition of the respective receivable.

This balance sheet item includes time deposits with a remaining term of more than one year, mortgages, bonds, employee loans and other financial investments. Mortgages are generally only granted on a secured basis or only to counterparties with high credit ratings.

Financial assets

Financial assets are carried at amortised cost less expected credit losses. Interest is accrued using the effective interest method and reported as «Banking income from interest operations».

Trade receivables and other receivables

HypothekenZentrum Ltd grants mortgage-backed residential mortgages to private individuals in Switzerland. As a rule, the mortgage claims are transferred either by silent assignment to VZ Depository Bank Ltd or to other institutional investors. Credit risks in the nominal amount of the receivable and the refinancing interest rate are transferred to the assignee. Individual receivables may also be temporarily financed by HypothekenZentrum Ltd in the short term. Mortgage claims ceded to other investors are not accounted for in accordance with IFRS. Receivables financed by VZ Depository Bank Ltd or HypothekenZentrum Ltd are shown in the balance sheet.

Details can be found on pages 109 and 110.

#### *Derivative financial instruments*

Derivative financial instruments and hedge accounting

Derivatives are recognised at fair value when contracts are signed and revalued on the balance sheet date. The recognition of changes in fair value depends on whether such instruments are held for trading/hedging purposes or for hedge accounting according to IFRS.

VZ Group uses forward exchange contracts, interest rate swaps and interest rate caps (interest rate options) for hedging purposes. For hedging with interest rate swaps and interest rate caps, VZ Group applies hedge accounting as defined by IFRS. Fair value hedges and cash flow hedges are described under «Hedge accounting under IFRS».

Forward exchange contracts are valued at fair value and recognised as positive and negative replacement values under «Marketable securities at fair value» and «Other current liabilities» respectively. The fair value is determined on the basis of stock exchange quotations or option price models. Changes in the fair value of positions in the trading portfolio are recognised in the income statement under «Banking income from commissions and trading activities».

#### *Hedge accounting according to IFRS*

Basically, three types of hedge accounting are distinguished: fair value hedge, cash flow hedge and hedge of net investments in foreign operations. VZ Group currently uses fair value hedges and cash flow hedges.

Interest rate swaps are used to hedge interest rate risks on fixed-interest mortgage bond loans. In this fair value hedge, changes in the fair value of the underlying transaction attributable to the hedged risk are recognised in the income statement under «Banking income from commission and trading» together with changes in the fair value of the hedging derivative. In the balance sheet, changes in the fair value of the hedged items are recorded as an adjustment to the carrying amount of the underlying transaction. Changes in the fair value of the hedging derivative are recorded in «Marketable securities at fair value» or in «Other current liabilities». The fair value of interest rate swaps is determined using discounted cash flow models.

VZ Group generates interest income on a substantial portion of its mortgage investments based on the Saron<sup>1</sup> rate. It has hedged this interest income with a cash flow hedge using caps against constantly low or further falling interest rates. It receives a fixed premium from the counterparty when interest rate caps are sold. As soon as the 3-month Saron exceeds a defined threshold on certain key dates during the term of the contract, VZ Group must pay the counterparty an interest amount. These payments are calculated from the difference between the current 3-month Saron and the threshold value. Premiums received are recorded as interest income in the income statement item «Banking income from interest operations». Premiums paid are booked in the same position as interest expense. Changes in the fair value of interest rate caps are recorded in other comprehensive income in the statement of comprehensive income as long as the hedge is effective. If not effective, changes in fair value are transferred from the consolidated statement of comprehensive income to the income statement. The fair value of interest caps is determined using an option pricing model (Bachelier model).

In its hedge accounting, VZ Group documents the economic relationship between the hedging instrument and the hedged transaction. The type of risk, the objectives and the strategy of the risk management are also outlined. This documentation also includes evidence of how VZ Group determines the effectiveness of the hedging instrument in offsetting risks arising from changes in the fair value of the hedged item or from cash flows. The scope and effectiveness of hedging transactions are shown on page 141.

<sup>1</sup> Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate.

Trade payables and other current and non-current liabilities	Trade payables and other current and non-current liabilities are carried at amortised costs using the effective interest rate method. The negative replacement values of derivative financial instruments included in «Other current liabilities» are valued at fair value in the income statement.
Due to customers	Liabilities to clients include sight deposits and fixed-term investments made by clients. The carrying amount measured at amortised cost corresponds to the nominal value of these liabilities.
Long-term debts	Non-current financial liabilities include loans from central mortgage institutions, time deposits, medium-term notes and leasing liabilities. Non-current financial liabilities are recognised at fair value less transaction costs at initial issue and subsequently at amortised cost using the effective interest method (for leasing liabilities please see page 77).
Receivables and liabilities from securities financing transactions	Securities financing transactions include repurchase agreements in which assets are sold to another financial company for a limited period of time and in connection with a repurchase agreement (known as repurchase and reverse repurchase transactions in the banking industry). Reverse-repurchase transactions are treated as receivables against securities collateral. The cash amounts exchanged are recorded in the balance sheet at nominal value. The transfer of securities does not trigger any entry in the balance sheet because VZ Group, as the transferring party, retains economic control of the rights associated with the securities.

### Property and equipment

Property and equipment assets comprise buildings and land, interior fittings, furnishings, equipment and IT systems. These assets are capitalised if their acquisition or production costs can be reliably determined, they will bring future economic benefit and their expected period of use exceeds one year. Minor purchases and renovation and maintenance costs that do not generate added value, on the other hand, are charged directly to operating expenses. See page 78 for the accounting principles of the rights of use under leases included in «Property and equipment».

Capitalisation is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the useful life of the assets. Property and equipment assets are derecognised upon disposal or when no future economic benefits are expected from them. Depreciation is charged from the actual start of operational use. Any gain or loss arising on the derecognition of assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the income statement in the year the assets are derecognised.

The residual value of the other intangible assets, their useful lives and the methods of depreciation are reviewed and adjusted if appropriate at the end of each financial year.

### Goodwill and other intangible assets

Goodwill is determined from the positive difference between the purchase price and the fair value of the identifiable assets and liabilities of the acquired company. If the difference is negative, this gain is immediately recognised in the income statement. Goodwill is recorded in the original currency and translated at closing rates on the balance sheet date.

«Other intangible assets» include customer relationships acquired in the course of business combinations and other acquired contractual rights. Intangible assets are capitalised if they will generate future economic benefits and their cost can be measured reliably.

The residual values of the assets, their useful lives and the methods of depreciation are reviewed and adjusted if appropriate at the end of each financial year.

### Impairment of property, equipment, goodwill and other intangible assets

The value of property, plant and equipment and intangible assets is reviewed whenever the carrying amounts appear to be unjustifiably high or low due to events or changes in circumstances. If the book value exceeds the recoverable amount, an impairment loss is recognised. If the value increases, the reversal of the impairment is recognised in profit or loss up to a maximum of the acquisition cost.

The value of goodwill is reviewed at least once a year and is explained in detail on page 83.

### Definition of a lease

#### Leasing

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

#### VZ Group as lessee

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

For all other leases with VZ Group as lessee, a lease liability and an asset with a right-of-use asset is recognised in the balance sheet at the inception of the lease. Leasing liabilities are initially recognised at the present value of the future lease payments. The present value is calculated using the assumed interest rate for additional borrowing by VZ Group on the interbank market.

#### Leasing liabilities

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



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

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

#### VZ Group as lessor

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

#### **Provisions**

VZ Group recognises provisions when it has a legal or factual obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. Provisions are recognised and reversed in the appropriate line of the income statement.

### Revenue recognition

Consulting fees	<p>The consulting fees result mainly from financial and retirement planning for VZ clients. Clients are usually advised over a period of time and the cost of advice is recognised as consulting fees. Services already rendered but not yet invoiced are recognised as accrued income and deferred expenses. This item is based on the billable working hours and the fee per hour. Upon invoicing, these services are reclassified to «Trade receivables».</p>
Management fees	<p>For assets managed over a certain period of time, VZ Group charges a percentage fee («Management fees on assets under management») on the average value of the assets under management.</p> <p>HypothekenZentrum Ltd generates revenues from mortgages ceded to institutional investors over a given period.</p> <p>«Other management fees» include fees for insurance, foundation and pension fund management services. These services are provided on a period basis.</p> <p>The components of «Management fees» described above are recognised pro rata temporis in the income statement and invoiced periodically (at least quarterly).</p>
Banking income from commissions and trading activities	<p>Revenues for services related to securities transactions, account management and payments as well as trading income (primarily from foreign exchange transactions by clients) are generally calculated as a percentage of the transaction volume or as a fixed amount per transaction. They are charged to client assets and recognised in the income statement at the same time.</p>
Services for assets in crypto-currencies	<p>Since the fourth quarter of 2021, VZ Group's clients can also hold and trade assets in cryptocurrencies. VZ Group credits these holdings to client custody accounts and holds them on their behalf as nominee (trustee), while the clients remain the legal and beneficial owners. VZ Group has no claim to these holdings and does not show any assets in cryptocurrencies in its balance sheet. Revenues for the custody of and trading in such assets are charged to clients in traditional fiat currencies and recognised as banking income from commission and trading activities.</p>
Banking income from interest operations	<p>Revenues and expenses from the interest margin business of the two VZ banks are accrued on an accrual basis. Interest due in favour to VZ Group is charged to client assets and interests to be paid to clients is credited to client accounts.</p>

### Insurance business

Insurance contracts as defined by IFRS comprise all products containing a significant technical risk.

**Net earned insurance premiums**

Insurance premiums are recognised at the beginning of the contract period. The share of earned premiums is calculated for each contract and accrued pro rata temporis. The remaining share is deferred to the relevant financial years as unearned premium reserve. The earned premiums (after ceded reinsurance premiums) are reported in the income statement under «Net earned insurance premiums». Claims incurred including external claims handling expenses less the reinsurers' share of claims incurred are reported on an accrual basis. These expenses plus the change in actuarial loss reserves are recognised under «Expenses of insurance contracts».

The total actuarial claims reserve is recognised under «Other long-term liabilities».

VZ InsurancePool Ltd insures non-life risks for private individuals such as insurances for motor vehicles, buildings, private properties and liabilities. VZ InsurancePool Ltd's financial statements are subject to the regulation of the Swiss financial market supervisory authority. VZ BVG Rück AG, newly founded in 2022, will only commence business operations as a group life insurance company within the scope of occupational pension provision in 2023.

**Net finance income**

Net finance income comprises interest income and expenses, income from investments, gains and losses from foreign exchange and securities transactions, bank charges and credit commissions. Gains and losses from foreign exchange transactions are determined using the current foreign exchange rate. Interest income and expenses are recognised in the income statement when incurred. At VZ Banks, both the «management fees on assets under management» and the «banking income from commissions and trading activities» as well as the «banking income from interest operations» arise from their operating activities. Therefore, these income and expenses of VZ Banks are not reported in VZ Group's finance income, but in its operating revenue.

For detailed information please see page 104.

**Income taxes**

**Current income taxes**

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or most likely to be substantively enacted in the future.

Current income taxes are calculated on the basis of the applicable tax laws in the individual countries and recognised as expenses in the period in which the related profits are made. Assets or liabilities related to current income taxes are reported in the balance sheet as income tax payables and receivables.

**Deferred income taxes**

Tax effects arising from temporary valuation differences between the carrying amounts of assets and liabilities in the Group balance sheet and their corresponding tax values are recognised as «Deferred tax assets» and «Deferred tax liabilities» in the balance sheet. Deferred tax assets arising from temporary valuation differences and from loss carry-forwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available

against which the effects arising from these differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realised or tax liabilities settled.

### **Treasury shares**

Shares of VZ Holding Ltd held by VZ Group are qualified as treasury shares. They are deducted from equity at the weighted average acquisition value. Changes in fair value are not recorded. For sales of treasury shares the FIFO method (first in first out) is applied. The difference between the sales proceeds of the treasury shares and the acquisition value is reported under reserves.

### **Share-based payments**

#### **Shares**

As a reward for their services, senior management members receive part of their compensation in the form of shares of VZ Holding Ltd (so called equity-settled transactions). Share-based compensation is restricted to variable salary components. Variable compensation is determined by the achievement of individual performance targets and VZ Group's financial results. Furthermore, the remuneration of the members of the Board of Directors are paid out in shares.

#### **Options**

Costs for equity-settled transactions are calculated at the fair value of the transactions on their date of issue. The fair value is determined using the Enhanced American model.

The costs for granting the equity instruments and the corresponding increase in equity are recognised over the vesting period (period in which the exercise or performance conditions must be fulfilled). The vesting period ends on the day on which the employee is irrevocably entitled to exercise the option right. At each reporting date until the end of the vesting period the cumulated costs of the equity-settled options are disclosed and reflect the share of the vesting period already over and the number of equity-settled options that are expected to be exercisable after the vesting period. The costs or income recognised in the accounting period reflect the development of the cumulated costs for the equity-settled options at the start and end of the accounting period. No costs are recognised for options that do not become exercisable.

The diluting effect of the outstanding options on the calculation of earnings per share is recognised by adding the outstanding exercisable options from the management participation program to the weighted number of shares.

Further information relating to the management participation is shown on pages 127 to 129.

### Long-term employee benefits

In addition to remuneration, VZ Group finances a significant portion of its employees' pension plans. In the case of service anniversaries, VZ Group pays additional benefits to employees with many years of service.

### Employee benefits/pensions

VZ Group maintains various pension plans for its employees in Switzerland and Germany, some of which are defined benefit plans and some of which are defined contribution plans under IFRS. In addition, there are defined benefit plans for service anniversaries, which qualify as other long-term employee benefits. The structure of these plans is explained in the notes under «Employee benefit obligations» starting on page 130.

#### Defined benefit pension plans

In the case of defined benefit pension plans, the period costs of the pension are determined by appraisals of external experts. Benefits under these plans are generally based on years of service, age, insured salary and, in some cases, capital saved. For defined benefit plans with separate assets, the underfunding or overfunding of the present value of the defined benefit obligation compared to the fair value of plan assets is recognised in the balance sheet as a liability or an asset (Projected Unit Credit Method). According to IFRIC 14, an asset item is limited to the present value of the economic benefit from future reductions in contributions.

Personnel expenses in the income statement include the net interest expense or income resulting from the net liability or asset, current service cost, administrative expenses (excluding asset management costs) and gains and losses on plan settlements. The effects of retrospective improvements/cuts in benefits resulting from plan amendments or curtailments are also recognised in the income statement.

Other comprehensive income (affecting equity) includes actuarial gains and losses on defined benefit obligations and return on plan assets.

#### Defined contribution pension plans

For defined contribution plans, the annual expenses are calculated as a percentage of the insured salaries and recognised as personnel expenses in the income statement. VZ Group has no further payment obligations beyond the payment of contributions.

#### Service anniversaries

For unfunded plans (service anniversaries), the liability recognised in the balance sheet is the present value of the defined benefit obligation. The present value of the claims is calculated using the Projected Unit Credit Method. The calculation essentially takes into account the service years completed up to the balance sheet date and the salary.

## Estimates, assumptions and management's discretionary power

Estimates and judgements are continuously evaluated and are based on experience and other factors that are believed to entail reasonable future expectations under the circumstances. VZ Group makes estimates and assumptions concerning the future and assesses these according to the accounting principles in force. The estimates and assumptions by definition rarely match the effective results entirely. The estimates and assumptions that can significantly impact the carrying amounts of assets and liabilities in the financial statements or for which application of the accounting principles is largely based on estimates are discussed below.

### Impairment/ default risks

VZ Group continuously reviews how the economic development affects the expected losses on receivables from clients and on financial investments and whether the models used need to be adjusted to the development. In 2022, no adjustments to the models were necessary. The impact on expected credit losses is not material due to VZ Group's customer segment and conservative credit rating requirements for financial assets. The impairments are outlined on page 91.

### Income taxes

Current income tax assets and liabilities reported as per the balance sheet date and the current tax expenses resulting for the reporting period are based in part on estimates and assumptions and can therefore deviate from the amounts determined in the future by the tax authorities.

The previous principles for the intercantonal allocation of profit tax shares in banks were outdated due to the ongoing transformation of the banking sector, which is why the Swiss Tax Conference (SSK) of the cantonal tax administrations fundamentally revised the principles with effect from 1 January 2019.

For the financial years 2014 to 2019, which have not yet been definitively assessed for tax purposes, the cantonal tax authorities continue to have differing assessments as to how profit shares are to be allocated to the relevant cantons. To account for these uncertainties, VZ Group recognised tax deferrals of TCHF 3520 in previous years. No changes were made in 2022. The deferrals were determined using weighted scenarios in accordance with the rules of IFRIC 23.

### Goodwill

For the impairment of goodwill, it is tested whether the recoverable amount exceeds the carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. These values depend heavily on, among other things, the projected cash flows, the long-term growth rate and the discount rate. The key assumptions regarding these factors are set out in the notes to the consolidated financial statements on page 113. Changes in the assumptions can lead to the recognition of an impairment loss in the following year.

Other non-current liabilities – purchase obligations for non-controlling interests	With the purchase of 50.1 percent in Lumin Group Ltd on 17 May 2021, VZ Group has made a commitment to the minority shareholders to buy the remaining 49.9 percent after five years if the minority shareholders exercise their contractual right. The amount of the commitment is determined for the time of exercise with an estimate. Details are outlined on page 138.
Deferred income taxes	Deferred taxes from losses are capitalised only if sufficient taxable profits are likely to be available in the future against which these losses carried forward can be offset. For detailed information refer to pages 105 and 117.
Provisions	The amount recognised as a provision is calculated on the basis of the best estimates and assumptions available on the balance sheet date. The provisions are reviewed on each balance sheet date and adjusted to reflect the current best estimates. For detailed information refer to page 118.
Liabilities from insurance contracts	Provisions are made for all claims that have occurred by the end of the business year and for claims incurred but not yet reported. Actuarial methods that take account of uncertainties are applied to determine the amount of reserves. For detailed information refer to page 119.
Management benefit programme	For the valuation of the costs for the options granted out of the share-based management benefit programme, the probability of employees resigning before the vesting period has to be reassessed in the light of the current circumstances on a regular basis. For detailed information refer to pages 127 to 129.
Pension plans	The costs of defined benefit pension plans are determined on the basis of actuarial valuations. The actuarial valuations involve making assumptions concerning the discount factor, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. For detailed information refer to page 82.
Revenue accruals	The recognition principles and the composition of revenues are described on pages 79 to 80 and on pages 100 to 102 respectively. Although the principles are applied consistently, discretion may occur when calculating certain revenue accruals. In the case of consulting fee income, this applies in particular to the consulting hours spent but not yet invoiced. Estimates are based on the actual revenues due.

# Risk management

VZ Group’s good reputation among clients, investors, lenders, public authorities, business partners and the public is its most valuable asset. Effective risk management makes a significant contribution towards protecting this reputation. For this reason, the correct assessment and monitoring of all key risks is a decisive factor when it comes to the company’s sustained success. Risk taking is inevitable in all business activities, and financial services, which are active in asset and liability management, are exposed to particularly high risks. VZ Group avoids business areas with an unfavourable risk/return ratio. It only operates in business areas for which it has sufficient human and technical resources to manage the associated risks.

## Organisation of risk management

### Board of Directors

VZ Holding Ltd’s Board of Directors is responsible for the overall management, supervision and control of risk management. It sets out the general guidelines for the entire group, approves the framework for institution-wide risk management, including the risk policy, risk tolerances and limits, and issues the organisational and business regulations. These principles are reviewed and if necessary updated in the event of changes to legal and regulatory requirements or to general framework conditions. For its own support and relief, the Board of Directors has created the Risk and Audit Committee that consists of at least two independent, qualified members of the Board of Directors and regularly reports on its activities to the entire board.



### Executive Board

The Executive Board of VZ Group is responsible for implementing the risk provisions stated by the Board of Directors and for managing and continuously monitoring incoming risks. Its most important goals are to uphold the long-term interests of VZ Group and to maintain a balanced risk/return ratio in its business activities. Within the framework of directives and regulations, VZ Group’s management specifies the identification, measurement, monitoring and reporting of risks for all significant risk categories.

### Risk Office, Legal & Compliance

The Risk Office is responsible for implementing risk control by independently checking and monitoring all risks assumed. The Legal & Compliance department is responsible for legal and regulatory risks. Both functions are subordinate to the Executive Board, but provide independent reports to the Risk & Audit Committee. The Risk Office compiles a semi-annual risk report and Legal & Compliance an annual activity report for the attention of the Risk & Audit Committee.



For banking and bank-related services VZ Group defines the following risk categories:

- Default/credit risk
- Market risk (including interest rate risks)
- Liquidity and refinancing risk

For insurance services:

- Risks from insurance contracts

Plus generally applicable risk categories:

- Operational risk
- Regulatory and legal risk
- Reputational risk

Risks are assessed for their probability of occurrence and their financial impact. Risks borne by the company itself are consistently monitored, ensuring in particular that they are assessed and correctly recorded in the financial statements.

The framework for institution-wide risk management defines the principles and objectives as well as the global framework of risk management in VZ Group. It is part of the internal control system and serves as the central guideline and basis for all other directives and regulations in the area of risk management. The Risk and Audit Committee reviews the concept annually.

The framework contains key principles such as:

- Clear responsibilities and competencies
- Matching of risk profile and risk capacity
- Independent control functions and adequate human and technical resources
- Adequate internal control systems
- Transparency regarding the risks taken

Quantifiable risks are limited by risk tolerances and limits, and compliance with these is monitored as part of the ordinary risk control process.

The risks resulting from VZ VermögensZentrum Bank Ltd's business are not material in relation to VZ Group's overall risks; in particular those of VZ Depository Bank Ltd, Zug. Therefore, the assessment of the bank risks does not differentiate between the two countries, and the risks are summarised as VZ banks risks. Wherever a differentiation is appropriate, it is specified accordingly.

## Default, market, liquidity and refinancing risks

The default, credit, market, liquidity and refinancing risks of the VZ Group largely result from the interest margin business of VZ banks. On the asset side of the balance sheet these include receivables from banks, public bodies and clients as well as its financial assets. On the liabilities side, such risks arise from liabilities to banks and clients as well as from long-term financial liabilities.

The following sections describe these risks and the internal processes used to measure, monitor and control them.

### Default and credit risk

Default/credit risks reflect losses that may arise if a counterparty fails to service or repay loans as agreed. Counterparties are, for example, banks, public corporations, companies and customers. The maximum default risk generally corresponds to the carrying amounts reported. The maximum default risk corresponds in principle to the reported carrying amounts of the receivables.

The default risks relevant to VZ Group's banking business arise primarily from business with professional counterparties, in particular with other banks and public-law entities, as well as from bonds and mortgage loans with good credit ratings. VZ Group does not engage in commercial lending business. The expected credit losses at the balance sheet date were determined using the expected credit loss model (see pages 71 to 73).

#### Impact of the economy

In order to estimate the expected credit losses as at 31 December 2022, the impact of the economic development on receivables from clients and counterparties of financial assets was analysed. In the model applied to calculate the expected credit losses, the economic situation based on the economic forecasts of the Federal Expert Group for the years 2022 and 2023 was taken into account. No significantly increased default risks are expected, neither for client receivables nor for VZ Group's financial assets. All calculations for expected credit defaults under the general approach are therefore based, unchanged from the previous year, on a period of 12 months, which corresponds to stage 1. Therefore, a transfer of financial instruments from stage 1 to stage 2 or 3 was not necessary.

For the assessment of mortgage loans, a price development index for residential real estate was used, from which no indicators for an increase in expected credit losses arise as at 31 December 2022.

#### Mortgages

Mortgage loans are the most substantial item in VZ Group's balance sheet. They are spread over a large number of mortgage borrowers and secured by mortgages or, to a lesser extent, by securities. As a result, the risk of default is very low and there have been no defaults to date. For credit losses expected, see page 91.

As part of the growth in total assets, mortgage loans were further expanded in 2022 to ensure a well diversified balance sheet structure.

Lombard loans The lombard loans reported in the balance sheet are secured by collaterals or credit balances, so that the default risk is low. The expected credit losses are listed on page 91.

Bonds and loans to banks and public-law corporations Loans to other banks and public-law corporations as well as investments in bonds entail default risks. The Corona pandemic does not seem to have had a negative impact on the creditworthiness of banks. It is still too early to make a definitive assessment because an increase in insolvencies of Swiss companies remains possible as a late consequence of the pandemic. Banks active in the interest differential business benefited from significantly higher interest rates in 2022 following the rise in key interest rates. At the same time, the trading business slowed down due to the uncertain situation on the stock and bond markets. This hit banks that focus on the trading business and on mergers and acquisitions. Overall, counterparty risk in bonds and loans to banks remained about the same as in the previous year.

### Rating table financial instruments

CHF '000

	State guarantee <sup>1</sup>	AAA	AA	A	BBB	No rating	Total
<b>Cash and cash equivalents</b>							
Sight deposits	1'121'283	21'739	59'431	36'818	1'621	3'091	1'243'983
Time deposits	46'251						46'251
<b>Short term investments</b>							
Time deposits	64'942		10'871		4'625		80'438
Mortgage pre-financing						1'149	1'149
Lombard credits						90'898	90'898
<b>Marketable securities at fair value</b>							
Marketable securities at fair value						102	102
Derivative financial instruments	1'060			87	94		1'241
<b>Due to customers</b>						3'220	3'220
<b>Other receivables</b>						18'191	18'191
<b>Financial assets</b>							
Time deposits	375'737						375'737
Mortgages						3'386'946	3'386'946
Bonds	174'559	67'210	91'899	31'997			365'665
Other financial assets						57'489	57'489
<b>Total as at 31.12.2022</b>	<b>1'783'832</b>	<b>88'949</b>	<b>162'201</b>	<b>68'902</b>	<b>6'340</b>	<b>3'561'086</b>	<b>5'671'310</b>
<b>Total as at 31.12.2021</b>	<b>2'269'058</b>	<b>69'167</b>	<b>95'981</b>	<b>55'804</b>	<b>6'120</b>	<b>3'018'761</b>	<b>5'514'891</b>

<sup>1</sup> Financial instruments with state guarantee comprise counterparties with implicit or explicit government guarantee such as the Swiss National Bank, Cantonal banks, Swiss public bodies as well as Deutsche Bundesbank.

## Off-balance sheet contingencies and commitments

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
<b>Contingencies</b>		2'237		2'237
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	29'872	9'478		39'350
Payment obligation regarding depositor protection measures			18'224	18'224
<b>Total unconditional commitments/ payment obligations</b>	<b>29'872</b>	<b>11'715</b>	<b>18'224</b>	<b>59'811</b>
Additional funding obligation			1'107	1'107
<b>Total as at 31.12.2022</b>	<b>29'872</b>	<b>11'715</b>	<b>19'331</b>	<b>60'918</b>
<b>Total as at 31.12.2021</b>	<b>16'469</b>	<b>7'566</b>	<b>15'844</b>	<b>39'879</b>

## Domestic and foreign financial instruments

CHF '000

	Domestic	Foreign countries	Total
<b>Cash and cash equivalents</b>			
Sight deposits	1'206'649	37'334	1'243'983
Time deposits	46'251		46'251
<b>Short term investments</b>			
Time deposits	75'813	4'625	80'438
Mortgage pre-financing	1'149		1'149
Lombard credits	72'231	18'667	90'898
<b>Marketable securities at fair value</b>			
Marketable securities at fair value	85	17	102
Derivative financial instruments	1'241		1'241
<b>Due to customers</b>	3'140	80	3'220
<b>Other receivables</b>	15'512	2'679	18'191
<b>Financial assets</b>			
Time deposits	375'737		375'737
Mortgages	3'386'946		3'386'946
Bonds	255'404	110'261	365'665
Other financial assets	34'216	23'273	57'489
<b>Total as at 31.12.2022</b>	<b>5'474'374</b>	<b>196'936</b>	<b>5'671'310</b>
<b>Total as at 31.12.2021</b>	<b>5'332'680</b>	<b>182'211</b>	<b>5'514'891</b>

## Loans to customers (mortgages and lombard loans)

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Lombard loans		140'019		140'019
Mortgages	3'371'867	15'079		3'386'946
Pre-financing	1'149			1'149
<b>Total loans as at 31.12.2022</b>	<b>3'373'016</b>	<b>155'098</b>	<b>0</b>	<b>3'528'114</b>
<b>Total loans as at 31.12.2021</b>	<b>2'890'009</b>	<b>108'245</b>	<b>0</b>	<b>2'998'254</b>

In order to limit these credit risks, strict creditworthiness criteria apply to loans to banks and public-sector entities as well as to investments in bonds. As a matter of principle, only loans to borrowers with high credit standing and an international or national rating are approved. The creditworthiness of Swiss banks is somewhat easier to assess and monitor than the creditworthiness of foreign banks. Therefore, loans to Swiss banks without a rating are permitted in exceptional cases. Loans to public-sector entities are restricted to Switzerland.

Investments in bonds focus on first-class and highly liquid securities from debtors with excellent credit ratings, which are listed as «High Quality Liquid Assets 1 and 2» at the time of purchase.

In addition, the Board of Directors limits lending to individual counterparties by setting limits per counterparty which also include lending by other VZ companies. Country limits ensure that regional cluster risks are capped. These measures comply with the provisions of banking law on risk distribution with regard to concentration risks (Art. 95 et seq. CAO). The expected credit losses are listed on page 91.

### Derivative financial instruments

Additional counterparty risks arise from currency and interest rate derivatives: if the counterparty to such transactions defaults, losses may be incurred. These default risks are greatly reduced by margin accounts.

### Other default risks

Other default risks arise in connection with receivables from clients. These are mainly short-term account overdrafts with low amounts as well as sureties or guarantees which are issued against account or securities cover. These positions are monitored on an ongoing basis.

The Risk Office regularly monitors compliance with the credit criteria and limits. It immediately notifies the Executive Board and Board of Directors of violations and proposes appropriate measures for reducing the risk.

## Development of expected credit losses in accordance with IFRS 9

CHF '000

	Impairment as at 1.1.2022	Measurement effect in the income statement	Impairment as at 31.12.2022
<b>Assets</b>			
Cash and cash equivalents (A)	(6)	(3)	(9)
Short-term investments (A)	(9)	(1)	(10)
Trade receivables (V)	(12)	(1)	(13)
Other current assets (V)	(4)	1	(3)
Financial assets (A)	(71)	(20)	(91)
<b>Total</b>	<b>(102)</b>	<b>(24)</b>	<b>(126)</b>

	Impairment as at 1.1.2021	Measurement effect in the income statement	Impairment as at 31.12.2021
<b>Assets</b>			
Cash and cash equivalents (A)	(8)	2	(6)
Short-term investments (A)	(7)	(2)	(9)
Trade receivables (V)	(11)	(1)	(12)
Other current assets (V)	(6)	2	(4)
Financial assets (A)	(73)	2	(71)
<b>Total</b>	<b>(105)</b>	<b>3</b>	<b>(102)</b>

1 (A) = Calculation according to the general approach

2 (V) = Calculation according to a simplified approach

### Market risks

Market risks refer to the losses incurred due to adverse changes in market variables such as interest rates, equity prices, exchange rates, precious metal or commodity prices.

#### Market price and liquidity risk

Price risks reflect the price fluctuations of tradable assets or derivative financial instruments. Tradable assets and derivative financial instruments that are not traded on a liquid market are additionally exposed to a market liquidity risk. The VZ banks do not engage in proprietary trading. In exceptional cases, it is possible that residual positions are held temporarily in connection with the settlement and allocation of securities due to client transactions. There are price risks on the derivative financial instruments held for hedging purposes, which, however, are largely compensated by the opposite development of the hedged position in the case of an effective hedge. In event of market shifts of +/-10% price risks on securities measured at fair value impact total equity by +/- TCHF 134 (2021: +/- TCHF 296).

The financial assets reported primarily comprise mortgage loans and bonds. They are only exposed to low market price and liquidity risks because they are held to maturity and valued at amortised cost.

## Interest rate risk

Interest rates risks arise in the event of mismatches in the interest readjust dates of assets and liabilities. This primarily affects interest-bearing assets of VZ banks with longer maturities (e.g. loans or bonds) that are refinanced with short-term liabilities (e.g. client deposits). If in this case the short-term interest rates rise, the margin will be lower due to the different dates.

VZ banks' business model entails the interest rate risks customary in banking. On the liabilities side, interest rates on client deposits can be adjusted to market developments at any time. Significant parts of the assets are invested on demand or with residual maturities of up to three months. The average fixed-interest period for residential mortgages is around 0.7 years (2021: 1.1 years), and around 5.9 years for bonds (2021: 6.3 years). VZ Group uses derivative financial instruments (interest rate swaps and interest rate caps) to manage interest rate risk.

VZ Depository Bank Ltd, Zug, participates in mortgage bond auctions of the Swiss mortgage bond bank (Pfandbriefbank schweizerischer Hypothekarinstitute) for the purpose of refinancing. As at the balance sheet date of 31 December 2022, the bank held loans from central mortgage institutions in the amount of CHF 352.4 million (31.12.2021: CHF 350.7 million) with an average term of 5.0 years (2021: 5.3 years). Interest rate risks of loans from central mortgage institutions have been hedged using hedge accounting. In order to reduce fluctuations in future interest income from money market mortgages, part of the future interest income has been hedged with interest rate caps. The scope and effectiveness of these hedges are shown on page 141.

### Interest rate risks related to equity

CHF Mio.

	31.12.2022	31.12.2021
<b>Parallel shift of the interest rate curve</b>		
by +1,5%	(20,5)	(20,2)
by -1,5%	20,4	4,9

The interest risk remains low.

## Currency risks

Currency risks refer to losses that can be incurred due to exchange rate fluctuations.

VZ Group does not have any significant foreign exchange holdings and therefore hardly bears any currency risks. Foreign currency holdings can be acquired from earnings in daily operations. For example, such earnings at VZ banks are attributable to the spread on foreign exchange transactions, interest payments and transaction fees in foreign currencies. The holdings are continuously monitored and converted to the functional currency. Foreign exchange transactions for clients are normally traded through. To optimise revenues short-term foreign exchange contracts can be closed. For this reason foreign currency holdings are exchanged in the functional currency of VZ banks and hedged by forward foreign exchange contracts so that no currency risks arise.

## Entire balance sheet: foreign exchange table

CHF '000

	CHF	EUR	USD	Others	Total
<b>Cash and cash equivalents</b>					
Sight deposits	1'188'609	28'773	7'609	18'992	1'243'983
Time deposits			46'251		46'251
<b>Short term investments</b>					
Time deposits	45'494	25'694	9'250		80'438
Mortgage pre-financing	1'149				1'149
Lombard credits	90'700	198			90'898
<b>Marketable securities at fair value</b>					
Marketable securities at fair value	85	17			102
Derivative financial instruments	1'241				1'241
<b>Trade receivables</b>	3'126	13	11	70	3'220
<b>Other receivables</b>	15'476	2'700		15	18'191
<b>Accrued income and deferred expenses</b>	67'373	3'529	242	581	71'725
<b>Other current assets</b>	7'198				7'198
<b>Financial assets</b>					
Time deposits	375'737				375'737
Mortgages	3'386'946				3'386'946
Bonds	350'139	15'526			365'665
Other financial assets	52'665	217		4'607	57'489
<b>Investments in associates</b>	418			3	421
<b>Property and equipment</b>	139'824	4'694		1'289	145'807
<b>Goodwill and other intangible assets</b>	19'218	411		18'510	38'139
<b>Deferred tax assets</b>	8'979	2'035		298	11'312
<b>Trade payables</b>	(2'599)	(52)		(126)	(2'777)
<b>Other current liabilities</b>	(87'340)	(3'318)		(309)	(90'967)
<b>Due to banks</b>	(55'817)		(74'627)		(130'444)
<b>Due to customers</b>	(4'188'919)	(149'729)	(77'875)	(15'082)	(4'431'605)
<b>Income tax payables</b>	(30'104)	(49)		(181)	(30'334)
<b>Provisions</b>	(1'383)				(1'383)
<b>Accrued expenses and deferred income</b>	(43'272)	(991)		(639)	(44'902)
<b>Long-term debts</b>					
Medium-term notes	(283)				(283)
Loans from central mortgage institutions	(352'361)				(352'361)
Time deposits from customers	(5'990)				(5'990)
Long-term leasing liabilities	(38'221)	(3'903)		(816)	(42'940)
<b>Other non-current liabilities</b>	(17'584)			(21'524)	(39'108)
<b>Deferred tax liabilities</b>	(28)			(1'522)	(1'550)
<b>Total as at 31.12.2022</b>	<b>930'476</b>	<b>(74'235)</b>	<b>(89'139)</b>	<b>4'166</b>	<b>771'268</b>
Foreign exchange forward contracts	(186'313)	90'299	89'539	6'271	(204)
<b>Total as at 31.12.2022 (hedged)</b>	<b>744'163</b>	<b>16'064</b>	<b>400</b>	<b>10'437</b>	<b>771'064</b>
<b>Total as at 31.12.2021 (hedged)</b>	<b>911'292</b>	<b>21'774</b>	<b>(78)</b>	<b>1'184</b>	<b>934'171</b>



The currency risk from net investments in foreign companies within VZ Group is not hedged.

The following table shows the currency risks of financial instruments and other balance sheet items with their impact on the equity:

CHF '000

Currency	Change in value	Impact on equity	
		2022	2021
EUR	+/-25%	+/-4'015	+/-4'762
USD	+/-25%	+/- 100	+/- 3
GBP	+/-25%	+/- 2'474	+/- 661
Other	+/-25%	+/- 135	+/- 19

### Liquidity and refinancing risks

Liquidity and refinancing risks arise when ongoing obligations can no longer be fulfilled or assets such as loans can no longer be refinanced at a reasonable price. The overriding objective of VZ Group's liquidity and refinancing management is to have sufficient liquidity available anytime. VZ Group's liquidity management is based on FINMA regulations, and it also applies its own models.

#### Responsibility and monitoring

The Board of Directors is responsible for the overall supervision of the liquidity and refinancing risks and issues risk tolerances and limits annually. The group's management ensures compliance with risk tolerances and limits and may further restrict them. The Asset Liability Committee (ALCO), which reports directly to the Group Executive Board, has been established to support the management of risks. The Risk Office monitors all specified risk tolerances and limits as well as regulatory requirements. Liquidity and refinancing management is integrated into the group-wide risk management process.

#### Execution

Group-wide liquidity and refinancing management is carried out by the Treasury of VZ Depository Bank Ltd, Zug, which reports directly to ALCO and the Executive Board. The reporting components include the short-term liquidity ratio (Liquidity Coverage Ratio, LCR) and the structural liquidity ratio (Net Stable Funding Ratio, NSFR). The Treasury of VZ Depository Bank Ltd, Zug, is primarily responsible for investing the Group's liquid funds.

#### Risik mitigation

To limit its risks, VZ Group plans its liquidity over several years and monitors a number of early warning indicators tailored to its business model. The group companies that have a significant impact on liquidity simulate a liquidity stress scenario every month. In addition, VZ Group maintain a sufficient liquidity reserve on a sustainable basis. A contingency plan is part of the group-wide risk management and is regularly reviewed for effectiveness.

VZ Group's banks mainly refinance themselves through stable client deposits as well as well-scheduled mortgage bonds, time deposits and medium-term notes. The other group companies' borrowings are insignificant. Overall, VZ Group's refinancing risks are therefore low.

Further details and the remaining time to maturity of trade payables and other liabilities can be found on pages 115 and 116.

### Financial instruments: maturity table (remaining time to maturity) as at 31.12.2022

CHF '000

	Demand	0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
<b>Cash and cash equivalents</b>						
Sight deposits	1'243'983					1'243'983
Time deposits		46'251				46'251
<b>Short term investments</b>						
Time deposits		27'625	52'813			80'438
Mortgage pre-financing		1'149				1'149
Lombard credits		25'238	65'660			90'898
<b>Marketable securities at fair value</b>						
Marketable securities at fair value	102					102
Derivative financial instruments	1'241					1'241
<b>Due to customers</b>		3'220				3'220
<b>Other receivables</b>		18'191				18'191
<b>Financial assets</b>						
Time deposits				108'487	267'250	375'737
Mortgages		91'476	374'419	2'650'534	270'517	3'386'946
Bonds		3'503	10'249	150'263	201'650	365'665
Other financial assets		3'636		53'592	261	57'489
<b>Due to banks</b>	(11'442)	(119'002)				(130'444)
<b>Due to customers</b>	(4'219'578)	(165'547)	(46'480)			(4'431'605)
<b>Long-term debts</b>						
Medium-term notes		(100)	(35)	(98)	(50)	(283)
Loans from central mortgage institutions		(16'681)	(6'393)	(156'913)	(172'374)	(352'361)
Time deposits from customers				(5'990)		(5'990)
Long-term leasing liabilities				(24'658)	(18'282)	(42'940)
<b>Other non-current liabilities</b>				(21'524)		(21'524)
<b>Interest payments</b>		(817)	(1'664)	(5'696)	(4'244)	(12'421)
<b>Total as at 31.12.2022</b>	<b>(2'985'694)</b>	<b>(81'858)</b>	<b>448'569</b>	<b>2'747'997</b>	<b>544'728</b>	<b>673'742</b>

## Financial instruments: maturity table (remaining time to maturity) as at 31.12.2021

CHF '000

	Demand	0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
<b>Cash and cash equivalents</b>						
Sight deposits	1'799'086					1'799'086
<b>Short term investments</b>						
Time deposits			17'993			17'993
Mortgage pre-financing		1'872				1'872
Lombard credits		15'286	54'132			69'418
<b>Marketable securities at fair value</b>						
Marketable securities at fair value	114					114
Derivative financial instruments	2'850					2'850
<b>Due to customers</b>		3'119				3'119
<b>Other receivables</b>		13'834				13'834
<b>Financial assets</b>						
Time deposits				113'553	203'250	316'803
Mortgages		99'662	253'427	2'324'981	224'884	2'902'954
Bonds		12'648	19'171	113'136	214'969	359'924
Other financial assets		2'915		24'009		26'924
<b>Due to banks</b>	(98'842)	(526'000)				(624'842)
<b>Due to customers</b>	(3'861'421)	(1'000)	(12'000)			(3'874'421)
<b>Long-term debts</b>						
Medium-term notes			(226)	(155)		(381)
Loans from central mortgage institutions		(6'000)	(6'413)	(138'686)	(199'616)	(350'715)
Time deposits from customers				(6'000)		(6'000)
Time deposits from banks				(5'000)		(5'000)
Long-term leasing liabilities				(23'530)	(24'820)	(48'350)
<b>Other non-current liabilities</b>				(20'162)		(20'162)
<b>Interest payments</b>		(166)	(1'011)	(3'835)	(1'275)	(6'287)
<b>Total as at 31.12.2021</b>	<b>(2'158'213)</b>	<b>(383'830)</b>	<b>325'073</b>	<b>2'378'311</b>	<b>417'392</b>	<b>583'733</b>

## Risks from insurance contracts

Risks from insurance contracts contain the risk that by accident, factual error or modification the expenses incurred for claims payments differ from anticipated expenses. It includes risks for claims, premiums and reserves. Large risks are transferred to reinsurers. Defaults of reinsurance partners qualify as counterparty risks.

Underwriting risks are limited to VZ VersicherungsPool Ltd. This company offers non-life insurances only, including motor vehicle, building, household contents and personal liability insurance for private individuals. VZ VersicherungsPool Ltd's reinsurance programme is designed to be very defensive. VZ BVG Rück AG, newly founded in 2022, will only commence business operations as a group life insurance company within the scope of occupational pension provision in 2023.

## Operational risk

Operational risks describe losses caused by external events as well as losses that can occur when business processes, controls, systems or people fail. The management of the respective subsidiary is responsible for managing and controlling operational risks. Risk management ensures that the guidelines are adhered to in all essential work processes. Organisational measures such as automation, internal control and security systems, written guidelines and general damage mitigation techniques additionally limit the operational risks.

Employees are also sensitised towards operational risks. The Risk Office analyses and discusses the risks at regular intervals with the executive boards of the individual subsidiaries. The aim of this is also to identify new risks and define their measurement and control.

## Legal and compliance risks

Legal and compliance risks include potential losses that may result from breaches of applicable laws, regulatory requirements, internal and external codes of conduct and contractual obligations. For VZ Group, in addition to its own rules of conduct and regulations, compliance with financial market laws and decrees as well as self-regulatory regulations is particularly relevant in this context.

VZ Group continuously tracks these developments. It has formed the necessary committees and disposes of enough specialists in the Legal & Compliance department to implement all requirements on time.

## Reputational risk

Reputational risk is understood as the risk of events that could cause lasting damage to VZ Group's reputation. Reputational risks are minimised primarily through clear management structures, standardised work processes, detailed client documentation, a code of conduct for all employees, protection of the confidentiality and integrity of internal information and the centralisation of important communication tasks.

## Capital management

Capital management has the objective of providing VZ Group and the individual group companies with sufficient capital at all times. To this end, a capital plan for the next three years is drawn up each year.

## Banking regulatory disclosures on capital resources<sup>1</sup>

The VZ Group as a financial services provider is subject to supervision by the Swiss Financial Market Supervisory Authority (FINMA).

As a financial services provider in category 4, VZ Group must comply with extended supervisory disclosure requirements in accordance with FINMA Circular 2016/1 Disclosure for Banks.

The following is an excerpt from the regulatory data disclosed in full on pages 150 to 152. The extract is limited to a comparison between the existing eligible own funds and the minimum required own funds as well as the associated key figures.

Thanks to a solid capital structure, VZ Group aims to not only meet the regulatory requirements for own funds, but to finance the targeted growth.

### Presentation of eligible capital

CHF '000

	31.12.2022	31.12.2021
<b>Common equity tier 1 capital (net CET1)</b>	<b>696'792</b>	<b>601'312</b>
Additional tier 1 capital	0	0
<b>Total regulatory capital (net T1)</b>	<b>696'792</b>	<b>601'312</b>
Supplementary capital (T2)	0	0
<b>Total of eligible capital</b>	<b>696'792</b>	<b>601'312</b>

<sup>1</sup> Unaudited information.

## Presentation of required capital

CHF '000

	Approach used	Capital adequacy requirements	
		31.12.2022	31.12.2021
Credit risk	Int. standardised approach	148'437	125'483
Non-counterparty-related risk	Int. standardised approach	11'674	10'623
Market risk	De-minimis approach	2'164	1'758
Operational risk	Basis indicator	57'059	51'383
Amounts below the deduction threshold		1'982	1'680
<b>Total of required capital</b>		<b>221'316</b>	<b>190'927</b>

## Capital adequacy ratios according to the FINMA Circular 2016/1

	31.12.2022	31.12.2021
Common equity tier 1 capital ratio (CET1) <sup>1</sup>	25.2 %	25.2 %
Tier 1 capital ratio (T1) <sup>2</sup>	25.2 %	25.2 %
Total eligible capital ratio (T1 & T2) <sup>3</sup>	25.2 %	25.2 %

1 CET1 capital adequacy target as at 31.12.2022: 8.5 % (31.12.2021: 7.4)

2 Tier 1 capital adequacy target as at 31.12.2022: 10.1 % (31.12.2021: 9.0 %)

3 Overall capital adequacy target as at 31.12.2022: 12.3 % (31.12.2021: 11.2 %)

Details can be found on page 150 under «Disclosure obligations under supervisory law»

## Information to the leverage ratio

CHF mio.

	31.12.2022	31.12.2021
<b>Ratio of eligible equity and of total exposure</b>		
Tier 1 capital	697	600
Leverage ratio exposure	5'939	5'774
<b>Leverage ratio</b>		
Leverage ratio	11.7 %	10.4 %

# Notes on the income statement

## Operating revenues

CHF '000

	2022	2021
<b>Consulting fees</b>	<b>31'269</b>	<b>27'743</b>
<b>Management fees</b>		
Management fees on assets under management	266'034	255'304
Fees for the management of securities portfolios	224'118	215'395
Custody fees	10'725	10'936
Fees for the management of residential property mortgages	31'191	28'973
Other management fees	29'408	27'318
<b>Total management fees</b>	<b>295'442</b>	<b>282'622</b>
<b>Banking income from commissions and trading activities</b>		
Income from commission business	22'499	24'136
Commission income	26'528	27'318
Commission expenses	(4'029)	(3'182)
Income from trading activities	25'049	22'375
Other banking income	24	19
<b>Total banking income from commissions and trading activities</b>	<b>47'572</b>	<b>46'530</b>
<b>Banking income from interest operations</b>		
Interest income <sup>1,2</sup>	23'739	17'587
Interest expense <sup>3</sup>	(1'669)	180
<b>Total banking income from interest operations</b>	<b>22'070</b>	<b>17'767</b>
<b>Net earned insurance premiums</b>	<b>17'258</b>	<b>13'752</b>
<b>Net impairment (losses)/recoveries on financial assets</b>	<b>(24)</b>	<b>3</b>
<b>Other operating revenues</b>	<b>330</b>	<b>449</b>
<b>Total operating revenues</b>	<b>413'917</b>	<b>388'866</b>

1 Interest income calculated using the effective interest rate method.

2 Interest income from liabilities amounts to TCHF 2050 in 2022 (2021: TCHF 3461).

3 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks 2022 TCHF 261 (2021: TCHF 333).

Information on the criteria for recognition in the income statement, the period during which the services are provided and invoiced, and the uncertainty of revenues for the various revenue categories can be found in the section «Accounting policies» on pages 79 to 80.

### Consulting fees

Revenue components

Consulting topics include retirement, tax and estate planning, real estate financing and sales, builder-owner consulting, investment advice and will execution. Further consultancy services include fiduciary services, risk management as well as employee benefit package planning.

### Management fees on assets under management

Management fees from assets under management include revenues that are directly related to assets under management. These revenues include asset management fees, net revenues from all-in fees, net deposit fees and management fees for residential property mortgages.

### Other management fees

«Other management fees» include the management of insurance portfolios as well as management services for foundations and pension funds.

### Banking income from commissions and trading activities

«Banking income from commissions and trading activities» includes income from transactional commission business, net trading income and other banking income.

### Earnings from insurance contracts

CHF '000

	2022	2021
Gross premiums written	19'399	15'625
Reinsurance premiums ceded	(963)	(939)
<b>Net premiums written</b>	<b>18'436</b>	<b>14'686</b>
Net change in unearned premium reserve	(1'178)	(934)
<b>Net earned insurance premiums</b>	<b>17'258</b>	<b>13'752</b>
Claims incurred incl. claims handling expenses	(9'574)	(7'376)
Reinsurers' share of claims incurrerend	–	459
Change in actuarial loss reserves	(521)	(359)
<b>Expenses related to insurance contracts</b>	<b>(10'095)</b>	<b>(7'276)</b>
<b>Earnings from insurance contracts</b>	<b>7'163</b>	<b>6'476</b>

### Net impairment on financial assets

The calculation of the net impairment on financial assets is described in detail on pages 71 to 73.

### Other operating revenues

Other operating revenues comprise mainly revenues generated with publishing activities, e.g. books and periodicals.



## Contractual assets and liabilities

### Contractual assets and liabilities in accordance with IFRS 15

The following table shows the assets and liabilities directly associated with the recognition of operating revenues (excluding insurance revenues under IFRS 4 and revenues from financial instruments under IFRS 9).

Receivables and deferred consulting fees, management fees and banking income are recognised on the balance sheet date and received or invoiced in the subsequent period. The majority is debited directly from client accounts, the remainder is invoiced (payment periods up to 30 days). The deferred consulting fees that have not yet been offset contain an estimate regarding the ability to bill the hours worked. Experience has shown that subsequent changes to the fees are insignificant. The expected credit losses for 2022 are shown under «Development of expected credit losses in accordance with IFRS 9» on page 91.

The contractual liabilities are related to management fees from assets under management and, to a lesser extent, to consulting fees and other operating revenues. The accruals and deferrals recognised in the balance sheet as at 31 December 2022 will be reversed through the income statement in the subsequent period. As provided by IFRS 15, transaction prices are not disclosed.

CHF '000

Included in the balance sheet item	Included in the operating revenue item	31.12.2022	31.12.2021
<b>Receivables and contract assets</b>			
Trade receivables	Consulting fees and other operating revenue <sup>1</sup>	3'095	2'985
Accrued income and deferred expenses	Consulting fees and other operating revenue <sup>1</sup>	3'631	2'943
Accrued income and deferred expenses	Management fees	62'283	61'510
Accrued income and deferred expenses	Banking income from commissions and trading activities	137	98
<b>Total</b>		<b>69'146</b>	<b>67'536</b>
<b>Contract liabilities</b>			
Accrued expenses and deferred income	Management fees	12'291	8'398
<b>Total</b>		<b>12'291</b>	<b>8'398</b>

<sup>1</sup> «Trade receivables» also include invoices for books, which are recognised as other operating income. Compared to the consulting fees, this position is insignificant. Therefore, the balance sheet item is not broken down.

## Personnel expenses

		31.12.2022	31.12.2021
Full time equivalents		1'247,4	1'142,5
CHF '000			
	Pages	2022	2021
Salaries		130'004 <sup>1</sup>	119'488 <sup>2</sup>
Pension costs – defined benefit plan	130–134	7'340	7'933
Pension costs – defined contribution plans		2'417	2'150
Other social security expenses		10'577	9'851
Other personnel expenses		6'470	5'360
<b>Total personnel expenses</b>		<b>156'808</b>	<b>144'782</b>

1 Including share-based payments of TCHF 6644 and costs for option plans TCHF 1135.

2 Including share-based payments of TCHF 5158 and costs for option plans TCHF 923.

### Equal pay

The revised Federal Gender Equality Act (GlG) has been in force since 1 July 2020. Companies with 100 or more employees had to analyse by mid-2021 whether they pay men and women equally, then have their analysis reviewed by an independent body and inform employees and shareholders of the results by mid-2023.

The GlG applies to VZ VermögensZentrum Ltd, VZ Depository Bank Ltd and VZ Corporate Services Ltd, each of which employs more than 100 people. In 2020, the management of VZ Group had not only the salaries of these companies analysed, but those of the entire Group. The analysis with the Confederation's standard analysis tool (Logib) did not reveal any significant, inexplicable wage differences. PwC has verified that the equal pay analyses of VZ VermögensZentrum Ltd, VZ Depository Bank Ltd and VZ Corporate Services Ltd was carried out in a formally correct manner and confirms that it «did not come across any facts from which it would have to conclude that the analyses do not comply with the legal requirements in all respects.» PwC's confirmation is included in the 2020 annual report.

In 2021 and 2022, VZ Group analysed wages again using the same methodology and tool. These analyses also showed no significant, inexplicable wage differences between women and men. These additional analyses were not reviewed by PwC because an external review is only required once.

## Other operating expenses

CHF '000

	2022	2021
Office space rent and maintenance	6'205	5'079
Marketing expenses	11'120	9'541
General and administrative expenses <sup>1</sup>	31'823	34'332
<b>Total</b>	<b>49'148</b>	<b>48'952</b>

<sup>1</sup> Of which IT expenses 2022 TCHF 18'960 (2021: TCHF 18'851).

More than half of the reduction in general administrative expenses compared to the previous year is due to refunds of VAT deductions from previous years. The remaining reduction in administrative expenses is distributed among various material expenses.

## Net finance income

CHF '000

	2022	2021
Interest expense to third parties	(796)	(477)
Interest income from third parties	185	31
Result from investments in associates	3	17
Capital losses incl. foreign exchange	(189)	(73)
Capital gains incl. foreign exchange	116	30
Other commission expenses	(77)	(88)
<b>Total</b>	<b>(758)</b>	<b>(560)</b>

Interest income and interest expense originate from financial instruments measured at amortised cost (excluding interest income from fixed-term deposits, mortgages and bonds). In addition to the interest income and expenses shown in the table, operating revenues (banking income) include the VZ banks' interest income. As this interest income arises from their operating activities, it is included in operating revenues (banking income from interest operations). Further details can be found on page 80.

Marketable securities are recognised at fair value. The share of capital gains from tradable securities at short notice excluding foreign currency forward transactions amounts to TCHF 40 (2021: TCHF 40) and the share of capital losses amounts to TCHF 0 (2021: TCHF 0). The remaining capital gains and losses were derived from financial instruments that are valued at amortised cost.

## Income taxes

VZ Group applies a weighted average tax rate to calculate the expected tax expenses. Changes to the weighted average expected tax rates are largely attributable to different local taxation rates. As the individual companies' contributions to the total profit before tax vary from year to year, the weighted average expected tax rate also fluctuates for each financial year.

### Consolidated income statement

CHF '000

	2022	2021
<b>Current income tax</b>		
Current income tax charge	26'329	21'950
Adjusted for current income tax for previous years <sup>1</sup>	24	480
<b>Deferred income tax</b>		
Deferred income tax (see page 117)	(2'205)	1'320
<b>Tax expense reported in the consolidated income statement</b>	<b>24'148</b>	<b>23'750</b>

<sup>1</sup> Thereof TCHF 0 (2021: TCHF 280) for uncertainties in connection with taxes for financial years not yet confirmed (see page 83).

CHF '000

	2022	Tax rate	2021	Tax rate
<b>Profit before income taxes</b>	<b>175'467</b>		<b>166'954</b>	
Expected income tax expense	23'855	13.60 %	22'715	13.61 %
Adjusted for current income tax for previous years	24		480	
Non-deductible expenses	201		197	
Effect of higher tax rates in Germany	66		360	
Effect of change in applicable tax rates on deferred taxes	2		(2)	
<b>Effective income tax expenses</b>	<b>24'148</b>	<b>13.76 %</b>	<b>23'750</b>	<b>14.23 %</b>

## Earnings per share

Consolidated earnings per share are calculated by dividing the net profit for the year attributable to shareholders of the parent company by the weighted average number of outstanding shares (excluding the weighted number of treasury shares) for the year.

CHF '000

	2022	2021
Net profit	151'030	142'592
Weighted average number of shares issued	40'000'000	40'000'000
Less weighted average number of treasury shares	756'572	621'145
Weighted average number of outstanding shares (undiluted)	39'243'428	39'378'855
Dilution effect from option programmes	27'313	50'069
Weighted average number of outstanding shares (diluted)	39'270'741	39'428'924
Undiluted earnings per share (CHF)	3.85	3.62
Diluted earnings per share (CHF)	3.85	3.62

To calculate the diluted earnings per share, potentially dilutive shares from the option programme are added to ordinary shares to create an adjusted number of shares of VZ Holding Ltd. The dilution from the option programme is determined on the basis of the number of ordinary shares of VZ Holding Ltd which could have been bought at the market price for the amount of the accumulated difference between the market and exercise price of the outstanding options. The relevant market price used is the average annual share price in the financial year.

There were no more changes to the capital structure between the reporting date and the date of preparation of these financial statements.

## Notes on the balance sheet

### Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and postal accounts, petty cash, call deposits and short-term investments with a residual maturity of three months or less from the date of acquisition.

### Short term investments

CHF '000

	31.12.2022	31.12.2021
Time deposits more than 3 months	80'438	17'993
Interim financing for mortgages	1'149	1'872
Lombard loans	90'898	69'418
<b>Total</b>	<b>172'485</b>	<b>89'283</b>

Time deposits comprise fixed-term deposits with banks with a maturity of between three and twelve months.

### Marketable securities at fair value

This item mainly includes positive replacement values of derivative financial instruments as well as shares, investment funds and ETFs held as short-term marketable securities at fair value.

## Trade receivables

As at 31 December, the maturity structure for trade receivables was as follows:

### Trade receivables

CHF '000

	Total	Not yet due	Past due			
			1–30 days	31–60 days	61–90 days	> 90 days
<b>Expected credit loss rates<sup>1</sup></b>		0.05 %	0.10 %	1.00 %	2.50 %	3.50 %
<b>Trade receivables</b>						
as at 31.12.2022	3'220	2'313	464	138	67	238
as at 31.12.2021	3'119	1'519	1'131	179	100	190

<sup>1</sup> The expected credit loss rates were reviewed as at 31 December 2022 and applied unchanged compared to prior year. The expected impairment losses in absolute terms are shown on page 91.

The majority of trade receivables consists of invoiced consulting and management fees not yet paid at the balance sheet date.

## Other receivables

The other receivables consist of settlement balances with tax authorities. No credit losses are expected for these balances.

### Other receivables

CHF '000

	Total	Not yet due	Past due			
			1–30 days	31–60 days	61–90 days	> 90 days
<b>Other receivables</b>						
as at 31.12.2022	18'191	18'191	0	0	0	0
as at 31.12.2021	13'834	13'834	0	0	0	0

## Accrued income and deferred expenses

CHF '000

	31.12.2022	31.12.2021
<b>Prepaid expenses</b>	<b>1'924</b>	<b>1'672</b>
Consulting fees	3'631	2'943
Management fees	62'283	61'510
Banking income	3'832	1'992
Earnings from insurance contracts	0	529
Other operating revenues	55	0
<b>Total accrued revenues</b>	<b>69'801</b>	<b>66'974</b>
<b>Total</b>	<b>71'725</b>	<b>68'646</b>

Accrued income and deferred expenses include revenues not invoiced as at 31 December and prepaid expenses.

## Other current assets

CHF '000

	31.12.2022	31.12.2021
Rent deposits	0	589
Short term overdrafts due to securities transactions	7'004	7'274
Other positions	194	1'208
<b>Total</b>	<b>7'198</b>	<b>9'071</b>

## Financial assets

CHF '000

	31.12.2022	31.12.2021
Loans to related parties	104	104
Loans to employees	696	421
Loans to third parties	4'518	0
Time deposits more than 1 year	375'737	316'803
Mortgages (also see following overview)	3'386'946	2'902'954
Bonds (for further details, see the section «Risk management»)	365'665	359'924
Other financial assets	52'171	26'399
<b>Total</b>	<b>4'185'837</b>	<b>3'606'605</b>

Most loans to employees have no fixed repayment dates.



## Disclosure of the remaining time to maturity/framework agreements<sup>1</sup> of mortgages

CHF '000

	up to 1 year	1 to 3 years	3 to 5 years	over 5 years	Total
<b>31.12.2022</b>					
Interest rate based on Saron	429'706	980'509	1'507'437	34'515	2'952'167
Fixed interest rate	36'189	57'692	104'896	236'002	434'779
<b>Total mortgages</b>	<b>465'895</b>	<b>1'038'201</b>	<b>1'612'333</b>	<b>270'517</b>	<b>3'386'946</b>

**31.12.2021**

### Interest rate based on Saron

3 month Saron	296'075	763'534	1'394'237	9'754	2'463'600
6 month Saron	4'685	830	1'450	156	7'121
<b>Total Saron mortgages</b>	<b>300'760</b>	<b>764'364</b>	<b>1'395'687</b>	<b>9'910</b>	<b>2'470'721</b>
Fixed interest rate	52'283	60'500	104'475	214'975	432'233
<b>Total mortgages</b>	<b>353'043</b>	<b>824'864</b>	<b>1'500'162</b>	<b>224'885</b>	<b>2'902'954</b>

<sup>1</sup> The framework agreements of the Saron mortgages (Libor mortgages until mid-2021) have a fixed term. This table shows the remaining time to maturity.

Further details of mortgages and bonds can be found in the section «Risk management» on pages 87 to 96 and on page 147.

## Investments in associates

CHF '000

	2022	2021
<b>As at 1 January</b>	<b>446</b>	<b>441</b>
Additions	0	8
Disposals	0	0
Impairment	0	0
Share of profit/(loss)	3	17
Dividend payment	(27)	(20)
Cumulative conversion adjustments	(1)	0
<b>As at 31 December</b>	<b>421</b>	<b>446</b>

Dufour Capital Ltd

VZ Holding Ltd holds a stake of 33 percent in Dufour Capital Ltd and takes a seat on Dufour's Board of Directors. Dufour Capital is an asset manager specializing in the development of rule-based investment solutions and has an advisory mandate from VZ Group. The company is registered in Switzerland and has a share capital of TCHF 150.

Lumin Insurance Solutions Limited

In May 2021, VZ Group acquired 50.1 percent of Lumin Group Ltd, which in turn holds 20 percent of Lumin Insurance Solutions Ltd. Lumin Insurance Solutions Ltd is an insurance broker and advises investors on due diligence issues in the insurance sector. Lumin is domiciled in St Albans, England.

## Property and equipment

CHF '000	Buildings and land		Interior fittings		Office furniture and others		Equipment and IT fittings		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Gross values at cost</b>										
Balance as at 1 January	130'027	125'359	30'323	27'000	9'704	8'625	5'258	4'847	175'312	165'831
Change in the scope of consolidation	0	505	36	0	14	94	6	94	56	693
Additions	22'426	9'115	7'046	4'928	1'693	1'231	1'120	1'760	32'285	17'034
Disposals/Removals	(5'569)	(4'572)	(512)	(1'594)	(1'451)	(238)	(750)	(1'438)	(8'282)	(7'842)
Cumulative conversion adjustments	(448)	(380)	(19)	(11)	(11)	(8)	(19)	(5)	(497)	(404)
<b>Balance as at 31 December</b>	<b>146'436</b>	<b>130'027</b>	<b>36'874</b>	<b>30'323</b>	<b>9'949</b>	<b>9'704</b>	<b>5'615</b>	<b>5'258</b>	<b>198'874</b>	<b>175'312</b>
<b>Accumulated depreciation and impairment</b>										
Balance as at 1 January	21'857	14'300	11'856	10'365	5'982	4'930	2'909	3'011	42'604	32'606
Change in the scope of consolidation	0	0	35	0	11	64	6	73	52	137
Depreciation	7'193	7'650	3'354	3'090	1'373	1'232	1'356	1'263	13'276	13'235
Impairments	0	0	0	0	0	0	0	0	0	0
Disposals/Removals	0	0	(512)	(1'594)	(1'451)	(238)	(750)	(1'434)	(2'713)	(3'266)
Cumulative conversion adjustments	(126)	(93)	(4)	(5)	(10)	(6)	(12)	(4)	(152)	(108)
<b>Balance as at 31 December</b>	<b>28'924</b>	<b>21'857</b>	<b>14'729</b>	<b>11'856</b>	<b>5'905</b>	<b>5'982</b>	<b>3'509</b>	<b>2'909</b>	<b>53'067</b>	<b>42'604</b>
<b>Net carrying amount</b>										
As at 1 January	108'170	111'059	18'467	16'635	3'722	3'695	2'349	1'836	132'708	133'225
As at 31 December	117'512	108'170	22'145	18'467	4'044	3'722	2'106	2'349	145'807	132'708

Details regarding the rights of use from leases included in property, plant and equipment are provided on page 123.

Impairment losses incurred on property and equipment:

CHF '000

	2022	2021
Impairment losses incurred	0	0

The estimated useful life of the tangible assets is as follows:

	2022	2021
Buildings excluding land	35 years	35 years
Land	unlimited	unlimited
Interior fittings	5 to 10 years	5 to 10 years
Office furniture and others	4 to 5 years	4 to 5 years
Equipment and IT fittings	3 to 5 years	3 to 5 years

The rights of use from leases are depreciated on a straight-line basis, either over the entire term or over the useful life of the asset, if shorter.

## Intangible assets

CHF '000	Goodwill		Software		Business set-up <sup>1</sup>		Other		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
<b>Gross values at cost</b>										
Balance as at 1 January	9'258	0	34'836	24'420	2'148	2'106	7'671	1'500	53'913	28'026
Change in the scope of consolidation	3'342	9'547	0	0	0	0	2'498	6'364	5'840	15'911
Additions	0	0	7'341	13'010	91	194	0	0	7'432	13'204
Disposals/Removals	0	0	(3'563)	(2'594)	(69)	(72)	0	0	(3'632)	(2'666)
Cumulative conversion adjustments	(1'186)	(289)	0	0	(96)	(80)	(594)	(193)	(1'876)	(562)
<b>Balance as at 31 December</b>	<b>11'414</b>	<b>9'258</b>	<b>38'614</b>	<b>34'836</b>	<b>2'074</b>	<b>2'148</b>	<b>9'575</b>	<b>7'671</b>	<b>61'677</b>	<b>53'913</b>
<b>Accumulated amortisation and impairments</b>										
Balance as at 1 January	0	0	16'429	13'109	1'485	1'193	1'042	281	18'956	14'583
Amortisation	0	0	6'888	5'914	313	424	1'164	768	8'365	7'106
Impairments	0	0	0	0	0	0	0	0	0	0
Disposals/Removals	0	0	(3'563)	(2'594)	(69)	(72)	0	0	(3'632)	(2'666)
Cumulative conversion adjustments	0	0	0	0	(70)	(60)	(81)	(7)	(151)	(67)
<b>Balance as at 31 December</b>	<b>0</b>	<b>0</b>	<b>19'754</b>	<b>16'429</b>	<b>1'659</b>	<b>1'485</b>	<b>2'125</b>	<b>1'042</b>	<b>23'538</b>	<b>18'956</b>
<b>Net carrying amount</b>										
As at 1 January	9'258	0	18'407	11'311	663	913	6'629	1'219	34'957	13'443
As at 31 December	11'414	9'258	18'860	18'407	415	663	7'450	6'629	38'139	34'957

<sup>1</sup> Business set-up costs comprise IT solutions from external suppliers related to the launch of VZ InsurancePool Ltd and VZ VermögensZentrum Bank Ltd.

The change in Goodwill and Other intangible assets is due to the acquisitions of Lumin Group Ltd in 2022. The value of the acquired customer relationships was recognised as Other intangible assets (see page 145).

The estimated useful life of the intangible assets is as follows:

	2022	2021
Software	3 to 5 years	3 to 5 years
Business set-up costs	5 years	5 years

Contractual rights included in other intangible assets are amortised on a straight-line basis over 4 years, capitalised customer relationships over 10 years.

#### Goodwill impairment testing

Goodwill is tested for impairment annually in the fourth quarter as a basis for the annual financial statements as at 31 December. If events or changes in circumstances indicate a possible impairment, such a test is performed more frequently. This involves checking whether the carrying amount of the corresponding organisational unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. If the carrying amount exceeds the recoverable amount, an impairment of goodwill is recognised. Reversals of impairment losses are not recognised.

To determine the value in use, which corresponds to the recoverable amount of a unit, VZ Group uses a discounted cash flow valuation (DCF): The present value of the estimated cash flows is calculated using the financial planning over 5 years. The results for the period after the fifth year are extrapolated from the projected cash flow of the fifth year with a growth rate corresponding to the long-term growth in the country of the unit concerned.

According to this test, the recoverable amount exceeded the carrying amount as at 31 December 2022. Therefore, the value of goodwill was not adjusted.

#### Assumptions

The long-term growth rate for the extrapolation of cash flows and the discount rate used in the impairment test for the 2022 financial statements are shown in the following table. The discount rate is directly influenced by the fluctuations in interest rates.

CHF '000

	Carrying amount 31.12.2022	Carrying amount 31.12.2021	Recoverable amount (Previous year's values in brackets) Value in use (N) or fair value (FV) less costs to sell	Growth rate after the planning period	Discount rate after tax
Goodwill Lumin	11'414	9'258	N	1.58 % (1.24 %)	13.37 % (11.04 %)

## Sensitivity

The sensitivity analysis performed shows that a possible change in the key assumptions used to calculate the recoverable amount (discount rate + 2.0 percentage points or growth rate after the planning period – 2.0 percentage points) would not lead to an impairment of the goodwill position.

If, irrespective of this, the estimated results and other assumptions in the coming financial years differ from the current values due to political or global risks in the financial industry (e.g. uncertainty in the implementation of regulation, the introduction of new legislation or a decline in general economic performance), this could result in an impairment of goodwill in the future. In VZ Group's income statement, this would be recognised as an expense and would reduce profit and equity. However, neither the cash flow nor the tier 1 ratio would be affected by this, because goodwill is not counted towards capital according to the Swiss Capital Adequacy Ordinance.

## Trade payables, other current liabilities, due to banks and due to customers

CHF '000

	31.12.2022	31.12.2021
<b>Income tax payables</b>	<b>2'777</b>	<b>704</b>
Income tax payables	9'227	8'374
Derivative financial instruments	71'895	6'704
Short term leasing liabilities	6'382	6'220
Others	3'463	2'881
<b>Total other current liabilities</b>	<b>90'967</b>	<b>24'179</b>
<b>Due to banks</b>	<b>130'444</b>	<b>624'842</b>
<b>Due to customers</b>	<b>4'431'605</b>	<b>3'874'421</b>
<b>Total</b>	<b>4'655'793</b>	<b>4'524'146</b>

Trade payables do not bear interest and are normally settled within 30 days.

Tax payables include withholding taxes, value added taxes and issue duties.

Derivative financial instruments include negative replacement values of interest rate swaps, foreign exchange forward transactions and interest rate caps. Further details can be found on page 141.

Short term leasing liabilities include remaining terms of less than one year.

Liabilities due to customers are primarily derived from client deposits with VZ banks.

As at 31 December 2022, VZ Group reported CHF 41.0 million (31.12.21: CHF 38.3 million) of unutilised credit limits.

As at 31 December the maturity structure of the liabilities was as follows:

CHF '000

	Total	Demand	< 3 months	3–12 months
<b>31.12.2022</b>				
Trade payables	2'777		2'777	
Other current liabilities	90'967	71'895	14'282	4'790
Due to banks	130'444	11'442	119'002	0
Due to customers	4'431'605	4'219'578	165'547	46'480
<b>Total</b>	<b>4'655'793</b>	<b>4'302'915</b>	<b>301'608</b>	<b>51'270</b>
thereof				
Leasing liabilities	6'382		1'592	4'790
<b>31.12.2021</b>				
Trade payables	704		704	
Other current liabilities	24'179	6'704	12'843	4'632
Due to banks	624'842	98'842	526'000	0
Due to customers	3'874'421	3'861'421	1'000	12'000
<b>Total</b>	<b>4'524'146</b>	<b>3'966'967</b>	<b>540'547</b>	<b>16'632</b>
thereof				
Leasing liabilities	6'220	0	1'588	4'632

## Deferred tax assets and tax liabilities

CHF '000

	As at 1 January	Recognised in income statement	Recognised in comprehen- sive income	Change in the scope of consolidation	As at 31 December
<b>Deferred income tax assets 2022</b>					
Deferred pension cost for defined benefit plan (IAS 19)	8'177	89	(5'716)	0	2'550
Derivative financial instruments	620	0	4'993	0	5'613
Leasing liabilities	11'110	(631)	(94)	69	10'454
Others	65	19	0	0	65
Tax loss carry-forwards	2'111	(220)	(71)	0	1'820
<b>Total deferred income tax assets</b>	<b>22'083</b>	<b>(743)</b>	<b>(888)</b>	<b>69</b>	<b>20'521</b>

### Deferred tax liabilities 2022

Property and equipment	(10'304)	702	93	(69)	(9'578)
Intangible assets	(180)	179	55	(479)	(425)
Options incl. social security expenses	(2'793)	2'058	7	0	(728)
Others	(49)	9	10	2	(28)
<b>Total deferred tax liabilities</b>	<b>(13'326)</b>	<b>2'948</b>	<b>165</b>	<b>(546)</b>	<b>(10'759)</b>
<b>Deferred (tax liabilities)/tax assets net</b>	<b>8'757</b>	<b>2'205</b>	<b>(723)</b>	<b>(477)</b>	<b>9'762</b>

### Deferred income tax assets 2021

Deferred pension cost for defined benefit plan (IAS 19)	8'106	358	(287)	0	8'177
Derivative financial instruments	(516)	0	1'136	0	620
Leasing liabilities	12'245	(1'138)	(94)	97	11'110
Others	20	44	1	0	65
Tax loss carry-forwards	3'414	(1'231)	(72)	0	2'111
<b>Total deferred income tax assets</b>	<b>23'269</b>	<b>(1'967)</b>	<b>684</b>	<b>97</b>	<b>22'083</b>

### Deferred tax liabilities 2021

Property and equipment	(11'638)	1'338	93	(97)	(10'304)
Intangible assets	361	668	0	(1'209)	(180)
Options incl. social security expenses	(1'411)	(1'390)	8	0	(2'793)
Others	(68)	31	(1)	(11)	(49)
<b>Total deferred tax liabilities</b>	<b>(12'756)</b>	<b>647</b>	<b>100</b>	<b>(1'317)</b>	<b>(13'326)</b>
<b>Deferred (tax liabilities)/tax assets net</b>	<b>10'513</b>	<b>(1'320)</b>	<b>784</b>	<b>(1'220)</b>	<b>8'757</b>

CHF '000

	31.12.2022	31.12.2021
<b>Reflected in the balance sheet as follows</b>		
Deferred tax assets	11'312	10'073
Deferred tax liabilities	(1'550)	(1'316)
<b>Deferred tax assets/(tax liabilities) net</b>	<b>9'762</b>	<b>8'757</b>

The reported tax assets from losses carried forward amount to TCHF 1820 (2021: TCHF 2111). These tax assets are available for offset against future taxable profits. If it were not possible to use the loss carryforwards, tax assets from tax loss carryforwards in the amount



of TCHF 218 would expire within one year and a further TCHF 155 within 1 to 2 years. Loss carryforwards in the amount of TCHF 1447 do not expire.

## Provisions

CHF '000

	2022	2021
<b>As at 1 January</b>	<b>1'350</b>	<b>9'086</b>
Additions	33	1'888
Used during the year	0	(9'624)
Unused amounts reversed	0	0
Cumulative conversion adjustments	0	0
<b>As at 31 December</b>	<b>1'383</b>	<b>1'350</b>

### Operational risks

A number of group companies are the subject to litigation arising out of the normal conduct of their business as a result of which claims could be made against them. Such claims, in whole or in part, might not be covered by insurance. A provision is created for current or threatened proceedings if the accounting criteria listed in the accounting principles are met.

The provisions created in previous years and still existing on 1 January 2021 were due to a ruling by the Swiss Federal Tax Administration (FTA) on an aspect of VAT law that requires interpretation. The matter was decided in the second half of 2021. The payment ultimately to be made to the FTA in the amount of TCHF 9624 was covered by the provision.

## Accrued expenses and deferred income

CHF '000

	31.12.2022	31.12.2021
Personnel expenses	11'018	11'521
Other expenses	5'166	3'842
Expenses of insurance contracts	125	271
Banking expenses <sup>1</sup>	1'410	883
<b>Total accrued expenses</b>	<b>17'719</b>	<b>16'517</b>
Prepaid revenues	27'183	21'878
<b>Total</b>	<b>44'902</b>	<b>38'395</b>

<sup>1</sup> These expenses which have not yet been charged constitute expenditure (negative revenues) in conjunction with bank revenues which, in accordance with industry standards, are reported as net revenues in the income statement.

Accrued expenses and deferred income include expenditure that has not yet been invoiced as well as revenue paid in advance for services to be rendered in the future. Personnel and other operating expenses which have not yet been settled are due within the next 90 days. The majority of banking and management expenses are also due within the next 90 days.

## Non-current liabilities

CHF '000

	31.12.2022	31.12.2021
Medium-term notes	283	381
Loans from central mortgage institutions	352'361	350'715
Time deposits more than 1 year from customers	5'990	6'000
Time deposits more than 1 year from banks	0	5'000
Leasing liabilities	42'940	48'350
<b>Total long-term debts</b> (also see following overview)	<b>401'574</b>	<b>410'446</b>
Deferred pension cost	12'261	44'937
Liabilities from insurance contracts		
Outstanding loss reserve	2'406	2'214
Incurred but not reported reserve	1'761	1'432
Others	22'680	21'256
<b>Total other non-current liabilities</b>	<b>39'108</b>	<b>69'839</b>
<b>Total non-current liabilities</b>	<b>440'682</b>	<b>480'285</b>

Deferred pension fund costs relate to the liabilities attributable to defined benefit pension plans pursuant to IAS 19. Further details can be found on pages 130 to 134.

## Disclosure of the residual term to maturity of long-term debts

CHF '000

	up to 1 year	1 to 3 years	3 to 5 years	over 5 years	Total
<b>31.12.2021</b>					
Medium-term notes	135	50	48	50	283
Loans from central mortgage institutions	23'074	46'951	109'962	172'374	352'361
Time deposits more than 1 year from customers		5'990			5'990
Time deposits more than 1 year from banks		0			0
Leasing liabilities		15'914	8'744	18'282	42'940
<b>Total long-term debts</b>	<b>23'209</b>	<b>68'905</b>	<b>118'754</b>	<b>190'706</b>	<b>401'574</b>

<b>31.12.2021</b>					
Medium-term notes	226	135	20		381
Loans from central mortgage institutions	12'413	71'565	67'121	199'616	350'715
Time deposits more than 1 year from customers		6'000			6'000
Time deposits more than 1 year from banks		5'000			5'000
Leasing liabilities		12'244	11'286	24'820	48'350
<b>Total long-term debts</b>	<b>12'639</b>	<b>94'944</b>	<b>78'427</b>	<b>224'436</b>	<b>410'446</b>

Additional information on the cash flow statement

The following table shows in a reconciliation statement which changes in long-term financial liabilities are shown as cash flow from financing activities in the consolidated cash flow statement.

## Changes in non-current financial liabilities

CHF '000

	31.12.2021	Cash flows	Change in the scope of consolidation	Non-cash changes Changes affecting profit or loss	Other <sup>1</sup>	31.12.2022
Non-current financial liabilities without leasing	362'096	22'190		(25'652)		358'634
Non-current leasing liabilities	48'350	(6'868)	0	262	1'196	42'940
<b>Total long-term financial liabilities</b>	<b>410'446</b>	<b>15'322</b>	<b>0</b>	<b>(25'390)</b>	<b>1'196</b>	<b>401'574</b>

1 Non-cash additions from leasing contracts that were concluded in 2021.

## Share capital and reserves

VZ Holding Ltd's share capital as per 31 December 2022 amounts to CHF 2 million and consists of 40 million registered shares with a nominal value of CHF 0.05 each. All shares are fully paid up. There is a conditional share capital of 800'000 registered shares with a nominal value of CHF 0.05 each to serve option plans for employees and for members of the Board of Directors. The company has not issued any preferential shares and there is no authorised capital.

**Major shareholders** The table below illustrates the structure of VZ Holding Ltd's shareholding and lists those shareholders holding 3 % or more of the voting rights.

	as at 31.12.2022		as at 31.12.2021	
	Number of shares at CHF 0.05 nominal value each	in %	Number of shares at CHF 0.05 nominal value each	in %
<b>Employees and statutory bodies</b>				
Matthias Reinhart (direct and indirect) <sup>1</sup>	24'441'789	61.10	24'428'777	61.07
Members of the Board of Directors <sup>2</sup>	596'105	1.49	587'201	1.47
Other members of the Executive Board <sup>2</sup>	772'773	1.93	750'888	1.88
Employees <sup>3</sup>	1'426'600	3.57	1'392'553	3.48
<b>Other shareholders</b>				
Treasury shares	756'572	1.89	621'145	1.55
Others < 3 %	12'006'161	30.02	12'219'436	30.55
<b>Grand total</b>	<b>40'000'000</b>	<b>100.0</b>	<b>40'000'000</b>	<b>100.0</b>

1 Thereof 7242 shares (0.02 %) are locked-up (31.12.2021: 7010 shares (0.02 %) are locked-up). Matthias Reinhart holds a direct stake of 6 % in VZ Holding Ltd. He also holds 100 % of the shares in Madarex AG, which in turn has a 55.1 % stake in VZ Holding Ltd.

2 Without related parties.

3 All shares of employees who are registered in the share register are reported.

### Treasury shares

	Number	in '000 CHF
<b>As of 1 January 2021</b>	<b>731'532</b>	<b>44'258</b>
Purchases	103'082	8'380
Disposals	(213'469)	(11'166)
<b>As of 31 December 2021</b>	<b>621'145</b>	<b>41'472</b>
<b>As of 1 January 2022</b>	<b>621'145</b>	<b>41'472</b>
Purchases	231'935	17'444
Disposals	(96'508)	(5'287)
<b>As of 31 December 2022</b>	<b>756'572</b>	<b>53'629</b>

## Reserves

This position includes the retained net profit (retained earnings and free reserves) as well as the reserves that are required by law (legal and statutory reserves). Together with the «net profit» item, the reserves form the retained earnings. VZ Group's legal reserves amount to CHF 25.100 million as at 31 December 2022 (2021: CHF 24.975 million).

Under the Swiss Code of Obligations (OR), VZ Holding Ltd is free to determine its dividend payments to shareholders. The Swiss Code of Obligations stipulates that dividends may be paid out of freely distributable reserves and retained earnings and that 5 percent of annual retained earnings must be allocated to the reserves until such reserves amount to 20 percent of the paid-in share capital.

## Other equity components

The balance sheet item «Other equity components» consists of the cumulative conversion adjustments and the hedge reserves. The development of these two components is shown separately in the consolidated statement of changes in equity on page 64.

Cumulative conversion adjustments arise from the translation of the balance sheets of the subsidiaries in Germany and the United Kingdom from the respective local currency into CHF.

In the cash flow hedge reserve, the changes in the fair value of the interest rate caps are recognised as long as the hedge of the interest income on Saron mortgage loans is effective. The mechanism of these hedges is described on page 140.

## Additional information

### Segment reporting

VZ Group focuses its services on individuals and couples over 50 with residential property as well as on advising corporate clients in the areas of insurance and occupational benefits. Through several platforms from one hand miscellaneous financial services are provided for these clients. Because of this focus VZ Group only reports one segment, in accordance with the applicable rules and VZ Group's management organisation.

VZ Group's external financial reporting is based on the internal reporting to the Executive Board of the Group, responsible for allocating resources and assessing the financial performance of the business. However, for its management decisions, the Executive Board reviews and uses the consolidated financial reports.

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

### Leasing

#### Leasing contracts as lessee

VZ Group leases mainly office space of VZ branch offices and some mobile equipment (office furniture and IT equipment). The lease agreements for office space usually have a fixed lease term and an option to extend the lease term in favour of the tenant. Such an extension option is taken into account in the term if it is sufficiently certain that the option will be exercised.

#### Right-of-use assets from leasing agreements

The capitalised rights of use under rental agreements are recognised as part of property.

CHF '000	Buildings and land		Office machines and IT equipment		Total	
	2022	2021	2022	2021	2022	2021
<b>Capitalised right-of-use assets<sup>1</sup></b>						
<b>As of 1 January</b>	<b>53'440</b>	<b>55'529</b>	<b>366</b>	<b>15</b>	<b>53'806</b>	<b>55'544</b>
Change in the scope of consolidation	0	505	0	6	0	511
Additions	7'184	9'114	58	390	7'242	9'504
Disposals	(5'568)	(4'572)	0	(3)	(5'568)	(4'575)
Depreciation	(6'392)	(6'849)	(111)	(42)	(6'503)	(6'891)
Cumulative conversion adjustments	(323)	(287)	0	0	(323)	(287)
<b>As of 31 December</b>	<b>48'341</b>	<b>53'440</b>	<b>313</b>	<b>366</b>	<b>48'654</b>	<b>53'806</b>

<sup>1</sup> Included in the balance sheet item property and equipment.

The following lease expenses were recorded in the income statement:

CHF '000

	2022	2021
Interest on lease liabilities <sup>1</sup>	(309)	(301)
Expenses relating to short-term leases <sup>2</sup>	(4'663)	(3'959)
Expenses relating to leases of low-value assets <sup>2</sup>	(140)	(145)
Income from sub-leasing right-of-use assets	114	144
<b>Total</b>	<b>(4'998)</b>	<b>(4'261)</b>

1 The interest on leasing liabilities is part of the item financial expenses.

2 Rental expenses for leases with a lease term of less than 12 months and for goods of minor value are recorded as rental expenses under other operating expenses.

The total cash flows for leases in financial year 2022 amount to TCHF 11'671 (2021: TCHF 10'905).

#### Leasing contracts as lessor

VZ Group leases a small part of its office building in Zurich to third parties. The rental income of TCHF 34 (2021: TCHF 22) is recorded in the income statement position «Other operating income» as rental income from operating leases.

Expected undiscounted income from operating leases as lessor after the balance sheet date:

CHF '000

	31.12.2022	31.12.2021
Up to 1 year	163	22
1 to 5 years	622	0
<b>Total</b>	<b>785</b>	<b>22</b>

## Related party disclosures

VZ Holding Ltd is VZ Group's parent company. Related parties include members of the Board of Directors and the Group Executive Board. Since Madarex Ltd holds 55.1 % of VZ Holding's shares, Madarex Ltd and its subsidiary Madarex Immobilien Ltd likewise qualify as related parties. The VZ foundations, consisting of VZ Sammelstiftung, VZ Freizügigkeitsstiftung, VZ Immobilien-Anlagestiftung, VZ Vorsorgestiftung 3a, VZ Anlagestiftung, Freizügigkeitsstiftung der Zentralschweiz, VZ BVG Sammelstiftung and VZ Dachstiftung für gemeinnützige Zwecke are considered related parties because they also provide benefits for VZ Group employees or the operational management is carried out by related parties of VZ Group. In accordance with IFRS 10, these foundations do not fall into the scope of consolidation, because VZ Group does not control them. In addition, VZ Group holds investments in the associated companies Dufour Capital Ltd and Lumin Insurance Solutions Limited. The following table shows the total amounts of transactions with related parties for the relevant financial years.

CHF '000

	Services rendered to related parties	Services purchased from related parties	Receivables vis-à-vis related parties	Liabilities vis-à-vis related parties
<b>Board of Directors and Executive Board</b>				
2022	247	298 <sup>1</sup>	21'055 <sup>2</sup>	35'796
2021	210	106 <sup>1</sup>	16'060 <sup>2</sup>	35'256
<b>Madarex Ltd, Zug<sup>3</sup></b>				
2022	255	35	32	45'430
2021	226	2	39	26'888
<b>Madarex Immobilien Ltd, Zug</b>				
2022	7	4'045 <sup>4</sup>	0	6
2021	7	2'865 <sup>4</sup>	0	991
<b>VZ Foundations, Switzerland</b>				
2022	57'191	438	6'274	879'815
2021	54'032	239	5'474	836'081
<b>Associates<sup>5</sup></b>				
2022	0	198	0	151
2021	0	397	0	151

1 Blum & Grob attorneys at law Ltd – represented by Dr. Albrecht Langhart acting in his capacity as a partner – provided legal services worth TCHF 9 (2021: TCHF 36) for VZ Holding Ltd as well as for its Group companies.

2 Loans against securities coverage (lombard loans) to one member of the Board of Directors and one member of the Executive Board each.

3 In addition, as at 31 December 2022, Madarex Ltd holds receivables vis-à-vis related parties of VZ Group in the amount of TCHF 58'099 (2021: TCHF 49'875) and no liabilities as at 31 December 2022 (2021: zero). Revenues generated out of these receivables amount for TCHF 547 (2021: TCHF 477) whereas expenses account for TCHF 75 (2021: TCHF 47).

4 Expenses for premises rented by VZ Group.

5 Dufour Capital Ltd, Zurich and Lumin Insurance Solutions Limited, St Albans.



Services to members of the Board of Directors and the Executive Board and to companies controlled by them are provided at the same terms and conditions as employees. Services provided to VZ foundations and services from related parties are provided at market conditions.

Receivables and liabilities

The majority of the invoices outstanding at year-end are unsecured. VZ Group has not issued or received any guarantees in connection with receivables or liabilities of related parties. For the year ending on 31 December 2022, VZ Group did not form any provisions for outstanding amounts owed by related parties (2021: zero). This assessment is carried out at the end of each financial year.

Key management compensation

CHF '000

	2022	2021
Share-based payments	375	345
<b>Total compensation to members of the Board of Directors</b>	<b>375</b>	<b>345</b>
Fixed basic salary	3'637	3'554
Variable performance-related compensation	2'647	3'188
<i>thereof cash</i>	537	683
<i>thereof shares</i>	1'608	2'049
<i>thereof expenses related to options</i>	502	456
Other	38	37
<b>Total compensation to members of the Executive Board</b>	<b>6'322</b>	<b>6'779</b>
<b>Total compensation to key management</b>	<b>6'697</b>	<b>7'124</b>

Individuals in key positions include the members of VZ Group's Board of Directors and its Group Executive Board.

Compensation paid to members of the Board of Directors consists of basic compensation plus a lump sum for additional tasks. The entire compensation of the Board of Directors is paid in shares. Compensation paid to the members of the Group Executive Board consists of a fixed basic salary component settled in cash, a variable performance-related portion, services provided and non-cash benefits categorised as salary. The disclosures required in Listed Companies are set out in the chapter containing the Remuneration Report. The compensation reported in the consolidated financial statements is based on the international financial reporting standards (IFRS), which may differ from the standards. The share portfolios of the Board of Directors and the Executive Board are detailed in the «Compensation Report» (page 53).

## Share-based management benefit programme

The share-based management benefit programme ensures that management employees receive 20 to 50 percent of their bonus in the form of shares, depending on their level of management. Management employees may also draw an additional part of their bonus in shares rather than cash. The share component can be raised by 50 percent in relative terms and therefore amount to a maximum of 30 to 75 percent. The allotment rate of the shares corresponds to the weighted average price of the traded shares within a period specified. The lock-up period for all shares from the management benefit programme is three years. It also applies to employees who leave VZ Group before the end of the lock-up period. If employees retire, the lock-up period is lifted.

The shares are allocated to management employees in February and to members of the Executive Board after the Annual General Meeting, usually in April. The vesting period of three years starts with the respective allocation date.

	2022	2021
Number of shares allocated to management employees	47'109	45'422
End of lock-up period	24.2.2025	24.2.2024
Number of shares allocated to members of the executive board	22'505	16'564
End of lock-up period	11.4.2025	11.4.2024
Price per share transferred	CHF 90.75	CHF 77.95
<b>Total of shares allocated</b>	<b>69'614</b>	<b>61'986</b>

For each share obtained, management employees simultaneously receive two free options for an additional share per option. Since the 2019 bonus year, the exercise price of the option has been 110 percent of the subscription price of the underlying instrument (previously 125 percent). The options have a duration of six years and can only be redeemed for shares; cash settlement is excluded. In addition, the options are locked for three years and expire worthless if the employee leaves VZ Group within this period. If an employee leaves VZ Group and is in possession of free options, he/she has six months after the end of the employment contract to exercise the options. If they leave VZ Group because they retire, all options are released from the lock-up period. In this case, the employees must exercise all their options within 6 months after the termination of employment. The options are American-style call options.

Market value per option in CHF	Management	Members of the Executive Board <sup>1</sup>
Year of allocation 2023, Bonus year 2022 (indicative)	11.43	–
Year of allocation 2022, Bonus year 2021 (actual)	7.63	7.63

<sup>1</sup> The market value is usually determined in April following the General Meeting.

The market value is calculated with the enhanced-American model. The options will be effectively valued at the time of the allocation. The exercise price for the allocation year 2023 for the 2022 bonus year is CHF 80.60 (year of allocation 2022, bonus year 2021: CHF 99.80).

## Option plans

Year of allocation	Valuation date	Remaining maturity	Expiration date	Market value at grant date	Exercise price
2022 <sup>GL</sup>	13.4.2022	5,3 years	12.4.2028	CHF 7.63	CHF 99.80
2022 <sup>KM</sup>	25.2.2022	5,2 years	24.2.2028	CHF 7.63	CHF 99.80
2021 <sup>GL</sup>	13.4.2021	4,3 years	12.4.2027	CHF 11.35	CHF 85.75
2021 <sup>KM</sup>	25.2.2021	4,2 years	24.2.2027	CHF 8.76	CHF 85.75
2020 <sup>GL</sup>	9.4.2020	3,3 years	8.4.2026	CHF 9.69	CHF 70.65
2020 <sup>KM</sup>	25.2.2020	3,2 years	24.2.2026	CHF 11.63	CHF 70.65
2019 <sup>GL</sup>	10.4.2019	2,3 years	09.4.2025	CHF 19.05	CHF 66.90
2019 <sup>KM</sup>	25.2.2019	2,2 years	24.2.2025	CHF 20.69	CHF 66.90
2018 <sup>GL</sup>	11.4.2018	1,3 years	10.4.2024	CHF 9.01	CHF 82.50
2018 <sup>KM</sup>	23.2.2018	1,2 years	22.2.2024	CHF 20.27	CHF 82.50
2017 <sup>GL</sup>	7.4.2017	0,3 years	6.4.2023	CHF 16.27	CHF 75.25
2017 <sup>KM</sup>	24.2.2017	0,2 years	23.2.2023	CHF 25.70	CHF 75.25
2016 <sup>GL</sup>	12.4.2016	0,0 years	11.4.2022	CHF 16.49	CHF 69.05
2016 <sup>KM</sup>	25.2.2016	0,0 years	24.2.2022	CHF 23.48	CHF 69.05

Options for members of the Executive Board (GL) are allocated in April after approval by the General Assembly. Options for management staff (KM) are allocated in February. The duration until expiry for both groups of beneficiaries is uniformly 6 years from the date of allocation. The other conditions of the option plans are identical for both groups.

## Outstanding options

Year of allocation	Allocated options	Outstanding as at 31.12.2021	Exercised options	Forfeited options in the reporting period	Outstanding as at 31.12.2022
2022 <sup>GL</sup>	45'010	–	–	0	45'010
2022 <sup>KM</sup>	94'218	–	–	4'960	89'258
2021 <sup>GL</sup>	33'128	33'128	–	0	33'128
2021 <sup>KM</sup>	90'844	84'536	–	3'188	81'348
2020 <sup>GL</sup>	36'200	36'200	–	0	36'200
2020 <sup>KM</sup>	95'740	85'800	–	2'710	83'090
2019 <sup>GL</sup>	44'150	44'150	5'320	0	38'830 <sup>1</sup>
2019 <sup>KM</sup>	105'960	92'370	4'423	410	87'537 <sup>1</sup>
2018 <sup>GL</sup>	33'220	31'900	0	0	31'900 <sup>1</sup>
2018 <sup>KM</sup>	81'240	61'380	1'172	300	59'908 <sup>1</sup>
2017 <sup>GL</sup>	33'650	15'015	2'500	0	12'515 <sup>1</sup>
2017 <sup>KM</sup>	77'130	44'060	2'980	0	41'080 <sup>1</sup>
2016 <sup>GL</sup>	46'800	0	0	0	0 <sup>1</sup>
2016 <sup>KM</sup>	82'970	6'240	6'240	0	0 <sup>1</sup>
<b>Total</b>	<b>900'260</b>	<b>534'779</b>	<b>22'635</b>	<b>11'568</b>	<b>639'804</b>

Options for members of the Executive Board (GL) are allocated in April after approval by the General Assembly. Options for management staff (KM) are allocated in February. The duration until expiry for both groups of beneficiaries is uniformly 6 years from the date of allocation. The other conditions of the option plans are identical for both groups.

<sup>1</sup> Options exercisable at balance sheet date.

Outstanding options	31.12.2022	31.12.2021
Weighted average of the remaining maturities	3.1 years	3.5 years
Weighted average exercise price	CHF 80.81	CHF 75.57

## Employee benefit plans

### Swiss benefit plans

The Swiss group companies have entered into affiliation agreements with two collective foundations for basic and supplementary occupational benefits for the occupational benefit plans of their employees in accordance with the Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). These foundations are legally independent of VZ Group. Their supreme body is the Board of Trustees. The collective foundations finance their benefits by contributions from the employer and the employee as well as by investment returns. These contributions are calculated as a percentage of the insured salaries. Statutory minimum values are prescribed for the occupational benefit plans with regard to the insured salaries, the retirement credits, the conversion rate and the interest rate. The benefits of VZ Group's occupational benefit plans are above the statutory minimum and include lifelong retirement benefits as well as disability and death benefits in the event of death of an insured person.

The nature of the benefit plan and the insured benefits entail investment risks as well as longevity, disability and death risks. Longevity, disability and death risks are reinsured through a congruent reinsurance contract. The basic and supplementary occupational benefits are structured differently. The basic occupational benefits plan is a comprehensive solution that covers both statutory minimum benefits and supplementary benefits. The supplementary occupational benefits plan only covers supplementary benefits, whereby the insured person can individually choose the investment strategy for the assets in their retirement savings account (occupational benefits according to Art. 1e BVV2).

In the case of the basic benefits plan, the collective foundations bear the investment risk for the VZ Group companies. The Board of Trustees defines the investment strategy. The contributions are paid into individual guarantee and surplus accounts. While the assets in the guarantee accounts are fully guaranteed and have a fixed interest rate, the beneficiaries participate fully in the investment performance of the surplus accounts. The beneficiaries of the basic benefit plan can draw the retirement benefit as a pension or (in whole or in part) as a lump sum. If the collective foundations are underfunded, the Board of Trustees must initiate restructuring measures in order to eliminate the underfunding. Possible options include reducing the interest rate on retirement savings, levying restructuring contributions or adjusting the investment strategy. The employer must pay a maximum of 50 percent of the restructuring contributions.

In the case of the supplementary plan, the beneficiaries participate fully in the investment performance and in this sense also bear the investment risks. As a default, the beneficiaries receive the retirement benefits as a lump sum. However, they can also apply for a retirement pension.

Future retirement benefits depend on the savings contributions made and the interest credits. Due to the guarantees provided by the statutory minimum requirements and the guarantee accounts of the basic benefit plans (minimum interest rate, preservation of retirement assets, minimum conversion rates), VZ Group is nevertheless exposed to the risk that it will have to pay additional contributions to the basic benefit plans for years of service already rendered. Together with the obligation to restructure in the event of underfunding, this results in the basic benefit plans being classified as defined benefit plans in accordance with IAS 19. The supplementary benefit plans are excluded: this component is classified as a defined contribution plan in accordance with IAS 19.

The last actuarial calculation for IAS 19 for Swiss pension plans was made as at 31 December 2022.

#### **German benefit plan for members of the Executive Board**

For members of the Executive Board of the companies in Germany, a pension plan «Vorsorgezusage in Form einer beitragsorientierten wertpapiergebundenen Leistungszusage» has been in place since 2018. The plan provides for employer contributions (limited annually to a maximum of TEUR 15) and voluntary employee contributions in the form of deferred compensation. The beneficiaries can determine the investment strategy themselves within the framework of predefined variants. When they reach the age limit or die, the beneficiaries or survivors are entitled to the payment of the capital value of the individual pension account, but at least the paid-in contributions. In the event of a shortfall, the company makes up the difference. The individual credit balance can also be transferred to a new employer (without minimum guarantee up to the amount of the paid-in contributions). The risk bearer of this plan is the employer. The risk is limited to the investment risk (in the event of a pension claim, at least the paid-in contributions are paid out). The plan is classified as a defined benefit plan according to IAS 19. As of 31 December 2022, the size of the plan was immaterial in absolute terms and in comparison to the other pension plans of VZ Group, as in the previous year. No actuarial assumptions are disclosed.

#### **Other benefit plans**

In Germany and the United Kingdom, there are other pension plans that are considered as defined contribution plans according to IAS 19.

Defined  
benefits plan

### Reconciliation of the amount recognised in the balance sheet at the end of the year

CHF '000

	2022	2021
Plan assets at fair value	107'497	110'758
Present value of pension obligations	(119'758)	(155'695)
<b>Prepaid/(deferred) pension cost recognised</b>	<b>(12'261)</b>	<b>(44'937)</b>

### Component of pension expense

CHF '000

	2022	2021
Current service cost	(7'470)	(7'850)
Net interest (expense)/income	(148)	(83)
Plan amendments	278	0
<b>Pension cost for defined benefit plans recognised in personnel expenses</b>	<b>(7'340)</b>	<b>(7'933)</b>
Actuarial (loss)/gain on obligation	46'638	(4'723)
Actuarial (loss)/gain on plan assets	(13'061)	6'090
<b>Total remeasurement recognised in OCI</b>	<b>33'577</b>	<b>1'367</b>
<b>Net cost for VZ Group's defined benefit plans</b>	<b>26'237</b>	<b>(6'566)</b>

### Changes in the net amount recognised in the balance sheet

CHF '000

	2022	2021
Prepaid/(deferred) pension cost at the beginning of the year	(44'937)	(44'038)
Pension cost for defined benefit plans	26'237	(6'566)
Employer contributions	6'439	5'667
<b>Prepaid/(deferred) pension cost</b>	<b>(12'261)</b>	<b>(44'937)</b>

## Changes in the present value of the pension obligation (defined benefit obligation)

CHF '000

	2022	2021
Present value of the obligation as at 1 January	155'695	141'770
Interest cost	551	279
Current service cost	7'470	7'850
Employee's contributions	4'221	3'661
Plan amendments <sup>1</sup>	(278)	0
Benefits paid or deposited <sup>2</sup>	(1'263)	(2'588)
Actuarial (gain)/loss on pension obligation <sup>3</sup>	(46'638)	4'723
thereof changes in financial assumptions	(29'099)	(3'553)
thereof experience adjustments <sup>3</sup>	(17'539)	17'388
thereof changes in demographic assumptions	0	(9'112)
<b>Present value of the pension obligation as at 31 December</b>	<b>119'758</b>	<b>155'695</b>

- 1 The plan adjustments in 2022 consisted of an increase in savings contributions in the compulsory and non-compulsory salary area for all management employees.
- 2 This position includes inflows from vested benefits from new employees and voluntary pension fund deposits from insured persons. If these inflows exceed the outflows, the position shows a positive results.
- 3 Experience adjustments includes changes in the employee and retirees population, changes to the surplus accounts and the overall interest rate.

## Changes in the fair value of the plan assets

CHF '000

	2022	2021
Fair value of plan assets as at 1 January	110'758	97'732
Expected return on plan assets	403	196
Employer's contributions	6'439	5'667
Employee's contributions	4'221	3'661
Benefits paid or deposited	(1'263)	(2'588)
Actuarial gain/(loss) on plan assets <sup>1</sup>	(13'061)	6'090
<b>Fair value of plan assets as at 31 December</b>	<b>107'497</b>	<b>110'758</b>

- 1 All actual gains and losses are based on experience adjustments.

## Defined benefit pension plan (actuarial assumptions)

	2022	2021
Discount rate (as at 31.12.)	2,20%	0,30%
Future salary increase	2,00%	2,00%
Future pension increases	0,00%	0,00%
Average duration of the pension obligation	7.3	7.6
Actuarial principles	BVG 2020	BVG 2020



Interest and current service cost for 2022 were calculated at a discount rate of 0.30 % (2021: 0.20 %). The discount rate is adjusted at year-end in order to reevaluate the pension obligations.

### Sensitivity analysis (Impact of changes in parameters on pension obligations)

CHF '000

	2022	2021
Discount rate (-0.5 %)	8'561	12'474
Discount rate (+0.5 %)	(7'559)	(10'812)
Future salary increase (-0.5 %)	(1'545)	(2'286)
Future salary increase (+0.5 %)	1'644	2'443

The collective foundation's assets are invested in accordance with the Swiss Occupational Pensions Act (BVG).

### Allocation of plan assets

	2022		2021	
	in CHF '000	in %	in CHF '000	in %
Cash	860	0.8 %	1'108	1.0 %
Equity	44'719	41.6 %	40'427	36.5 %
Bonds	41'709	38.8 %	47'515	42.9 %
Real Estate	10'427	9.7 %	10'411	9.4 %
Other	9'782	9.1 %	11'297	10.2 %
<b>Total</b>	<b>107'497</b>	<b>100.0 %</b>	<b>110'758</b>	<b>100.0 %</b>

The estimated employer's contribution to be paid for the pension plans in 2023 amounts to CHF 6.8 million (2022: CHF 5.8 million) and is based on prior-year premiums and expected trends in personal expenses (number of employees, salary development).

## Financial instruments

The following page shows the fair values of financial instruments based on the valuation methods and assumptions described below. The fair value corresponds to the sum at which assets can be freely exchanged and obligations fulfilled between willing and knowledgeable parties that are independent of each other. Insofar as an active and liquid market (for example a recognised stock exchange) exists, VZ Group uses the market price, as this is the best indicator of the fair value of financial instruments.

### *Liquid assets, short-term investments*

For these financial instruments, the carrying amount on the balance sheet date corresponds to the fair value.

### *Securities at fair value*

For these financial instruments, the fair value corresponds to the market value.

### *Trade receivables and due to customers, other receivables, other current assets, financial assets, other liabilities, other financial liabilities*

The fair value of these financial instruments is based on listed market prices or prices quoted by traders insofar as the financial instruments are traded on an active market. Otherwise, the fair value is determined using discounted cash flows. For products whose fixed interest rate or payment flows cannot be determined in advance, replicable portfolios are used.

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 market interest rate 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 parameter, that is neither directly nor indirectly observable on the market. This includes the obligation to acquire the minority interests, which results from the right of sale of the minority of the Lumin Group.

## Fair value of financial instruments as at 31.12.2022

CHF '000

	Book value	Fair value	Difference
<b>Assets</b>			
Cash and cash equivalents	1'290'234	1'290'234	0
Short term investments	172'485	172'485	0
Marketable securities at fair value			
Marketable securities at fair value	102	102	0
Derivative financial instruments	1'241	1'241	0
Trade receivables	3'220	3'220	0
Other receivables	18'191	18'191	0
Other current assets	7'198	7'198	0
Financial assets			
Mortgage	3'386'946	3'389'317	2'371
Bonds	365'665	337'926	(27'739)
Time deposits	375'737	345'752	(29'985)
Other financial assets	57'489	57'316	(173)
<b>Subtotal</b>	<b>5'678'508</b>	<b>5'622'982</b>	<b>(55'526)</b>
<b>Liabilities</b>			
Trade payables	2'777	2'777	0
Other current liabilities			
Other current liabilities	19'072	19'072	0
Derivative financial instruments	71'895	71'895	0
Due to banks	130'444	130'444	0
Due to customers	4'431'605	4'431'605	0
Long-term debts			
Medium-term notes	283	276	7
Loans from central mortgage institutions	352'361	349'794	2'567
Time deposits more than 1 year from customers	5'990	5'850	140
Time deposits more than 1 year from banks	0	0	0
Leasing liabilities	42'940	42'940	0
Other non-current liabilities <sup>1</sup>	21'524	21'524	0
<b>Subtotal</b>	<b>5'078'891</b>	<b>5'076'177</b>	<b>2'714</b>
<b>Total of divergence</b>			<b>(52'812)</b>

<sup>1</sup> Financial instruments included in Other non-current liabilities.

## Fair value of financial instruments as at 31.12.2021

CHF '000

	Book value	Fair value	Difference
<b>Assets</b>			
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
<b>Subtotal</b>	<b>5'523'962</b>	<b>5'603'873</b>	<b>79'911</b>
<b>Liabilities</b>			
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	354'587	(3'872)
Time deposits more than 1 year from customers	6'000	6'056	(56)
Time deposits more than 1 year from banks	5'000	5'043	(43)
Leasing liabilities	48'350	48'350	0
Other non-current liabilities <sup>1</sup>	20'162	20'162	0
<b>Subtotal</b>	<b>4'954'754</b>	<b>4'958'729</b>	<b>(3'975)</b>
<b>Total of divergence</b>			<b>75'936</b>

<sup>1</sup> Financial instruments included in Other non-current liabilities.

For the calculation of the fair value of this obligation, Lumin's future results are estimated using internal financial plans and from this the present value of the obligation is calculated at the time the put options are exercised. Several of the parameters used are neither directly nor indirectly observable; 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.

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

### Level 3 financial instruments

CHF '000

	Residual liability from acquisitions 31.12.2022	Residual liabilities to acquire non- controlling interests Lumin as at 31.12.2022	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	(51)	361	121
Changes recognised in equity		3'554	753
Cumulative conversion adjustments	(212)	(1'469)	(483)
<b>Total carrying amount at balance sheet date</b>	<b>2'494</b>	<b>18'130</b>	<b>15'684</b>

### Sensitivity of fair values of Level 3 instruments

Key assumptions for the valuation of the obligation to acquire the minority interest in Lumin Group Ltd are the expected average growth in earnings 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
Expected growth	+1 percentage point	538
Expected growth	-1 percentage point	(528)
Discount rate	+1 percentage point	(601)
Discount rate	-1 percentage point	626

### Valuation methods for financial instruments at fair value

CHF '000

	Level 1	Level 2	Level 3	Total
<b>as at 31.12.2022</b>				
<b>Assets</b>				
Marketable securities at fair value <sup>1</sup>	76	26	0	102
Derivative financial instruments <sup>1</sup>	0	1'241	0	1'241
<b>Liabilities</b>				
Derivative financial instruments <sup>2</sup>	0	71'895	0	71'895
Change in market value of hedged loans from central mortgage institutions <sup>3</sup>	0	23'007	0	23'007
Liability to acquire non-controlling interests <sup>4</sup>	0	0	18'130	18'130
Residual liability from acquisitions <sup>4</sup>	0	0	2'494	2'494
<b>as at 31.12.2021</b>				
<b>Assets</b>				
Marketable securities at fair value <sup>1</sup>	85	29	0	114
Derivative financial instruments <sup>1</sup>	0	2'850	0	2'850
<b>Liabilities</b>				
Derivative financial instruments <sup>2</sup>	0	6'704	0	6'704
Change in market value of hedged loans from central mortgage institutions <sup>3</sup>	0	2'023	0	2'023
Liability to acquire non-controlling interests <sup>4</sup>	0	0	15'684	15'684

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».

No financial instruments have been reclassified in 2022 and 2021.

Hedging  
transactions

*Foreign currency risks on balance sheet items*

VZ Group hedges foreign currency risks with forward exchange contracts. No hedge accounting is applied to these transactions.

The foreign currency gains and losses from the forward exchange transactions and the hedged balance sheet positions are both reported under «Banking income from commission and trading business» and largely offset each other.

*Interest rate risks on loans from central mortgage institutions<sup>1</sup>*

VZ Group uses interest rate swaps in accordance with IFRS 9 in order to hedge against interest rate risks and associated market fluctuations on part of the fixed-interest loans from central mortgage institutions (fair value hedge accounting). The reference interest rate for the interest rate swaps is the Saron<sup>1</sup>. There is an economic relationship between the hedged item and the hedging instrument because the terms of the interest rate swaps are consistent with the terms of the mortgage bond loans (i.e. nominal amount, maturity, payment dates and settlement date). VZ Group has established a hedging ratio of virtually 1:1 as the risk underlying the interest rate swaps is identical to the hedged item. To assess the effectiveness of the hedge, VZ Group compares the changes in the fair value of the hedging instrument with the changes in the fair value of the hedged item attributable to the hedged risk. A hedge ineffectiveness may arise from different yield curves for discounting the hedged item and the hedging instrument or a 1:1 variance in the hedging relationship.

*Interest income on Saron mortgage loans<sup>1</sup>*

VZ Group generates income based on the Saron on a part of its mortgage investments. Since 2019, it has hedged part of this interest income with a cash flow hedge using caps against interest rates that remain low or continue to fall. It receives a fixed Zins (premium) from the counterparty on the sale of interest rate caps. As soon as the 3-month Compounded Saron exceeds a defined threshold on certain key dates during the contract term, VZ Group must pay the counterparty an interest amount. These payments are calculated from the difference between the relevant 3-month Compounded Saron and the threshold value.

Both the underlying transaction consisting of Saron mortgages and the interest caps contain a contractual limit for the 3-month Compounded Saron of 0 percent.

Changes in the fair value of interest rate caps are recognised in other comprehensive income in the statement of comprehensive income as long as the hedge is effective. The fair value amounts of the interest rate caps accrued in other comprehensive income are transferred to the income statement at the same time as a change in interest income from the hedged Saron mortgages. In order for the hedge to be effective, the key contractual features of the underlying and hedging transactions must match.

<sup>1</sup> Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate.

The volume of interest rate caps corresponds to the designated mortgage portfolio. If the volume of the portfolio changes (for example, due to repayments), the difference must be offset by mortgage loans of equal value. The interest rates of the hedging instruments are adjusted at the same time as the interest rates of the portfolio. If the main contract features no longer match, hedging transactions may become partially or completely ineffective. In such a case, the ineffective portion of the adjustment to the fair value of the hedging instruments is transferred from the statement of comprehensive income to the income statement.

The option premiums received from the interest rate caps are booked as «Banking income from interest operations». In the second half of 2022, payments to the counterparties of interest rate caps became due for the first time because interest rates exceeded the defined limit. The payments are included in the banking income from interest business. The interest income from the designated mortgage portfolio is recognised in the same item of the income statement.

CHF '000

	Hedge Accounting	2022	2021
<b>Fair value hedges</b>			
Foreign currency risks on balance sheet items	no		
Positive replacement values of forward exchange transactions as at 31.12.		1'241	8
Negative replacement values of forward exchange transactions as at 31.12.		1'895	1'283
Contract value as of 31.12.		188'503	234'488
Interest rate risks on mortgage bond loans	yes		
Positive replacement values of interest rate swaps as of 31.12.		0	2'842
Negative replacement values of interest rate swaps as of 31.12.		23'856	700
Contract value as of 31.12.		279'000	265'400
Bank income from interest operations (income from interest rate swaps)		609	1'709
Bank income from commission and trading business (hedging business)		(25'385)	(5'539)
Bank income from commission and trading (underlying transaction)		25'031	5'503
Change in fair value of mortgage bond loan			
<b>Cash flow hedges</b>			
Interest income on Saron/Libor mortgage loans <sup>1</sup>	yes		
Positive replacement values interest rate caps as at 31.12.		0	0
Negative replacement values Interest rate caps as at 31.12.		46'144	4'722
Contract value as of 31.12.		475'000	350'000
Bank income from interest rate business (option premiums interest rate caps)		1'761	936
Change in cash flow hedge reserves in the statement of comprehensive income (hedging business)		(42'025)	(9'556)

1 Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate.



## Categories of financial instruments as at 31.12.2022

CHF '000

	Amortised Cost <sup>1</sup>	FVTPL <sup>2</sup>	FVOCI <sup>3</sup>	Equity <sup>4</sup>	Not classified as financial instrument	Total
<b>Assets</b>						
Cash and cash equivalents	1'290'234					1'290'234
Short term investments	172'485					172'485
Marketable securities at fair value		1'343				1'343
Trade receivables	3'220					3'220
Other receivables	18'191					18'191
Accrued income					71'725	71'725
Other current assets	7'198					7'198
Financial assets	4'185'837					4'185'837
Investments in associates					421	421
Property and equipment					145'807	145'807
Intangible assets					38'139	38'139
Deferred tax assets					11'312	11'312
<b>Total assets</b>	<b>5'677'165</b>	<b>1'343</b>	<b>0</b>	<b>0</b>	<b>267'404</b>	<b>5'945'912</b>
<b>Liabilities</b>						
Trade payables	2'777					2'777
Other current liabilities	19'072	25'751	46'144			90'967
Due to banks	130'444					130'444
Due to customers	4'431'605					4'431'605
Income tax payables					30'334	30'334
Provisions					1'383	1'383
Accrued expenses					44'902	44'902
Long-term debts	145'581	255'993				401'574
Other non-current liabilities	901	2'494		18'130	17'584	39'108
Deferred tax liabilities					1'550	1'550
<b>Total liabilities</b>	<b>4'730'380</b>	<b>284'238</b>	<b>46'144</b>	<b>18'130</b>	<b>95'753</b>	<b>5'174'644</b>

1 Amortised cost; measured at amortised cost, changes in value are recognised in the income statement.

2 FVTPL = Fair value through profit & loss; measured at fair value, changes in value are recognised in the income statement.

3 FVOCI = Fair value through their comprehensive income; measured at fair value, changes in value are recognised in the income statement. recognised in the statement of comprehensive income.

4 Equity; measured at fair value, changes in value are recognised in equity.

## Categories of financial instruments as at 31.12.2021

CHF '000

	Amortised Cost <sup>1</sup>	FVTPL <sup>2</sup>	FVOCI <sup>3</sup>	Equity <sup>4</sup>	Not classified as financial instrument	Total
<b>Assets</b>						
Cash and cash equivalents	1'799'086					1'799'086
Short term investments	89'283					89'283
Marketable securities at fair value		2'964				2'964
Trade receivables	3'119					3'119
Other receivables	13'834					13'834
Accrued income					68'646	68'646
Other current assets	9'071					9'071
Financial assets	3'606'605					3'606'605
Investments in associates					446	446
Property and equipment					132'708	132'708
Intangible assets					34'957	34'957
Deferred tax assets					10'063	10'063
<b>Total assets</b>	<b>5'520'998</b>	<b>2'964</b>	<b>0</b>	<b>0</b>	<b>246'830</b>	<b>5'770'792</b>
<b>Liabilities</b>						
Trade payables	704					704
Other current liabilities	17'475	1'983	4'721			24'179
Due to banks	624'842					624'842
Due to customers	3'874'421					3'874'421
Income tax payables					25'616	25'616
Provisions					1'350	1'350
Accrued expenses					38'395	38'395
Long-term debts	143'023	267'423				410'446
Other non-current liabilities	4'478			15'684	49'677	69'839
Deferred tax liabilities					1'316	1'316
<b>Total liabilities</b>	<b>4'664'943</b>	<b>269'406</b>	<b>4'721</b>	<b>15'684</b>	<b>116'354</b>	<b>5'071'108</b>

1 Amortised cost; measured at amortised cost, changes in value are recognised in the income statement.

2 FVTPL = Fair value through profit & loss; measured at fair value, changes in value are recognised in the income statement.

3 FVOCI = Fair value through their comprehensive income; measured at fair value, changes in value are recognised in the income statement. recognised in the statement of comprehensive income.

4 Equity; measured at fair value, changes in value are recognised in equity.

## Scope of consolidation

The consolidated financial statements include the financial statements of VZ Group and the subsidiaries listed in the following table.

in '000

	Currency	Share capital		Equity interest
		31.12.2022	31.12.2021	
<b>Subsidiaries (full consolidation)</b>				
<b>Switzerland</b>				
VZ VermögensZentrum Ltd, Zurich	CHF	2'000	2'000	100 %
VZ Rechts- und Steuerberatung Ltd, Zurich	CHF	250	250	100 %
Früh & Partner Vermögensberatung Ltd, Zurich <sup>1</sup>	CHF	250	250	40 %
VZ VersicherungsZentrum Ltd, Zurich	CHF	100	100	100 %
VZ VersicherungsPool Ltd, Zurich	CHF	17'500	17'500	100 %
HypothekenZentrum Ltd, Zurich	CHF	250	250	100 %
HZ Credit Support Ltd, Zurich	CHF	100	100	100 %
HZ Servicing Ltd, Zurich	CHF	100	100	100 %
VZ Depotbank Ltd, Zug	CHF	45'000	45'000	100 %
VZ Operations Ltd, Zurich	CHF	100	100	100 %
VZ Vorsorge Ltd, Zurich	CHF	100	100	100 %
VZ BVG Rück Ltd, Zurich <sup>2</sup>	CHF	25'000		100 %
VZ Insurance Services Ltd, Zurich	CHF	100	100	100 %
VZ Corporate Services Ltd, Zurich	CHF	100	100	100 %
Claridenhof Ltd, Zurich	CHF	104	104	100 %
<b>Germany</b>				
VZ VermögensZentrum Bank Ltd, Munich	EUR	20'000	20'000	100 %
VZ Treuhand GmbH, München	EUR	100	100	100 %
<b>Great Britain</b>				
Lumin Group Limited, St Albans <sup>3</sup>	GBP	3	3	50.1 %
Lumin Wealth Limited, St Albans	GBP	6	6	50.1 %
Lumin Wealth Management Limited, St Albans	GBP	0.1	0,1	50.1 %
Lumin Pensions Services Limited, St Albans	GBP	0.1	0,1	50.1 %
Chamberlain Stean & West Limited, St Albans	GBP	0.9	0,9	50.1 %
VZ Investment Research Ltd, London	GBP	100	100	100 %
Viper Ventures Limited, St Albans <sup>4</sup>	GBP	0.5		50.1 %
Nhance Independent Limited, St Albans <sup>4</sup>	GBP	0.001		50.1 %
Ashridge Financial Management Limited, St Albans <sup>4</sup>	GBP	10		50.1 %

1 VZ Holding Ltd holds 50.66 percent of Früh & Partner Vermögensberatung Ltd's voting rights (31.12.21: 50.66 percent).

2 VZ BVG Rück AG was established on 27 July 2022 and is operational as of 1 January 2023.

3 VZ Holding Ltd acquired 50.1 percent of Lumin Group Limited on 17 May 2021.

4 Lumin Group Ltd acquired the following companies in 2022 (see also page 145):

– 100% of the shares in Viper Ventures Ltd and Nhance Independent Ltd on 21 February 2022

– 100% of the shares in Ashridge Financial Management Ltd on 26 May 2022

## Group structure

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

Company	Shares	Date of acquisition
Viper Ventures Ltd, St Albans <sup>1</sup>	100 %	21 February 2022
Ashridge Financial Management Ltd, St Albans	100 %	26 May 2022

<sup>1</sup> Viper Ventures Ltd, as the parent company, holds 100% of the shares in Nhance Independent Ltd, St Albans.

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 72 people and operates primarily in the North London area. Viper Ventures Ltd/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 values shown in the table on page 146.

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 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 138. 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 135. The goodwill resulting from these transactions is primarily due to the growth potential. The impairment test is 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 financial year 2022, the acquisitions resulted in an increase in operating revenues of CHF 0.9 million (of which Enhance CHF 0.6 and Ashridge CHF 0.3 million) and an increase in net profit of CHF 0.3 million (of which Enhance CHF 0.2 and Ashridge CHF 0.1 million). If both transactions had taken place on 1 January 2022, operating revenues would have increased by CHF 1.3 million and net profit by CHF 0.4 million in the financial year 2022. The acquisition-related costs of CHF 0.3 million were recognised directly in the income statement as general expenses.

CHF '000

	Enhance	Ashridge	Total
<b>Assets</b>			
Cash & cash equivalents	127	95	222
Other assets	21	9	30
<b>Current assets</b>	<b>148</b>	<b>104</b>	<b>252</b>
Other assets		5	5
Client relationships	1'574	1'136	2'710
Deferred tax assets		2	2
<b>Non-current assets</b>	<b>1'574</b>	<b>1'143</b>	<b>2'717</b>
<b>Total assets</b>	<b>1'722</b>	<b>1'247</b>	<b>2'969</b>
<b>Current liabilities</b>			
Deferred tax liabilities	299	216	515
<b>Non-current liabilities</b>	<b>299</b>	<b>216</b>	<b>515</b>
<b>Total liabilities</b>	<b>951</b>	<b>245</b>	<b>1'196</b>
Exchange rate at the time of acquisition GBP/CHF	1.2104	1.2081	
<b>Fair value of acquired net assets<sup>1</sup></b>			<b>1'773</b>
Goodwill from acquisition			3'342
<b>Purchase price paid</b>			<b>5'115</b>
of which paid at acquisition date			2'358
of which recognised as residual liability from acquisitions			2'757
Acquired cash & cash equivalents			(222)
Net outflow of cash & cash equivalents			(2'136)

1 In the half-year report as at 30 June 2022, the fair value of the net assets acquired was stated at TCHF 2178 and it was explained that the contractually defined review process for the acquisition balance sheet had not yet been completed with the seller of the shares at that time. The final fair value of the net assets acquired is TCHF 1773, which corresponds to a reduction of TCHF 405. The goodwill arising from the acquisition has changed by the same amount.

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.

## Pledged assets

CHF '000

	Book value	thereof utilised
<b>31.12.2022</b>		
Cash and cash equivalents	66'411	66'780
Mortgages	478'306	402'948
Bonds	25'189	0
Other financial assets	100	0
<b>Total</b>	<b>570'906</b>	<b>469'728</b>
<b>31.12.2021</b>		
Cash and cash equivalents	3'780	4'250
Mortgages	425'913	373'140
Bonds	22'337	0
<b>Total</b>	<b>452'030</b>	<b>377'390</b>

## Securities financing operations (assets and liabilities)

CHF '000

	31.12.2022	31.12.2021
Carrying amount of obligations from cash deposits in connection with repurchase agreements <sup>1</sup>	0	306'000
Carrying amount of own securities transferred under repurchase agreements <sup>2</sup>	0	305'522
thereof with unrestricted right to resell or pledge	0	305'522

1 Included in the balance sheet item «Due to banks».

2 Included in the balance sheet item «Financial assets».

## Assets under management

Assets under management include all assets managed for investment purposes (with management mandates) and assets held (other assets). Excluded are assets in custody, i.e. assets held for transaction purposes only.

Net new money is the result of assets brought by new clients, cash payments and withdrawals, deposits and withdrawals of securities as well as the balancing of clients' assets. Changes in the value of these assets due to economic changes, interest rates, dividends and fees are not included in the calculation of the net new money.

### Distribution of the assets under management (according to FINMA's Circular 2020/1 Accounting Banks)

Assets under management are reported in accordance with the accounting guidelines of the Swiss financial market supervisory authority (FINMA).

CHF '000

	31.12.2022	31.12.2021
Assets under management with management mandates	22'534'948	23'173'268
Other assets under management	10'963'068	11'229'547
<b>Total assets under management (incl. double counts)</b>	<b>33'498'016</b>	<b>34'402'815</b>
<i>thereof double counts</i>	<i>4'759'833</i>	<i>4'759'744</i>

### Development of the assets under management

CHF '000

	2022	2021
<b>Total assets under management (incl. double counts)</b>		
<b>As of 1 January</b>	<b>34'402'815</b>	<b>26'781'617</b>
Net new money <sup>1</sup>	3'439'871	3'836'754
Performance, interest, dividends and changes in foreign exchange rates <sup>1</sup>	(4'586'357)	2'028'481
Other effects <sup>2</sup>	241'687	1'755'963
<b>Total assets under management (incl. double counts)</b>		
<b>As of 31 December<sup>3</sup></b>	<b>33'498'016</b>	<b>34'402'815</b>

1 Based on values without double counts.

2 Other effects are caused by double counting (inflow/outflow of net new money, currency fluctuations).

VZ Group has acquired two financial advisor entities during the financial year with assets under management of CHF 242 million. These assets are also reported under «other effects». In the previous year, assets from acquisitions amounted to CHF 818 million.

3 The assets under management do not include shares of VZ Holding Ltd that meet the following criteria:

- The shares are held by employees of VZ Group (including qualified participants, related parties, corporate bodies and former employees).
- The shares are held in a separate, fee-free custody account at VZ Depository Bank. Some of them are locked in as part of the management participation programme.
- These shares are not normally traded.

## MIS (Management Information System)

### Calculation of assets under management<sup>1</sup>

The calculation of assets under management follows the internal approach (MIS approach), which also takes into account, for example, mortgage loans managed by HypothekenZentrum Ltd.

CHF '000

	2022	2021
<b>Total assets under management (incl. double counts)</b>		
<b>As of 31 December</b>	<b>33'498'016</b>	<b>34'402'815</b>
Double counts	(4'759'833)	(4'759'744)
Additional assets (mortgages and other assets)	10'369'450	9'359'263
<b>Assets under management according to the internal approach</b>	<b>39'107'633</b>	<b>39'002'334</b>
<b>Changes to net new money from assets under management</b>	<b>3'439'871</b>	<b>3'836'754</b>
Changes to net new money from additional assets under management (mortgages and other assets)	1'161'843	967'262
<b>Net new money according to the internal approach</b>	<b>4'601'714</b>	<b>4'804'016</b>

<sup>1</sup> Transition to the key figures inside the cover (unaudited figures).



# Disclosure obligations under supervisory law<sup>1</sup>

FINMA Circular 2016/1

Circular 2016/1 «Disclosure – Banks» issued by the Financial Market Authority FINMA requires VZ Group to publish information on capital adequacy and corporate governance. The table format with line numbering and column headings is specified by FINMA.

## 1. Key regulatory metrics (KM1)

CHF '000

Row number		31.12.2022	31.12.2021
	<b>Eligible capital</b>		
1	Common Equity Tier (CET1)	696'792	601'312
2	Regulatory capital (T1)	696'792	601'312
3	Total eligible capital	696'792	601'312
	<b>Risk-wighted assets (RWA)</b>		
4	RWA	2'766'445	2'386'590
4a	<b>Required capital</b>	221'316	190'927
	<b>Risk-based capital ratios (as percentage of RWA)</b>		
5	CET1-ratio	25.2 %	25.2 %
6	Regulatory capital ratio	25.2 %	25.2 %
7	Eligible capital ratio	25.2 %	25.2 %
	<b>CET1-Conservation buffer requirement (as percentage of RWA)</b>		
8	Capital conservation buffer requirement according to Basel framework (2.5 % from 2019)	2.5 %	2.5 %
9	Countercyclical buffer requirement (Para. 44a ERV) according to Basel framework	0.0 %	0.0 %
10	Additional requirements for global or national systemically important banks	0.0 %	0.0 %
11	Total of bank CET1 specific buffer requirements according to Basel framework	2.5 %	2.5 %
12	CET1 available to meet buffers according to Basel framework (after meeting the bank's minimum capital requirements. and. if applicable. TLAC requirements)	17.2 %	17.2 %
	<b>Capital target ratios according to appendix 8 ERV (as percentage of RWA)</b>		
12a	Capital conservation buffer according to appendix 8 ERV	3.2 %	3.2 %
12b	Countercyclical buffer requirement (Para. 44 and 44a ERV) <sup>2</sup>	1.0 %	0.0 %
12c	CET1 target according to appendix 8 ERV + countercyclical buffer (Para. 44 and 44a ERV) <sup>2</sup>	8.5 %	7.4 %
12d	T1 capital target + countercyclical buffer (Para 44 and 44a ERV) <sup>2</sup>	10.1 %	9.0 %
12e	Total capital target according to appendix 8 ERV + countercyclical buffer (Para. 44 and 44a ERV) <sup>2</sup>	12.3 %	11.2 %

<sup>1</sup> Unaudited information.

<sup>2</sup> As of 31.12.2021, the countercyclical buffer was deactivated because of the COVID 19 pandemic.

CHF '000

Row number		31.12.2022	31.12.2021
<b>Basel III leverage ratio</b>			
13	Leverage ratio exposure	5'938'629	5'773'916
14	Basel III leverage ratio (regulatory capital as percentage of leverage ratio exposure)	11.7 %	10.4 %
<b>Liquidity coverage ratio (LCR)<sup>1</sup></b>		–	–
<b>Net stable funding ratio (NSFR)<sup>1</sup></b>		–	–

1 VZ Group is exempt from the obligation to report the LCR and the NSFR, which came into effect on 1 July 2021, at the level of the financial group. Disclosure at the single entity level is carried out by VZ Depository Bank Ltd.

In contrast to the accounting guidelines (closing date principle), the value date principle is used for securities transactions to determine the capital adequacy requirement and the leverage ratio.

## 2. Overview of risk-weighted assets (OV1)

CHF '000

Row number		RWA <sup>1</sup> 31.12.2022	RWA <sup>1</sup> 31.12.2021	Required capital 31.12.2022
1	Credit risk	1'855'459	1'568'534	125'483
20	Market risk	27'044	21'974	1'758
24	Operational risk	713'234	642'287	51'383
25	Items not deducted in application of threshold (risk-weighted with 250 %: minimum capital requirements) <sup>2</sup>	24'783	21'004	1'680
27	<b>Total (1 + 20 + 24 + 25)</b>	<b>2'620'519</b>	<b>2'253'799</b>	<b>180'304</b>
	Non-counterparty related risks	145'925	132'791	10'623
	<b>Total RWA</b>	<b>2'766'445</b>	<b>2'386'590</b>	<b>190'927</b>

1 Risk-weighted assets.

2 Item 25 includes financial investments exceeding 10 %.

### Approaches used to determine the required capital

- Credit risks: international standardised approach
- Market risks: de minimis approach
- Operational risks: basic indicator approach
- Non-counterparty related risks: international standard rate

### 3. Liquidity: management of liquidity risks (LIQA)

The management of liquidity risks is explained in the Financial Report under «Risk management» in the section «Liquidity and refinancing risks» (see from page 91).

#### 4. Credit risks: credit quality of assets (CR1)

CHF '000

Row number		Gross book value of positions in default	Gross book value of positions not in default	Impairments/ write-offs	Net book value
1	Receivables (except debt instruments)		5'387'928	(104)	5'387'824
2	Debt instruments		365'688	(23)	365'665
3	Off-balance sheet items		72'216		72'216
<b>4</b>	<b>Total</b>	<b>0</b>	<b>5'825'831</b>	<b>(127)</b>	<b>5'825'704</b>

The definition of defaulted items corresponds to that of impaired receivables, i.e. for these receivables it is unlikely that the debtor will be able to meet its future obligations. Impaired claims and any collateral must be valued at their liquidation value and the value must be adjusted according to the debtor's creditworthiness.

#### 5. Credit risks: credit mitigation techniques (CR3)

CHF '000

	a Positions without collatorals (book value)	c Positions with collatorals (actual collateralised amount)	e & g Positions secured by financial guarantees or credit derivatives (actual collateralised amount)
Receivables (incl. debt instruments)	1'850'380	3'527'011	376'097
Off-balance sheet items	30'849	41'367	
<b>Total</b>	<b>1'881'228</b>	<b>3'568'378</b>	<b>376'097</b>
Thereof defaulted			

#### 6. Interest rate risks (IRRBBA, IRRBBA1, IRRBB1)

VZ Group is exempt from the obligation to prepare the interest rate risk report at the level of the financial group. VZ Depository Bank Ltd. is responsible for disclosure at the level of the individual institution.

#### 7. Operational risks: general information (ORA)

The management of liquidity risks is explained in the Financial Report under «Risk management» in the section «Operational risks» (see page 97).

The basic indicator approach is used to calculate the required capital.

## Dividends paid and proposed

Date of the general annual meeting	Date of the dividend payment	Number of ordinary shares	Nominal amount per share in CHF	Dividend per share in CHF	Dividend paid out in TCHF
12.4.2021	16.4.2021	40'000'000	0.05	1.23	48'335 <sup>1</sup>
12.4.2022	20.4.2022	40'000'000	0.05	1.57	61'884 <sup>1</sup>

### Proposed dividend per ordinary shares for approval at the AGM for the year 2022:

12.4.2023	18.4.2023	40'000'000	0.05	1.74	68'284 <sup>2</sup>
-----------	-----------	------------	------	------	---------------------

1 No dividend payments on treasury shares.

2 Status of dividend entitled shares as at 31 December 2022. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment date (18 April 2023).

On 20 April 2022, the dividend of CHF 1.57 per share for the 2021 financial year was distributed. The total dividend distribution amounted to TCHF 61'884.

## Events after the balance sheet date

No events took place between 31 December 2022 and 28 February 2023 that would require adjustments to the amounts recognised in these consolidated financial statements or a disclosure under this heading.

## Approval of the consolidated financial statements

At its meeting on 28 February 2023, the Board of Directors discussed and approved the consolidated financial statements. They will be submitted to the general meeting of shareholders on 12 April 2023 for approval.

## Report of the statutory auditor to the General Meeting of VZ Holding Ltd, Zug

### Report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of VZ Holding Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.


In our opinion, the consolidated financial statements (pages 60 to 153) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

Overview	
	<p>Overall group materiality: CHF 8'700'000</p> <p>We completed full scope audits of five group companies in Switzerland and reviews as well as specified procedures of six group companies in Switzerland. In Germany and the UK, we performed analytical procedures at group level of two companies each and of five further companies in Switzerland. The Group companies at which we performed audit and review procedures, accounted for almost 100% of the Group's profit before tax.</p> <p>As key audit matter the following area of focus has been identified:</p> <p>Valuation of financial assets (mortgages)</p>

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland  
Telefon: +41 58 792 44 00, [www.pwc.ch](http://www.pwc.ch)

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### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

<b>Overall group materiality</b>	CHF 8'700'000
<b>Benchmark applied</b>	Profit before tax
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of financial assets (mortgages)

Key audit matter	How our audit addressed the key audit matter
<p>The Group is engaged in traditional mortgage business, as can be seen on pages 109 to 110 and page 62 of the consolidated financial statements.</p> <p>The mortgages amount to CHF 3'386'946 thousand as at 31 December 2022, represent 57% of total assets and are thus the largest asset on the balance sheet.</p> <p>We consider the valuation of mortgage loans as a key audit matter because of their materiality to the financial statements and because the Board of Directors has scope for judgement in assessing the value of mortgages.</p> <p>We focused on the existing standardized processes and controls relating to the assessment of the creditworthiness of mortgage borrowers and the assessment of the value of the underlying collateral. Additionally, we focused on the provision of mortgage loans, which were granted outside of standardized guidelines.</p> <p>Please refer to pages 68 to 74 (Summary of key accounting principles) in the notes to the consolidated financial statements.</p>	<p>We tested the adequacy and effectiveness of the following internal controls relating to the valuation of mortgage loans on a sample basis:</p> <ul style="list-style-type: none"><li>▪ We have tested whether overdue interest payments are adequately monitored and reported.</li><li>▪ We have tested whether potential value adjustments were appropriately identified as well as mortgages were adequately monitored and supervised.</li><li>▪ We have tested whether customer complaints were recorded and documented adequately and, where necessary, followed up.</li></ul> <p>We tested on a sample basis the compliance with internal policies and guidelines stated by the Board of Directors regarding the documentation, collateralization, sustainability and amortization of mortgages. Additionally, we tested whether the credit approval has been in line with internal approval levels and has been recorded correctly in the accounting department.</p> <p>On the basis of credit reviews, we tested mortgage loans for potential impairment. The credit reviews considered, among other aspects, the loan-to-value ratio of the properties, the income and net assets of the borrower and the market value of the properties in question.</p> <p>The combination of the testing of internal controls and the tests of details provided us with sufficient audit evidence to conclude that the internal process for the valuation of mortgages has been appropriately implemented and that applied judgements were reasonable.</p>

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements, the remuneration report and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Board of Directors' responsibilities for the consolidated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERT-suisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

#### **Report on other legal and regulatory requirements**

In accordance with art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Beat Rütscbe  
Licenced audit expert  
Auditor in charge



Patrick Wiech  
Licenced audit expert

Zurich, 28 February 2023





# FINANCIAL STATEMENTS OF VZ HOLDING LTD

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# INCOME STATEMENT

CHF '000

	2022	2021
<b>Revenues</b>		
Management fees	3	16
Dividend income	91'591	71'660
Other financial income	3'868	7'415
<b>Total revenues</b>	<b>95'462</b>	<b>79'091</b>
<b>Expenses</b>		
Premises	10	10
Personnel expenses	833	837
Other operating expenses third parties	332	919
Other operating expenses VZ Group companies	910	1'065
Other financial expenses	147	97
Direct income taxes	290	698
<b>Total expenses</b>	<b>2'522</b>	<b>3'626</b>
<b>Net profit</b>	<b>92'940</b>	<b>75'465</b>

# BALANCE SHEET

CHF '000

	31.12.2022	31.12.2021
<b>Assets</b>		
Cash and cash equivalents	1	2'171
Accounts receivable VZ Group companies	24'465	28'153
Other receivables	22	183
Accrued income	3	1
<b>Current assets</b>	<b>24'491</b>	<b>30'508</b>
Loans to third parties	4'873	304
Loan VZ Group companies	20'200	5'000
Investments in subsidiaries	195'247	163'787
Investments in associates	400	400
<b>Non-current assets</b>	<b>220'720</b>	<b>169'491</b>
<b>Total assets</b>	<b>245'211</b>	<b>199'999</b>
<b>Liabilities and equity</b>		
Liabilities VZ Group companies	26'572	19'266
Other current liabilities	29	15
Income tax payables	294	702
Accrued expenses	448	1'047
<b>Current liabilities</b>	<b>27'343</b>	<b>21'030</b>
Financial liabilities to VZ companies	20'000	0
<b>Non-current liabilities</b>	<b>20'000</b>	<b>0</b>
<b>Total liabilities</b>	<b>47'343</b>	<b>21'030</b>
Share capital	2'000	2'000
Legal reserves	1'000	1'000
Free reserves	80'000	80'000
Retained earnings	168'497	137'441
Treasury shares	(53'629)	(41'472)
<b>Total equity</b>	<b>197'868</b>	<b>178'969</b>
<b>Total liabilities and equity</b>	<b>245'211</b>	<b>199'999</b>

# NOTES TO THE FINANCIAL STATEMENTS

## General remarks

These financial statements have been prepared in accordance with the provisions on commercial accounting of the Swiss Code of Obligations.

## Company's name, legal form and domicile

VZ Holding Ltd, Zug

The share capital amounts to CHF 2 million and is divided into 40 million registered shares with a nominal value of CHF 0.05 per share.

## Easing of requirements for the notes to the separate financial statements

VZ Holding Ltd prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), which are published by the International Accounting Standards Board (IASB). Consequently, VZ Holding Ltd is exempt from numerous disclosure requirements in the statutory separate financial statements.

CHF '000

	31.12.2022	31.12.2021
<b>Contingency items</b>		
HypothekenZentrum Ltd is allowed a credit line by a third party bank for which VZ Holding Ltd guarantees full coverage	20'000	20'000
Letter of comfort in favour of a subsidiary	35'359	12'441
<b>Subordinate loans</b>		
VZ Holding Ltd has granted to VZ VersicherungsPool Ltd an indefinite subordinate loan	5'000	5'000
<b>Liabilities VZ Group companies</b>		
Short-term financial liabilities to VZ Depository Bank Ltd, Zug	10'000	10'000
Long-term financial liabilities to VZ Depository Bank Ltd, Zug	20'000	0

## Joint and several liability

In terms of Article 13 of the Value Added Tax Act (VAT), VZ Group is subject to group taxation for VAT purposes. VZ Holding Ltd is therefore held jointly and severally liable for all VAT commitments of VZ Group.

## Shareholdings

CHF '000

	Owner- ship	Voting interest	Share capital 31.12.22	31.12.21
<b>Switzerland</b>				
VZ VermögensZentrum Ltd, Zurich	100 %	100 %	2'000	2'000
VZ Legal and Tax Consulting Ltd, Zurich	100 %	100 %	250	250
Früh & Partner Vermögensberatung Ltd, Zurich	40 %	50.7 %	250	250
VZ Versicherungszentrum Ltd, Zurich	100 %	100 %	100	100
VZ Insurance Services Ltd, Zurich	100 %	100 %	100	100
HypothekenZentrum Ltd, Zurich	100 %	100 %	250	250
VZ Depository Bank Ltd, Zug	100 %	100 %	45'000	45'000
VZ Operations Ltd, Zurich	100 %	100 %	100	100
VZ Vorsorge Ltd, Zurich	100 %	100 %	100	100
VZ VersicherungsPool Ltd, Zurich	100 %	100 %	17'500	17'500
VZ BVG Rück Ltd, Zurich <sup>1</sup>	100 %	100 %	25'000	
VZ Corporate Services Ltd, Zurich	100 %	100 %	100	100
Claridenhof Ltd, Zurich	100 %	100 %	104	104
<b>Germany</b>				
VZ VermögensZentrum Bank Ltd, Munich Registered capital EUR 20'000'000	100 %	100 %	21'662	21'662
VZ Treuhand GmbH, Munich Registered capital EUR 100'000	100 %	100 %	108	108
<b>Great Britain</b>				
Lumin Group Limited, St Albans Registered capital GBP 5'323	50.1 %	50.1 %	6	5
VZ Investment Research Ltd, London Registered capital GBP 100'000	100 %	100 %	119	119

<sup>1</sup> VZ BVG Rück Ltd was founded on 27 July 2022.

## Investments in associates

VZ Holding Ltd holds a stake of 33 percent in Dufour Capital Ltd at the price of TCHF 400. VZ takes a seat on Dufour's Board of Directors. Dufour Capital is an asset manager specializing in the development of rule-based investment solutions. The company is registered in Switzerland and has a share capital of TCHF 150. Dufour Capital has an advisory mandate from VZ Group. The results of the 2022 and 2021 financial years had no significant impact on the valuation of the investment.

## Liabilities under occupational benefit schemes

As of 31.12.2022, there were no liabilities under occupational benefit schemes (31.12.2021: zero).

### Contingent capital

In 2007 the decision was taken to create contingent capital. The share capital can be increased by up to CHF 40'000 by issuing up to 800'000 registered shares, which are to be fully paid up, with a par value of CHF 0.05 each. These are to be used to exercise the options of the share-based management benefit programmes granted to members of the Board of Directors and to employees. The preferential subscription rights of the shareholders are excluded in favour of the holders of the option rights. No shares from the contingent capital had been issued by the end of 2022.

### Treasury shares

As part of the management participation plan, VZ Holding Ltd purchased a total of 231'935 treasury shares during the 2022 financial year (2021: 103'082) at an average price of CHF 75.21 (2021: CHF 81.29). During the same period, it sold 96'508 shares (2021: 213'469) at an average price of CHF 89.49 (2021: 85.85) within the framework of the share-based management benefit programme. As at 31 December 2022, VZ Holding Ltd held 756'572 treasury shares at an average price of CHF 70.88 (2021: 621'145 shares at CHF 66.77).

### Current account balances with VZ Depository Bank Ltd

The balance sheet item «Cash and cash equivalents» includes current account balances with VZ Depository Bank Ltd in the amount of TCHF 0 (2021: TCHF 2171).

### Major shareholders

For details of the major shareholders within the meaning of Art. 663c of the Swiss Code of Obligations, please refer to the Notes to the financial statements of the VZ Group on page 121.

### Compensation of the members of the Board of Directors and the Executive Board

The information required by the articles 663b<sup>bis</sup> and 663c of the Swiss Code of Obligations are disclosed in the «compensation report» on pages 42 to 53, including specifically:

- compensation of the Board of Directors
- compensation of the Executive Board
- portfolio of shares and options of the members of the Board of Directors and the Executive Board

### Full-time equivalents

In the year under review and the previous year, the annual average number of full-time positions was less than 10.

### Events after the balance sheet date

No events took place between 31 December 2022 and 28 February 2023 that would require adjustments to the amounts recognised in these financial statements or a disclosure under this heading.

## APPROPRIATION OF BALANCE SHEET PROFIT

### Proposal of the Board of Directors to the General Meeting of shareholders

The Board of Directors will propose the following appropriation of the balance sheet profit at its Annual General Meeting of shareholders on 12 April 2023:

CHF '000

	31.12.2022	31.12.2021
Balance brought forward	75'557	61'976
Net profit for the year	92'940	75'465
<b>Total retained earnings available</b>	<b>168'497</b>	<b>137'441</b>
Dividend	(68'284) <sup>1</sup>	(61'884)
<b>Balance to be carried forward</b>	<b>100'213</b>	<b>75'557</b>

<sup>1</sup> Status as at 31 December 2022. The dividend payments are based on a dividend of CHF 1.74 per registered share proposed to the shareholders' meeting of 12 April 2023. No dividend will be paid on treasury shares. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment date.

Since the legal reserve amounts to 50 percent of the share capital, no further allocation has been proposed.

Assuming acceptance of the proposal by the Annual General Meeting of shareholders on 12 April 2023, the dividend of CHF 1.74 per registered share with a nominal value of CHF 0.05 each will be paid out on 18 April 2023 less 35 percent withholding tax.

## Report of the statutory auditor to the General Meeting of VZ Holding Ltd, Zug

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of VZ Holding Ltd (the Company), which comprise the balance sheet as at 31 December 2022, income statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 160 to 165) comply with Swiss law and the Company's articles of incorporation.

#### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Our audit approach

##### Overview



Overall materiality: CHF 4'660'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

Impairment testing of investments in subsidiaries

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland  
Telefon: +41 58 792 44 00, [www.pwc.ch](http://www.pwc.ch)

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### Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<b>Overall materiality</b>	CHF 4'660'000
<b>Benchmark applied</b>	Profit before tax
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the entity is most commonly measured, and it is a generally accepted benchmark.

### Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment testing of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
<p>Shareholdings in subsidiaries held by VZ Holding Ltd are recognised in the financial statements under "Investments in subsidiaries". Investments in subsidiaries are stated at acquisition cost less impairment charges.</p> <p>VZ Holding Ltd compares the book value of the investments with the equity according to the statutory financial statements prepared and thus determines whether indications of impairment exist.</p> <p>If indications of impairment are identified, VZ Holding Ltd tests whether impairment charges are necessary by analysing the available multi-year plans, including an assessment of the current market situation by applying an earnings value method.</p> <p>We consider the impairment testing of the investments in subsidiaries as a key audit matter because the book value of these investments may be higher than the equity recognised as at the balance-sheet date. If such is the case, alternative valuation methods, based on assumptions, are used.</p> <p>Please refer to page 163 (Shareholdings) in the notes to the financial statements.</p>	<p>We compared the book value of the investments in subsidiaries with the equity capital recognised in the statutory financial statements of the subsidiaries as at the balance-sheet date.</p> <p>Where the book value was higher than the available equity, an impairment test based on an analysis of the multi-year plans considering an earnings value method was performed.</p> <p>The analysis consisted of the following:</p> <ul style="list-style-type: none"><li>• We compared Management's expectations for revenue growth and long-term growth rates with developments in the industry.</li><li>• Where possible, we compared the results of the year under review with the forecasts made in the prior year and assessed the appropriateness of the prior year's assumptions.</li><li>• We examined critically the multi-year plans of those companies still in the start-up phase.</li><li>• We performed an assessment of the appropriateness of the discount rate used in the calculation.</li></ul> <p>The assumptions made were within a reasonable range.</p>

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the financial statements, the remuneration report and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTSuisse's website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

### Report on other legal and regulatory requirements

In accordance with art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Beat Rütsche  
Licensed audit expert  
Auditor in charge



Patrick Wiech  
Licensed audit expert

Zurich, 28 February 2023





ART-INSTITUT ORELL FÜSSLI, ZÜRICH

JAKOB ■ ■ ■  
BOLLSCHWEILER  
LÖRRACH - ZÜRICH

# ■ ■ SOMMER in ■ ■ GRAUBÜNDEN

HÖHENKLIMA    SCHWEIZ    TRINKKUREN  
BADE - UND    BERGSPO

DRUCK: FRIEDRICHSTADT  
ZÜRICH

Jakob Bollschweiler: Sommer in Graubünden, 1905

# GRAND HOTEL BELVEDERE

&



# DAVOS

KÜMMERLY & FREY, BERN

H.E.

Hans Eggimann: Grand Hotel Belvedere Davos, 1905

## WHERE TO FIND US

### VZ VermögensZentrum Ltd

#### Zurich (headquarters)

Gotthardstrasse 6  
8002 Zurich  
Phone +41 44 207 27 27

#### Basle

Aeschenvorstadt 48  
4051 Basle  
Phone +41 61 279 89 89

#### Chur

Bahnhofstrasse 4  
7000 Chur  
Phone +41 81 286 81 81

#### Kreuzlingen

Schützenstrasse 1  
8280 Kreuzlingen  
Phone +41 71 678 33 33

#### Lucerne

Inseliquai 12a  
6005 Lucerne  
Phone +41 41 220 70 70

#### Olten

Hauptgasse 30/32  
4600 Olten  
Phone +41 62 286 86 86

#### Sion

Avenue de la Gare 30  
1950 Sion  
Phone +41 27 327 40 40

#### Thun

Bälliz 62  
3600 Thun  
Phone +41 33 252 22 22

[www.vermoegenszentrum.ch](http://www.vermoegenszentrum.ch)  
[info@vermoegenszentrum.ch](mailto:info@vermoegenszentrum.ch)

#### Aarau

Bahnhofstrasse 41  
5000 Aarau  
Phone +41 62 825 28 28

#### Berne

Spitalgasse 33  
3011 Berne  
Phone +41 31 329 26 26

#### Fribourg

Rue Saint-Pierre 6  
1700 Fribourg  
Phone +41 26 350 90 90

#### Lausanne

Av. de la Gare 50  
1003 Lausanne  
Phone +41 21 341 30 30

#### Lugano

Riva Giocondo Albertolli 1  
6900 Lugano  
Phone +41 91 912 24 24

#### Rapperswil

Untere Bahnhofstrasse 2  
8640 Rapperswil  
Phone +41 55 222 04 04

#### Solothurn

Dornacherstrasse 26a  
4500 Solothurn  
Phone +41 32 560 30 30

#### Uster

Poststrasse 7  
8610 Uster  
Phone +41 44 905 27 27

#### Affoltern am Albis

Obstgartenstrasse 5  
8910 Affoltern am Albis  
Phone +41 44 403 77 77

#### Brig

Bahnhofstrasse 1  
3900 Brig  
Phone +41 27 921 12 12

#### Geneva

Rue de Lausanne 15  
1201 Geneva  
Phone +41 22 595 15 15

#### Lenzburg

Bahnhofstrasse 38  
5600 Lenzburg  
Phone +41 62 888 38 38

#### Meilen

Winkelstrasse 15  
8706 Meilen  
Phone +41 43 430 00 00

#### Rheinfelden

Baslerstrasse 15  
4310 Rheinfelden  
Phone +41 61 564 88 88

#### St. Gallen

Sonnengartenstrasse 7  
9000 St. Gallen  
Phone +41 71 231 18 18

#### Winterthur

Bahnhofplatz 12  
8400 Winterthur  
Phone +41 52 218 18 18

#### Baden

Stadtturmstrasse 19  
5400 Baden  
Phone +41 56 204 42 42

#### Burgdorf

Lyssachstrasse 15  
3400 Burgdorf  
Phone +41 34 420 23 23

#### Horgen

Seestrasse 147  
8810 Horgen  
Phone +41 43 430 36 36

#### Liestal

Bahnhofplatz 11  
4410 Liestal  
Phone +41 61 921 61 61

#### Neuchâtel

Rue des Terreaux 9  
2000 Neuchâtel  
Phone +41 32 854 04 04

#### Schaffhausen

Vordergasse 26  
8200 Schaffhausen  
Phone +41 52 625 04 00

#### Sursee

Centralstrasse 37  
6210 Sursee  
Phone +41 41 924 10 10

#### Zug

Bahnhofstrasse 12  
6300 Zug  
Phone +41 41 726 11 11

### VZ VermögensZentrum Bank Ltd

#### Munich (headquarters)

Maximiliansplatz 12  
80333 Munich  
Phone +49 89 288 117-0

#### Lörrach

Schwarzwaldstrasse 61  
79539 Lörrach  
Phone +49 89 288 117-0

[www.vermoegenszentrum.de](http://www.vermoegenszentrum.de)  
[info@vermoegenszentrum.de](mailto:info@vermoegenszentrum.de)

#### Dusseldorf

Benrather Straße 12  
40213 Dusseldorf  
Phone +49 211 5400 5600

#### Frankfurt am Main

Taunusanlage 17  
60325 Frankfurt am Main  
Phone +49 69 5050 948-0

#### Nurnberg

Vordere Sterngrasse 2a  
90402 Nurnberg  
Phone +49 911 881 88 9-0

<b>VZ Legal and Tax Consulting Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
<b>VZ Depository Bank Ltd</b>	Innere Güterstrasse 2, 6300 Zug, Phone +41 58 411 80 80
<b>Früh &amp; Partner Vermögensberatung Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 58 958 97 97
<b>VZ Investment Reserach Ltd</b>	Riverbank House 2 Swan Lane, London EC4R 3 TT
<b>HypothekenZentrum Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 563 63 33
<b>HZ Credit Support Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 563 63 33
<b>HZ Servicing Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 563 63 33
<b>VZ Insurance Services Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 24 24 Spitalgasse 33, 3011 Berne, Phone +41 31 329 28 28 Av. de la Gare 50, 1003 Lausanne, Phone +41 21 341 30 40 Rue de Lausanne 15, 1201 Geneva, Phone +41 22 595 15 40 Innere Güterstrasse 2, 6300 Zug, Phone +41 44 207 24 24
<b>VZ VersicherungsZentrum Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 20 20 Av. de la Gare 50, 1003 Lausanne, Phone +41 21 341 30 40
<b>VZ VersicherungsPool Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 58 344 20 00
<b>VZ Vorsorge Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 29 29
<b>BVG Rück Ltd</b>	Gotthardstrasse 6, 8002 Zürich, Phone +41 44 207 27 88
<b>VZ Corporate Services Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
<b>VZ Operations Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
<b>Claridenhof Ltd</b>	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
<b>VZ Treuhand GmbH</b>	Maximiliansplatz 12, 80333 Munich, Phone +49 89 288 117-0
<b>Lumin Group Limited</b>	Number 5, Sandridge Park, AL3 6PH St Albans, Phone +44 17 27 893 333 21 Clerkenwell Green, EC1R 0DX London, Phone +44 20 39 887 788

## 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 outlined in the following overview.

Performance measure	Definition/reference
<b>Assets under Management</b>	Detailed information on page 148 of the annual report 2022
<b>Average fixed interest period</b>	Period for which the interest rates of financial assets are fixed
<b>Consolidated result</b>	VZ Group's net profit
<b>Core capital ratio</b>	Common equity tier 1 capital ratio (CET1)
<b>Earnings from insurance contracts</b>	Detailed information on page 101 of the annual report 2022
<b>EBIT margin</b>	Earnings before interest and taxes (EBIT) in relation to operating revenues
<b>Equity</b>	VZ Group's equity, including non-controlling interests
<b>Equity ratio</b>	Equity compared to consolidated balance sheet total
<b>Fixed interest period</b>	Period for which the interest rates of financial assets are fixed without being affected by changes in market interest rates.
<b>Interest income</b>	Banking income from interest operations
<b>Management and platform clients</b>	Clients who use one or more platform services (portfolio management, banking services, mortgages, pension plans or insurances)
<b>Net cash</b>	Cash and cash equivalents, short-term investments, marketable securities and financial assets, less current liabilities due to clients, long-term debts and due to banks
<b>Net new money</b>	Detailed information on page 148 of the annual report 2022
<b>Net profit</b>	VZ Group's net profit, including non-controlling interests
<b>Net profit margin</b>	Net profit in relation to operating revenues
<b>Operating profit (EBITDA)</b>	Operating revenues less operating expenses (see consolidated income statement, page 60 of the annual report 2022)
<b>Payout ratio</b>	Dividend paid compared to net profit
<b>Platform</b>	Management services (asset management, banking services, mortgages, pension plans and insurances)
<b>Tax ratio</b>	Tax expense compared to profit before tax



The annual 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](http://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.

**VZ Holding Ltd**  
Innere Güterstrasse 2  
6300 Zug  
Phone +41 58 411 80 00  
[www.vzch.com](http://www.vzch.com)