HALF-YEAR REPORT 2023
VZ GROUP

HALF-YEAR REPORT 2023

KEY FIGURES

Income statement

in CHF million

	1H 23	2H 22[1]	1H 22[1]	2H 21	1H 21
Revenues	224.3	198.8	205.1	197.9[2]	183.7[2]
Expenses	123.2	112.4	115.2	110.5[2]	103.6[2]
Operating profit (EBIT)	101.1	86.4	89.9	87.4	80.1
Net profit	**86.3**	**74.4**	**77.0**	**74.8**	**68.4**

1 Retrospective restatement due to the implementation of IFRS 17 (details on page 14 of the financial report).
2 For better comparability, revenues and expenses have been adapted to IFRS 17.

Balance sheets

in CHF million

	30.06.23	31.12.22[1]	30.06.22[1]	31.12.21	30.06.21
Total assets	**6'224.7**	**5'946.0**	**6'025.3**	**5'770.8**	**5'415.4**
Equity	795.5	771.0	690.5	699.7	627.3
Net cash	703.5	686.3	581.6	588.2	479.8

1 Retrospective restatement due to the implementation of IFRS 17 (details on page 14 of the financial report).

Equity key figures

	30.06.23	31.12.22[1]	30.06.22[1]	31.12.21	30.06.21
Equity ratio	12.8 %	13.0 %	11.5 %	12.1 %	11.6 %
Common equity tier 1 capital ratio	24.1 %	25.2 %	23.5 %	25.2 %	23.2 %
Total eligible capital ratio	24.1 %	25.2 %	23.5 %	25.2 %	23.2 %

1 Retrospective restatement due to the implementation of IFRS 17 (details on page 14 of the financial report).

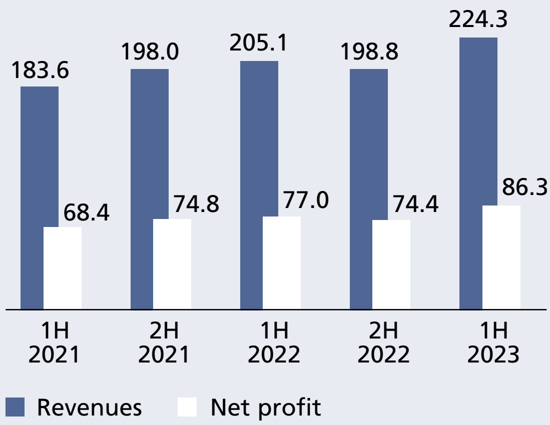
Assets under management

in CHF million

	30.06.23	31.12.22	30.06.22	31.12.21	30.06.21
Assets under Management	42'580	39'108	37'646	39'002	36'354

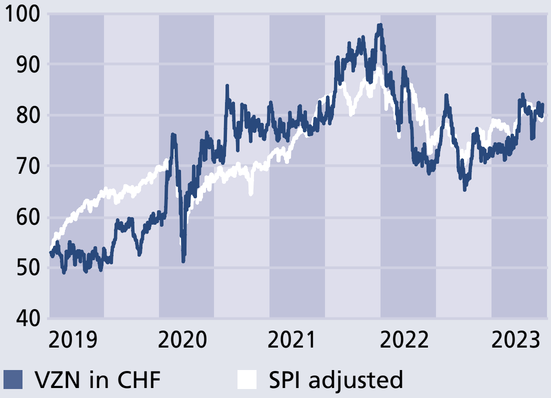
Revenue and profit growth

in CHF million



Share price VZ Holding N (VZN)

1.1.2019 to 30.6.2023



Share statistics

	30.06.23	31.12.22	30.06.22
Shares issued	40’000’000	40’000’000	40’000’000
Registered shareholders	2’381	2’198	2’228
Share price in CHF	82.20	71.80	69.20
Lowest price in CHF	71.20	65.30	68.50
Highest price in CHF	84.20	84.00	97.90
Market capitalisation in CHF million	3’288	2’872	2’768

Ownership structure

	30.06.23	31.12.22	30.06.22
Matthias Reinhart (direct and indirect)	61.12 %	61.10 %	61.10 %
Other members of the Board of Directors	0.25 %	1.49 %	1.49 %
Members of the Executive Board	1.98 %	1.93 %	1.93 %
Employees[1]	3.60 %	3.57 %	3.62 %
Treasury shares	1.74 %	1.89 %	1.67 %

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

Rating VZ Depository Bank Ltd

	30.06.23	31.12.22	30.06.22
Moody’s rating VZ Depository Bank Ltd (long-term deposit rating)	Aa3	Aa3	Aa3

Employees

	30.06.23	31.12.22	30.06.22	31.12.21	30.06.21
Full-time equivalents (FTE)	1’299.3	1’247.4	1’186.2	1’142.5	1’089.2

Alternative Performance Measures (APM)

To measure our performance, we use alternative performance measures that are not defined under International Financial Reporting Standards (IFRS). Details can be found on page 38.

VZ GROUP: FIRST HALF YEAR 2023

Dear Shareholder

Cooling of the economy

The interest rate hike over the past months has started to show its effects in the current year: economic growth has cooled noticeably, and inflation is decreasing. While most asset classes have gained in value in the first half of the year, the economy has contracted slightly, especially in the eurozone.

Profit rises by 12.1 percent

VZ Group's business continued to develop well in the past six months. As expected, growth was slightly weaker than in the first half of 2022 due to base effects: revenues rose from 205.1 to 224.3 million Swiss francs. This equals an increase of 9.4 percent, compared to 11.8 percent in the same period of the previous year. While management fees on assets under management grew only slightly, banking income developed positively, mainly thanks to higher interest rates. Overall, profit rose by 12.1 percent from 77 to 86.3 million francs.

Strong demand for financial consulting

The substantial increase in consulting fees reflects the fact that the demand for financial advice is growing and brings us many new clients. Despite strong market upheavals in the second half of 2022, a large number of clients again opted for one or more of our platform services, resulting in a net increase in the client base of around 4000. Net new money came in with 2.4 billion francs, a similar level as in the first half of the previous year.

Unchanged solid balance sheet

The 4.7 percent growth in the balance sheet total to 6.2 billion francs since the end of 2022 is mainly due to the increase in client deposits. Our balance sheet has an extremely low-risk structure, and our capital ratios remain well above the industry average.

Outlook

We expect demand for our financial consulting to continue to grow in the current year and conversion to platform services to remain at the same level. Due to the dip in the previous year's period, we expect significantly stronger growth in revenues and profit in the second half of the year – provided that no unexpected crises occur. For the entire 2023 financial year, an above-average increase in profit remains realistic from today's perspective. Therefore, a further rise in the dividend can be expected.

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

Zug, 16 August 2023

Matthias Reinhart
Chairman of the Board of Directors

Giulio Vitarelli
Chief Executive Officer

«The profound changes in the pension system increase the need for competent advice.»

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

Mr Vitarelli, are you satisfied with the results of the first half of the year?

Fundamentally, our business is functioning very well, and I am really satisfied with that. Some developments cannot be influenced, especially the financial markets or the policies of the central banks. In the first half of the year, the strong interest rate hikes over the past 18 months have become tangible: Inflation has dropped as intended, in return for which the central banks are accepting a slowdown in economic growth. In the meantime, there are signs that the global economy will recover after the current dip.

The shortage of skilled employees is a big issue across all industries. Do you have enough staff to achieve your goals?

Well-trained financial consultants are indeed the prerequisite for the growth of our business in the coming years. So far, we have as many as planned, and we are confident that this will be the case in the next few years as well. We invest about two years to train university graduates and other young talents in order to enable them to assume responsibility for clients. That is why we are able to forecast the development of our consulting capacity quite accurately.

«Demographic trends and our expertise are the basis for our future growth.»

In the first half of the year, consulting fees rose at an above-average rate. Is that mainly due to the demographic development, or are there other reasons?

Demography is indeed an important driver. There will be an above-average number of people retiring in the next ten years as well. At the same time, more and more of them realise how valuable it is to plan this transition carefully. Uncertainties such as those we have experienced in recent years, and the profound changes in our pension system further increase the need for competent advice.

Does VZ also benefit from Credit Suisse's downfall?

This debacle has definitely contributed to the uncertainty. We have noticed that it motivates some people to take a closer look at their finances and, if necessary, to seek independent advice. But that is not the main reason for our growth. More important are our excellent reputation, the growing brand recognition and also our presence in all major cities throughout Switzerland.

How many clients opt for further services after a consulting project is an important measure of your success. This key figure seems to be stagnating.

Conversion reacts rather strongly to the market environment and sentiment. By mid-year, the number of platform clients exceeded 69'000, corresponding to a net increase of around 4000 and thus a similar number to the first half of 2022. The same development is reflected in the inflow of net new money. In times as difficult as we have experienced, we consider a constant increase in these key figures to be good.

The interest rate landscape has changed radically. How important is this for your results?

With the rise in interest rates, our net interest income has roughly doubled. But in contrast to many competitors, it only accounts for about 12 percent of our revenues. For clients, on the other hand, the pressure to invest in securities has decreased. This aspect is relevant for the assessment of net new money.

In absolute terms, the insurance business has lost weight. What is the reason behind this?

Since the implementation of the new accounting standard IFRS 17 at the beginning of the year, premiums are offset against claims and other costs. This change is reflected in the figures for the first half of the year, which is why the weight of this component has decreased. These changes have not altered the insurance business's contribution to our profit. At the same time, BVG Rück is included in the results for the first time.

With this new business unit, we are creating additional savings potential for our corporate clients.

Based on the number of new clients, the balance sheet grew surprisingly little in the first half of the year.

The reason for the modest growth is the transition from negative to positive interest rates. In the course of this change, we have further reduced our interbank business. This process is completed now, and we expect the balance sheet to grow in line with the number of clients again.

«Due to base effects, revenues and profits should grow more strongly in the current year than in previous years.»

Projects in connection with digitalisation account for a large part of your investments. What's new in this area?

The focus is on the further development of our financial portal. It is increasingly used and contributes significantly to winning over existing clients for additional platform services. In the ranking of the Lucerne University of Applied Sciences and Arts, we moved up from fifth to third place in terms of digitalisation. This confirms that we are well on the way to our goal of becoming the most digitalised bank in Switzerland.

Two members are leaving the Executive Board. What is the background to these resignations?

Tom Friess and Lorenz Heim have been with us since the beginning and have helped shape VZ on the Executive Board for over 20 years. Now they want to take a step back and assume new roles in the company. VZ Germany will be headed by Michael Huber and HypothekenZentrum by Michael Kunzmann. Both have been growing into these roles for many years. Within the Executive Board, Marc Weber will be responsible for the mortgage business while I assume the responsibility for the business in Germany.

Looking at the international business, what is the situation?

In Germany, we were able to strongly increase the marketing response in the last twelve months. Our market share there is much smaller than in Switzerland, but the growth rates are comparable. We are also on target in the United Kingdom. There we keep focusing on marketing and training, the development of an own asset management platform and the acquisition of additional IFAs.

And how do you assess the development in the current year and beyond?

In all areas demand for our services continues to grow. Barring external shocks, base effects will lead to significantly stronger growth in revenues and profit in the second half of this year compared with the second half of 2022. And for the financial year 2023 as a whole, we expect growth rates significantly above the average of the past years. From today's perspective, revenues and profit are likely to develop in line with the average of the last five years in the following years.

FINANCIAL STATEMENTS VZ GROUP

CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	1H 2023	2H 2022 restated[1]	1H 2022 restated[1]
Consulting fees		18'217	16'522	14'747
Management fees	23			
On assets under management		139'749	131'778	134'256
Other management fees		15'235	15'115	14'293
Banking income from commissions and trading activities	17, 23			
Commission income		12'629	10'776	15'776
Commission expenses		(2'137)	(1'821)	(2'208)
Income from trading activities		8'842	8'852	13'924
Banking income from interest operations	17, 23			
Interest income		37'910	15'364	10'648
Interest expense		(10'548)	(1'737)	68
Insurance result[2]	17, 23			
Insurance revenue		14'724	9'413	8'808
Insurance service expenses		(11'531)	(5'277)	(4'945)
Result from reinsurance contracts		79	(559)	(356)
Insurance finance result		917	165	(8)
Net impairment (losses)/recoveries on financial assets	20	8	(2)	(22)
Other revenue		230	222	108
Total revenues		**224'324**	**198'811**	**205'089**
Personnel expenses		(84'606)	(78'669)	(78'139)
Other operating expenses	24	(27'339)	(22'773)	(26'375)
Depreciation and amortisation		(11'245)	(10'951)	(10'690)
Total expenses		**(123'190)**	**(112'393)**	**(115'204)**
Operating profit before interests and taxes (EBIT)		**101'134**	**86'418**	**89'885**
Finance expense		(622)	(567)	(491)
Finance income		359	252	52
Net finance income		**(263)**	**(315)**	**(439)**
Profit before income taxes		**100'871**	**86'103**	**89'446**
Income taxes	19	(14'568)	(11'685)	(12'479)
Net profit		**86'303**	**74'418**	**76'967**
Attributable to:				
Shareholders of VZ Holding Ltd		86'542	74'278	76'818
Non-controlling interests		(239)	140	149
Basic earnings per share (CHF)		2.20	1.90	1.95
Diluted earnings per share (CHF)		2.20	1.90	1.95

1 Retrospectively restated due to the introduction of IFRS 17 «Insurance contracts»; reclassification in banking income (details on page 14).
2 Insurance result now reported according to IFRS 17.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	1H 2023	2H 2022 restated[1]	1H 2022 restated[1]
Net profit recognised in the income statement	86'303	74'418	76'967
Other comprehensive income, which can be reclassified to the income statement			
Cumulative conversion adjustments	(523)	(253)	(809)
Change in cashflow hedge reserve	8'520	(10'755)	(31'270)
Tax effects	(1'000)	1'267	3'726
Total other comprehensive income (net of tax), which can be reclassified to the income statement	**6'997**	**(9'741)**	**(28'353)**
Other comprehensive income which can not be reclassified to the income statement			
Remeasurement of defined benefit obligation	(2'224)	21'412	12'165
Tax effects	373	(3'570)	(2'146)
Total other comprehensive income (net of tax), which can not be reclassified to the income statement	**(1'851)**	**17'842**	**10'019**
Total comprehensive income	**91'449**	**82'519**	**58'633**
Attributable to:			
Shareholders of VZ Holding Ltd	91'331	82'463	58'686
Non-controlling interests	118	56	(53)

1 Retrospectively restated due to the introduction of IFRS 17 «Insurance contracts» (details on page 14).

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	30.06.2023	31.12.2022 restated[1]	30.06.2022 restated[1]
Assets				
Cash and cash equivalents		1'296'127	1'290'234	1'690'452
Short term investments		218'737	172'485	115'973
Marketable securities at fair value		1'167	1'343	533
Trade receivables		10'729	3'220	3'578
Other receivables		31'039	18'191	36'683
Accrued income and deferred expenses		81'125	71'725	69'405
Other current assets		10'973	7'198	3'334
Current assets		**1'649'897**	**1'564'396**	**1'919'958**
Financial assets		4'376'453	4'185'837	3'905'791
Investments in associates		424	421	424
Property and equipment		149'260	145'807	146'292
Goodwill and other intangible assets		38'004	38'139	39'064
Deferred tax assets		10'705	11'386	13'798
Non-current assets		**4'574'846**	**4'381'590**	**4'105'369**
Total assets		**6'224'743**	**5'945'986**	**6'025'327**
Liabilities and equity				
Trade payables		3'005	2'777	1'083
Other current liabilities		87'210	90'967	82'918
Due to banks		19'299	130'444	415'958
Due to customers		4'723'933	4'431'605	4'336'467
Income tax payables		24'917	30'334	19'519
Provisions		1'383	1'383	1'383
Accrued expenses and deferred income		47'152	44'902	38'791
Current liabilities		4'906'899	4'732'412	4'896'119
Long-term debts		445'735	401'574	378'718
Other non-current liabilities		74'613	39'487	58'126
Deferred tax liabilities		1'971	1'550	1'867
Non-current liabilities		522'319	442'611	438'711
Total liabilities		**5'429'218**	**5'175'023**	**5'334'830**
Share capital		2'000	2'000	2'000
Treasury shares	25	(51'037)	(53'629)	(47'122)
Retained earnings		788'075	707'705	689'696
Net profit		86'542	151'096	76'818
Other equity components	12	(37'205)	(44'082)	(34'464)
Equity attributable to shareholders of VZ Holding Ltd		**788'375**	**763'090**	**686'928**
Non-controlling interests		7'150	7'873	3'569
Total equity		**795'525**	**770'963**	**690'497**
Total liabilities and equity		**6'224'743**	**5'945'986**	**6'025'327**

1 Retrospectively restated due to the introduction of IFRS 17 «Insurance contracts» (details on page 14).

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	1H 2023	2H 2022 restated[1]	1H 2022 restated[1]
Cashflow from operating activitites			
Net profit	**86'303**	**74'418**	**76'967**
Depreciation and amortisation of fixed assets and intangible assets	11'245	10'951	10'690
Income tax paid	(20'181)	(370)	(22'924)
Interest paid from net finance income	(26)	(10)	(126)
Interest received from net finance income	128	59	13
Net capital (gains) losses and impairments on financial assets and liabilities	4'163	(4'024)	(19'236)
(Increase)/decrease in dues from short term investments	(46'253)	(56'512)	(26'690)
(Increase)/decrease in market value of marketable securities at fair value	176	(810)	2'431
(Increase)/decrease in trade receivables	(7'462)	357	(435)
(Increase)/decrease in financial assets	(163'144)	(228'110)	(261'057)
(Increase)/decrease in other assets	(25'337)	14'719	(21'496)
Increase/(decrease) in trade payables	229	1'693	319
Increase/(decrease) in other liabilities	48'365	6'939	65'164
Increase/(decrease) in due to banks	(111'145)	(285'514)	(208'884)
Increase/(decrease) in due to customers	293'084	96'011	464'173
Non cash share-based payment transactions	3'503	3'655	3'943
Other non-cash items	4'417	5'173	(16'826)
Cashflow from operation activities	**78'065**	**(361'375)**	**46'026**
Cashflow from investing activities			
Purchase of property and equipment	(2'053)	(6'381)	(18'662)
Purchase of financial assets	(53'550)	(70'801)	(56'989)
Proceeds from financial assets	24'762	17'622	17'147
Purchase of intangible assets	(3'200)	(1'391)	(6'041)
Dividend from associates	0	14	13
Purchase of subsidiaries	(494)	(411)	(1'725)
Cashflow from investing activities	**(34'535)**	**(61'348)**	**(66'257)**
Cashflow from financing activities			
Purchase of treasury shares	(3'282)	(6'777)	(10'667)
Proceeds of treasury shares	1'409	375	1'618
Repayment of long-term debts	(94'170)	(12'178)	(12'100)
Proceeds from long-term debts	130'274	43'468	3'000
Payment of lease liabilities	(3'436)	(3'376)	(3'492)
Dividends paid to shareholders	(68'682)	(192)	(62'379)
Cashflow from financing activities	**(37'887)**	**21'320**	**(84'020)**
Effect of foreign exchange rate changes	250	1'185	(4'383)
Net increase/(decrease) in cash and cash equivalents	**5'893**	**(400'218)**	**(108'634)**
Cash and cash equivalents at beginning of the period	**1'290'234**	**1'690'452**	**1'799'086**
Cash and cash equivalents at the end of the period	**1'296'127**	**1'290'234**	**1'690'452**
thereof			
Cash at banks and in hand	1'296'127	1'243'982	1'685'452
Short term deposits less than 90 days	0	46'252	5'000

1 Retrospectively restated due to the introduction of IFRS 17 «Insurance contracts» (details on page 14).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF '000

	Share capital	Treasury shares	Cumulative conversion adjustments[1]	Hedge reserve[1]	Retained earnings	Equity to shareholders of VZ Holding Ltd	Non-controlling interests	Total equity
As at 1 January 2022 (before adoption of IFRS 17)	**2'000**	**(41'472)**	**(1'719)**	**(4'608)**	**741'403**	**695'604**	**4'080**	**699'684**
Effect of adoption of IFRS 17[2]					(371)	(371)		(371)
As at 1 January 2022	**2'000**	**(41'472)**	**(1'719)**	**(4'608)**	**741'032**	**695'233**	**4'080**	**699'313**
Net profit[2]					76'818	76'818	149	76'967
Other comprehensive income			(593)	(27'544)	10'005	(18'132)	(202)	(18'334)
Total comprehensive income for the period			**(593)**	**(27'544)**	**86'823**	**58'686**	**(53)**	**58'633**
Participation plans					(2'701)	(2'701)		(2'701)
Treasury shares		(5'650)			3'244	(2'406)		(2'406)
Dividends					(61'884)	(61'884)	(495)	(62'379)
Change in non-controlling interest						0	37	37
As at 30 June 2022	**2'000**	**(47'122)**	**(2'312)**	**(32'152)**	**766'514**	**686'928**	**3'569**	**690'497**
As at 1 July 2022	**2'000**	**(47'122)**	**(2'312)**	**(32'152)**	**766'514**	**686'928**	**3'569**	**690'497**
Net profit[2]					74'278	74'278	140	74'418
Other comprehensive income			(130)	(9'488)	17'803	8'185	(84)	8'101
Total comprehensive income for the period			**(130)**	**(9'488)**	**92'081**	**82'463**	**56**	**82'519**
Participation plans					3'655	3'655		3'655
Treasury shares		(6'507)			105	(6'402)		(6'402)
Dividends					0	0	(192)	(192)
Liability to purchase non-controlling interests					(3'554)	(3'554)	0	(3'554)
Change in non-controlling interest						0	4'440	4'440
As at 31 December 2022	**2'000**	**(53'629)**	**(2'442)**	**(41'640)**	**858'801**	**763'090**	**7'873**	**770'963**
As at 1 January 2023	**2'000**	**(53'629)**	**(2'442)**	**(41'640)**	**858'801**	**763'090**	**7'873**	**770'963**
Net profit					86'542	86'542	(239)	86'303
Other comprehensive income			(643)	7'520	(1'849)	5'028	118	5'146
Total comprehensive income for the period			**(643)**	**7'520**	**84'693**	**91'570**	**(121)**	**91'449**
Participation plans					(2'667)	(2'667)		(2'667)
Treasury shares		2'592			1'705	4'297		4'297
Dividends					(68'396)	(68'396)	(286)	(68'682)
Liability to purchase non-controlling interests					481	481	(407)	74
Change in non-controlling interest						0	91	91
As at 30 June 2023	**2'000**	**(51'037)**	**(3'085)**	**(34'120)**	**874'617**	**788'375**	**7'150**	**795'525**

1 «Cumulative conversion adjustments» and «Cash flow hedge reserves» are reported in the balance sheet item «Other equity components».
2 Retrospectively restated due to the introduction of IFRS 17 «Insurance contracts» (details on page 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basics and principles of financial reporting

VZ Group's unaudited consolidated half-year financial statements have been prepared in accordance with IAS 34 «Interim financial reporting». The half-year financial statements should be read in conjunction with the 2022 consolidated annual financial statements which were published on 2 March 2023. The accounting policies applied comply with International Financial Reporting Standards (IFRS), and are consistent with those followed in the preparation of VZ Group's annual financial statements for the year ended 31 December 2022, with the exception of those principles introduced in section «New accounting principles» as at 1 January 2023.

New accounting principles

In the 2023 financial year, VZ Group applied the following new or revised standards and interpretations for the first time:
- IFRS 17 – Insurance Contracts
- Amendments IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Note 2 – Disclosure of Accounting Policies
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

With the exception of IFRS 17 Insurance Contracts, the first-time application of the aforementioned revised standards and interpretations did not have a material impact on these interim financial statements.

The new standard IFRS 17 Insurance Contracts has fundamentally changed the accounting rules for the recognition, measurement, presentation and disclosure of insurance contracts. IFRS 17 was implemented by VZ Group on 1 January 2023 and the comparative figures for 2022 have been restated.

The negative impact of IFRS 17 on VZ Group's equity at the date of transition totalled TCHF 371 after tax, which was recognised as a adjustment to the opening balance sheet as at 1 January 2022.

For more detailed information on the effects from the first-time application of IFRS 17 Insurance Contracts, see page 14. The accounting policies applied by VZ Group for insurance contracts under IFRS 17 are summarised on pages 32 to 37.

Implementation IFRS 17 Insurance contracts

IFRS 17 Insurance contracts establishes principles for the accounting, measurement, presentation and disclosure of insurance and reinsurance contracts. This new standard replaces IFRS 4 Insurance contracts.

VZ Group's property and collective life insurance business is limited to Switzerland. The following table lists the subsidiaries that that offer insurance, together with the accounting model applied in accordance with IFRS 17[1]:

Company	Insured benefits	Accounting model IFRS 17
VZ BVG Rück Ltd	Collective life insurance in the field of occupational pension schemes	Variable Fee Approach (VFA)
VZ Versicherungs-Pool Ltd	Non-life insurance • Motor vehicles • Building, incl. liability • Household contents • Private liability	Premium Allocation Approach (PAA)

VZ Group takes out reinsurance in order to mitigate its business risks. The collective life insurance business is reinsured proportionally, the non-life insurance business through non-proportional reinsurance contracts. VZ Group applies the premium allocation approach (PAA) for these reinsurance contracts.

Collective life insurance

Through the statutory minimum distribution ("legal quote"), policyholders participate in the result and receive a surplus in addition to the guaranteed insurance benefits. The surplus depends on the result of the contract and is taken into account in the valuation of the liabilities if they reach a significant level. VZ Group applies the "variable fee approach" (VFA) for its collective life insurance business, as provided for under IFRS 17. As VZ BVG Rück Ltd did not commence operations until 1 January 2023, VZ Group's consolidated financial statements for 2022 do not include any results from these contracts.

1 The accounting models used in accordance with IFRS 17 are described on page 33.

Non-life insurance

VZ VersicherungsPool Ltd is exclusively active in the non-life insurance business, and the term of the contracts in its portfolio is limited to one year. Therefore, PAA is applicable to the VZ Group. The PAA is comparable to the accounting principles IFRS 4, which VZ Group has applied until 2022. Therefore, the introduction of IFRS 17 as no material impact in this area.

Acquisition costs

In accordance with current accounting principles, VZ Group has decided to recognise the acquisition costs for insurance contracts of VZ BVG Rück Ltd and VZ Versicherungs-Pool Ltd at the time they are incurred.

Changes in the presentation of results

The main impact of IFRS 17 is the new presentation of the results from insurance in the income statement.

Previously, income from insurance policies was classified as part of revenues, while insurance related expenses were classified as part of expenses. According to IFRS 17, the result from insurance is reported in revenues as several components. It now consists of the following items:

Insurance revenue

The insurance revenue is the amount recognised for the insurance cover provided during the period. The accrual largely follows the term of the insurance contracts. Unlike in the past, the premi-ums for the reinsurance of these covers are no longer deducted from the insurance revenue, but are shown separately in the reinsurance result.

Insurance service expenses

As before, the expense for benefits paid to policyholders for claims (incl. allowable costs) and the change in insurance liabilities are reported here. According to IFRS 17, the change in liabilities includes a risk adjustment for negative deviations of the expected cash flows (risk adjustment). The reinsurance share of claims expenses is no longer included in the insurance service expenses, but is shown separately in the reinsurance result.

Reinsurance result

The result from held reinsurance contracts includes premiums paid to reinsurers and benefits received towards claims expenses. According to IFRS 17, both items are offset against changes in the risk adjustment and reported as a net amount in the income statement. Previously, premiums and benefits from reinsurers were netted against revenues and expenses from insurance contracts.

Financial result from insurance business

The financial result from insurance business consists of two components:

Finance result from insurance contracts

This item includes effects from the discounting of insurance liabilities and assets (including those from reinsurance). It also includes changes in the interest rates used for discounting. This financial income or expense was previously included in expenses related to insurance contracts.

Investment result from insurance

The earnings from the investment of the collected premiums are recorded as investment result. They were previously included in VZ Group's financial result.

Page 32 to 37 summarise the accounting policies applied to insurance contracts under IFRS 17.

Restatement of the results for 2022

With the introduction of IFRS 17 in January 2023, the 2022 financial year has to be brought onto a comparable basis. VZ Group has restated the figures for 2022 using the fully retrospective method. For this purpose, the result, assets and liabilities from VZ VersicherungsPool Ltd's insurance contracts were remeasured for 2022.

In addition, the following adjustments were made that are not related to the introduction of IFRS 17:
The reclassification of banking income from commission business and trading activities to banking income from interest business in the income statement relates to the change in the reporting of results from financial instruments used for interest differential business. These results were previously reported as part of the banking income from commission and trading activities. The allocation to banking income from interest rate transactions better reflects the nature of these results.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is no longer shown in the profit and loss statement because VZ Group no longer uses this interim result as a performance indicator. The previous terms "Total operating revenues" and "Total operating expenses" have been replaced by "Total revenues" and "Total expenses".

The following pages show the adjustments for the consolidated income statement and balance sheet for the 2022 financial year.

Equity, profit and cash flow

The consolidated statement of changes in equity on page 12 shows that equity reduced by TCHF 371 due to the implementation of IFRS 17 as of 1 January 2022. In the consolidated statement of comprehensive income for 2022, the change only affected the net profit (1H 2022 TCHF –64, 2H 2022 +TCHF 130, details on page 9 and page 17). The implementation of IFRS 17 did not have a significant impact on cash flow, with only minor changes on individual lines of the consolidated cashflow statement on page 11.

Adjustment of consolidated income statements 2022[1]

CHF '000

	2H 2022 restated	Impact IFRS 17 and reclassi-fication	2H 2022 before	1H 2022 restated	Impact IFRS 17 and reclassi-fication	1H 2022 before
Consulting fees	16'522		16'522	14'747		14'747
Management fees	146'893		146'893	148'549		148'549
Banking income from commissions and trading activities	17'807	(1'611)	19'418	27'492	(662)	28'154
Banking income from interest operations	13'627	1'611	12'016	10'716	662	10'054
Insurance result						
Net earned insurance premiums		(8'870)	8'870		(8'388)	8'388
Insurance revenue	9'413	9'413		8'808	8'808	
Insurance service expenses	(5'277)	(5'277)		(4'945)	(4'945)	
Result from reinsurance contracts	(559)	(559)		(356)	(356)	
Investment result from insurance	0	0		(2)	(2)	
Finance result from insurance contracts	165	165		(6)	(6)	
Net impairment (losses)/recoveries on financial assets	(2)		(2)	(22)		(22)
Other operating revenues	222		222	108		108
Total revenues	**198'811**	**(5'128)**	**203'939**	**205'089**	**(4'889)**	**209'978**
Personnel and other operating expenses	(101'442)		(101'442)	(104'514)		(104'514)
Expenses related to insurance contracts		5'289	(5'289)		4'806	(4'806)
Depreciation and amortisation	(10'951)		(10'951)	(10'690)		(10'690)
Total expenses	**(112'393)**	**5'289**	**(117'682)**	**(115'204)**	**4'806**	**(120'010)**
Operating profit before interests and taxes (EBIT)	**86'418**	**161**	**86'257**	**89'885**	**(83)**	**89'968**
Finance expense	(567)	1	(568)	(491)	3	(494)
Finance income	252		252	52		52
Net finance income	**(315)**	**1**	**(316)**	**(439)**	**3**	**(442)**
Profit before income taxes	**86'103**	**162**	**85'941**	**89'446**	**(80)**	**89'526**
Income taxes	(11'685)	(32)	(11'653)	(12'479)	16	(12'495)
Net profit	**74'418**	**130**	**74'288**	**76'967**	**(64)**	**77'031**
Attributable to:						
Shareholders of VZ Holding Ltd	74'278	130	74'148	76'818	(64)	76'882
Non-controlling interests	140		140	149		149
Basic earnings per share (CHF)	1.90	0.01	1.89	1.95	(0.01)	1.96
Diluted earnings per share (CHF)	1.90	0.01	1.89	1.95	0	1.95

1 For better readability, items that are not affected by the introduction of IFRS 17 or the reclassifications have been aggregated as far as possible.

Adjustment of consolidated balance sheet 2022[1]

CHF '000

	2H 2022 restated	Impact IFRS 17	2H 2022 before	1H 2022 restated	Impact IFRS 17	1H 2022 before
Short term assets	1'564'396		1'564'396	1'919'958		1'919'958
Current assets	**1'564'396**		**1'564'396**	**1'919'958**		**1'919'958**
Long-term assets	4'370'204		4'370'204	4'091'571		4'091'571
Deferred tax assets	11'386	74	11'312	13'798	106	13'692
Non-current assets	**4'381'590**	**74**	**4'381'516**	**4'105'369**	**106**	**4'105'263**
Total assets	**5'945'986**	**74**	**5'945'912**	**6'025'327**	**106**	**6'025'221**
Current liabilities	4'732'412		4'732'412	4'896'119		4'896'119
Current liabilities	**4'732'412**		**4'732'412**	**4'896'119**		**4'896'119**
Long-term debts	401'574		401'574	378'718		378'718
Other non-current liabilities	39'487	379	39'108	58'126	541	57'585
Deferred tax liabilities	1'550		1'550	1'867		1'867
Non-current liabilities	**442'611**	**379**	**442'232**	**438'711**	**541**	**438'170**
Total liabilities	**5'175'023**	**379**	**5'174'644**	**5'334'830**	**541**	**5'334'289**
Share capital	2'000		2'000	2'000		**2'000**
Treasury shares	(53'629)		(53'629)	(47'122)		(47'122)
Retained earnings	707'705	(371)	708'076	689'696	(371)	690'067
Net profit	151'096	66	151'030	76'818	(64)	76'882
Other equity components	-44'082		(44'082)	(34'464)		(34'464)
Equity attributable to shareholders of VZ Holding Ltd	**763'090**	**(305)**	**763'395**	**686'928**	**(435)**	**687'363**
Non-controlling interests	7'873		7'873	3'569		3'569
Total equity	**770'963**	**(305)**	**771'268**	**690'497**	**(435)**	**690'932**
Total liabilities and equity	**5'945'986**	**74**	**5'945'912**	**6'025'327**	**106**	**6'025'221**

1 For better readability, items that are not affected by the introduction of IFRS 17 have been aggregated as far as possible.

Foreign currency translation

Foreign currency unit	Exchange rates for balance sheets as at			Average exchange rates for income and cash flow statements		
	30.06.23	31.12.22	30.06.22	1H 23	2H 22	1H 22
EUR	0.9788	0.9882	0.9993	0.9856	1.0049	1.0319
GBP	1.1339	1.1154	1.1608	1.1249	1.1794	1.2253
USD	0.8966	0.9250	0.9551	0.9119	0.9550	0.9448

Risk management

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

Compared to the annual report 2022, this chapter has been expanded to include VZ BVG Rück Ltd, which commenced operations on 1 January 2023. In essence, this involves, analogous to the risk management for the non-life insurance business, which has already been in operation for some time, is the management of the risks assumed for which, as a result of accident, factual error or modification, the actual expenditure for benefits can deviate from the expected expenditure. The main difference for the newly pursued life insurance business is that the peak risks are not transferred to reinsurers for this purpose, but proportional quota share reinsurance contracts were concluded.

Estimates, assumptions and discretionary power

The preparation of the half-year financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of the accounting standards and reported amounts of assets and liabilities, income and expenses. Changes in estimates and assumptions with a material impact on the first half-year 2023 results are discussed below.

Benefit plans

The actuarial calculations at the end of 2022 were extrapolated at the end of June 2023. Due to changed market conditions, the discount rate was reduced from 2.2 percent by 0.3 percent to 1.9 percent, while the other parameters remained unchanged. These projections resulted in actuarial gains of TCHF 2224 (1H 2022: gains of TCHF 12'165), which were recognised directly in equity. The next actuarial calculations will be made at the balance sheet date of 31 December 2023.

Income taxes

For the financial years prior to 2020 (concerning financial years 2014 to 2019), which have not yet been definitively assessed for tax purposes, different assessments remain between the cantonal tax authorities as to how profit shares are to be allocated to the respective cantons. In order to take account of these uncertainties, VZ Group had set up tax deferrals of TCHF 3520 in the previous years. No changes were made in the financial year 2022 or as at 30 June 2023. These deferrals were calculated using weighted scenarios in accordance with the rules of IFRIC 23.

The necessary estimates and assumptions for the implementation of IFRS 17 Insurance contracts are outlined on page 36.

Impairments

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

Development of expected credit losses in accordance with IFRS 9

CHF '000

	Impairment as at 01.01.2023	Addition to the scope of conso-lidation	Measurement effect in the income statement	Cumulative conversion adjustments	Impairment as at 30.06.2023
Assets					
Cash and cash equivalents (A)	(9)		1		(8)
Short-term investments (A)	(10)		0		(10)
Trade receivables (V)	(13)		1		(12)
Other current assets (V)	(3)		(3)		(6)
Financial assets (A)	(91)		9	(1)	(83)
Total	**(126)**	**0**	**8**	**(1)**	**(119)**

	Impairment as at 01.01.2022	Addition to the scope of conso-lidation	Measurement effect in the income statement	Cumulative conversion adjustments	Impairment as at 30.06.2022
Assets					
Cash and cash equivalents (A)	(6)		(5)		(11)
Short-term investments (A)	(9)		2		(7)
Trade receivables (V)	(12)		1		(11)
Other current assets (V)	(4)		(14)		(18)
Financial assets (A)	(71)		(6)	(1)	(78)
Total	**(102)**	**0**	**(22)**	**(1)**	**(125)**

(A) = Calculation according to the general approach.
(V) = Calculation according to a simplified approach.

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

Group structure

Lumin Group Ltd, based in St Albans, UK, acquired shares in Davidson Deem Ltd in the first half of 2023.

Company	Shares	Date of acquisition
Davidson Deem Ltd, St Albans	51 %	16 June 2023

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 70 people and operates primarily in the North London area.

Davidson Deem Ltd complements Lumin's existing range of business by advising private individuals on mortgage-related issues. The assets and liabilities were included in VZ Group's consolidated financial statements at the following values:

CHF '000

Assets	
Cash & cash equivalents	29
Other assets	42
Current assets	**71**
Other assets	7
Client relationsships	194
Non-current assets	**201**
Total assets	**272**
Current liabilities	**38**
Deferred tax liabilities	48
Non-current liabilities	**48**
Total liabilities	**86**
Fair value of acquired net assets[1]	**186**
Fair value of acquired net assets (49 %)	91
Fair value of acquired net assets (51 %)	95
Goodwill from acqusition	777
Purchase price	**872**
of which paid at acquisition date	523
of wich reconised as residual liability from acquisitions	349
Acquired cash & cash equivalents	(29)
Net outflow of cash & cash equivalents	(494)

1 For the acquisition balance sheet for Davidson Deem prepared as at the acquisition date of 16 June 2023, the contractually defined review process with the seller of the shares has not yet been completed. Therefore, this is still a provisional purchase price allocation.

The acquisition costs for the 51 per cent stake amount to GBP 0.8 million (CHF 0.9 million) whereof 60 percent was paid in cash at the time of acquisition. The remaining 40 percent of the acquisition price will be paid in two equal instalments of 20 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 29.

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 28. The goodwill resulting from these transactions is primarily due to the growth potential. The impairment test will be based on the results of Lumin group. Goodwill and its amortisation are not deductible for tax purposes.

The minority interests are held by the management of Davidson Deem. The holders of these shares have the right to sell them to VZ Group after three years. VZ Group has the right to purchase these shares after three years. For the purchase of the minority interests, VZ Group recognises a liability in the amount of the estimated purchase price against equity. The present value of the estimated obligation as at the acquisition date is approximately GBP 0.7 million (CHF 0.8 million). Changes in the obligation are recognised in equity. The holders of the minority interests continue to be allocated a share of profit or loss in the income statement and statement of comprehensive income.

Davidson Deem has been included in VZ Group's consolidated financial statements since 16 June 2023. This has not yet had a significant impact on VZ Group's revenues and net profit. If the purchase had taken place on 1 January 2023, revenues would have increased by TCHF 166 and net profit by TCHF 36 in the first half of the year. The acquisition-related costs of TCHF 30 were recognised directly in the income statement as general expenses.

Revenues

CHF '000

	1H 2023	2H 2022 restated[1]	1H 2022 restated[1]
Consulting fees	**18'217**	**16'522**	**14'747**
Management fees			
Management fees on assets under management	139'749	131'778	134'256
Fees for the management of securities portfolios	117'856	110'537	113'581
Custody fees	5'414	5'205	5'520
Fees for the management of residential property mortgages	16'479	16'036	15'155
Other management fees	15'235	15'115	14'293
Total management fees	**154'984**	**146'893**	**148'549**
Banking income from commission and trading activities			
Income from commission business	10'476	8'946	13'553
Commission income	12'613	10'767	15'761
Commission expenses	(2'137)	(1'821)	(2'208)
Commission expenses	8'842	8'852	13'924
Other banking income	16	9	15
Total banking income from commissions and trading activities	**19'334**	**17'807**	**27'492**
Banking income from interest operations			
Interest income[2,3]	37'910	15'364	10'648
Interest expense[4]	(10'548)	(1'737)	68
Total banking income from interest operations	**27'362**	**13'627**	**10'716**
Insurance result			
Insurance service result	2'406	3'577	3'507
Insurance revenue	14'724	9'414	8'808
Insurance service expenses	(11'531)	(5'278)	(4'881)
Result from reinsurance contracts	79	(559)	(420)
Insurance finance result	917	165	(8)
Investment result from insurance	405	0	(2)
Finance result from insurance contracts	512	165	(6)
Total insurance result	**4'189**	**3'742**	**3'499**
Net impairment (losses)/recoveries on financial assets	**8**	**(2)**	**(22)**
Other operating revenues	**230**	**222**	**108**
Total revenues	**224'324**	**198'811**	**205'089**

1 Retrospectively restated due to the introduction of IFRS 17 «Insurance contracts»; reclassifications in «Banking income». Details on page 14.
2 Interest income is calculated using the effective interest method.
3 Interest income from liabilities amounts to TCHF 0 in the first half of 2023 (2H 2022 TCHF 241, 1H 2022 THCF 1809).
4 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks in 1H 2023 TCHF 0 (2H 2022: TCHF 0, 1H 2022: TCHF 261).

Other operating expenses

CHF '000

	1H 2023	2H 2022	1H 2022
Premises expenses	3'336	3'174	3'031
Marketing expenses	6'603	4'650	6'470
General and administrative expenses[1]	17'400	14'949	16'874
Total other operating expenses	**27'339**	**22'773**	**26'375**

1 Of which IT expenses 1H 2023 TCHF 9710 (2H 2022 TCHF 8977, 1H 2022 TCHF 9983).

Fair value of financial instruments as at 30.06.2023

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'296'127	1'296'127	0
Short term investments	218'737	218'737	0
Marketable securities at fair value			
Marketable securities at fair value	100	100	0
Derivative financial instruments	1'067	1'067	0
Trade receivables	10'729	10'729	0
Other receivables	31'039	31'039	0
Other current assets	10'973	10'973	0
Financial assets			
Mortgage	3'543'528	3'553'581	10'053
Bonds	384'128	356'018	(28'110)
Time deposits	370'742	346'249	(24'493)
Other financial assets	78'055	77'868	(187)
Subtotal	**5'945'225**	**5'902'488**	**(42'737)**
Liabilities			
Trade payables	3'005	3'005	0
Other current liabilities			
Other current liabilities	26'730	26'730	0
Derivative financial instruments	60'480	60'480	0
Due to banks	19'299	19'299	0
Due to customers	4'723'933	4'723'933	0
Long-term debts			
Medium-term notes	183	178	5
Loans from central mortgage institutions	375'567	375'318	249
Time deposits from customers	21'993	21'782	211
Leasing liabilities	47'992	47'992	0
Other non-current liabilities[1]	20'753	20'753	0
Subtotal	**5'299'935**	**5'299'470**	**465**
Total of divergence			**(42'272)**

1 Financial instruments included in Other non-current liabilities.

Fair value of financial instruments as at 31.12.2022

CHF '000

	Book value	Fair value	Divergence
Assets			
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)
Subtotal	**5'678'508**	**5'622'982**	**(55'526)**
Liabilities			
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 from customers	5'990	5'850	140
Leasing liabilities	42'940	42'940	0
Other non-current liabilities[1]	21'525	21'525	0
Subtotal	**5'078'892**	**5'076'178**	**2'714**
Total of divergence			**(52'812)**

1 Financial instruments included in Other non-current liabilities.

Fair value of financial instruments as at 30.06.2022

CHF '000

	Book value	Fair value	Divergence
Assets			
Cash and cash equivalents	1'690'452	1'690'452	0
Short term investments	115'973	115'973	0
Marketable securities at fair value			
Marketable securities at fair value	106	106	0
Derivative financial instruments	427	427	0
Trade receivables	36'683	36'683	0
Other receivables	69'405	69'405	0
Other current assets	3'334	3'334	0
Financial assets			
Mortgage	3'163'527	3'175'075	11'548
Bonds	359'181	330'121	(29'060)
Time deposits	355'507	328'824	(26'683)
Other financial assets	27'576	27'364	(212)
Subtotal	**5'822'171**	**5'777'764**	**(44'407)**
Liabilities			
Trade payables	1'083	1'083	0
Other current liabilities			
Other current liabilities	24'435	24'435	0
Derivative financial instruments	58'483	58'483	0
Due to banks	415'958	415'958	0
Due to customers	4'336'467	4'336'467	0
Long-term debts			
Medium-term notes	281	282	(1)
Loans from central mortgage institutions	324'215	323'028	1'187
Time deposits from customers	8'000	7'883	117
Leasing liabilities	46'222	46'222	0
Other non-current liabilities[1]	18'453	18'453	0
Subtotal	**5'233'597**	**5'232'294**	**1'303**
Total of divergence			**(43'104)**

1 Financial instruments included in Other non-current liabilities.

Following initial recognition, the fair value of financial instruments (level 1) is determined on the basis of listed market prices or prices quoted by traders insofar as the financial instruments are traded on an active market. The fair value of financial instruments (Level 2) is determined using generally accepted valuation models. These models are based on relevant parameters observable on the market and take into account, among other things, contract specifications, the market price of the underlying instrument and yield curves. The discount rates are based on the current Saron and swap curves. For investment funds, the published net asset values are applied.

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

For the fair values of the obligations to purchase these minority interests, the results of Lumin Group and Davidson Deem as an individual company are estimated separately based on internal business plans. From this, the present values for both obligations are determined at the respective exercise dates of the options. Several parameters are used that are not observable, such as the expected growth of assets under management, the development of costs or the discount rate.

When Lumin acquires a company, the purchase price is paid in tranches. When the contract is concluded, an initial payment of 50 to 60 percent of the purchase price is normally made, and the remaining payments are subsequently made in two equal instalments after one and two years respectively. The absolute amount of these residual purchase price payments depends on the development of revenues in the first two years after the purchase. The residual purchase price obligations are adjusted as at the closing date based on the revenues achieved to date and the revenue expectations derived from them for the remaining period. Changes in the residual purchase price obligations from company acquisitions are recognised in the income statement.

Level 3 financial instruments

CHF '000

	Residual liability from acquisitions 30.06.2023	31.12.2022	Residual liabilities to acquire non-controlling interests Lumin 30.06.2023	31.12.2022
Holdings at the beginning of the year	2'494		18'130	15'684
Additions in scope of consolidation	347	2'757	815	
Payments	(1'364)			
Net expenses recognised in the income statement	107	(51)	370	361
Change regonised in shareholder's equity			(480)	3'554
Cumulative conversion adjustments	32	(212)	(212)	(1'469)
Total carrying value at balance sheet date	**1'616**	**2'494**	**18'623**	**18'130**

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

Sensitivity of fair values of Level 3 instruments

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

CHF '000

Key assumption	Change of key assumption	Change of Fair Value as at 30.06.2023	as at 31.12.2022
Expected growth	+1 percentage point	554	538
Expected growth	–1 percentage point	(543)	(528)
Discount rate	+1 percentage point	(496)	(601)
Discount rate	–1 percentage point	513	626

As in the previous year, no financial instruments were reclassified in the first half-year 2023.

Valuation methods for financial instruments at fair value

CHF '000

	Level 1	Level 2	Level 3	Total
as at 30.06.2023				
Assets				
Marketable securities at fair value[1]	95	5		100
Derivative financial instruments[1]		1'067		1'067
Liabilities				
Derivative financial instruments[2]		60'480		60'480
Change in market value of hedged loans from central mortgage institutions[3]		19'712		19'712
Liability to acquire non-controlling interests[4]			18'623	18'623
Residual liability from acquisitions[4]			1'616	1'616
as at 31.12.2022				
Assets				
Marketable securities at fair value[1]	76	26		102
Derivative financial instruments[1]		1'241		1'241
Liabilities				
Derivative financial instruments[2]		71'895		71'895
Change in market value of hedged loans from central mortgage institutions[3]		23'007		23'007
Liability to acquire non-controlling interests[4]			18'130	18'130
Residual liability from acquisitions[4]			2'494	2'494
as at 30.06.2022				
Assets				
Marketable securities at fair value[1]	83	23		106
Derivative financial instruments[1]		427		427
Liabilities				
Derivative financial instruments[2]		58'483		58'483
Change in market value of hedged loans from central mortgage institutions[3]		18'169		18'169
Liability to acquire non-controlling interests[4]			14'866	14'866
Residual liability from acquisitions[4]			2'628	2'628

1 Included in the balance sheet item «Marketable securities at fair value».
2 Included in the balance sheet item «Other current liabilities».
3 Included in the balance sheet item «Long-term debts».
4 Included in the balance sheet item «Other non-current liabilities».

Off-balance sheet contingencies and commitments

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Contingencies		2'025		2'025
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	22'790	7'481		30'271
Payment obligation regarding depositor protection measures			24'397	24'397
Total unconditional commitments/ payment obligations	**22'790**	**7'481**	**24'397**	**54'668**
Additional funding obligation			1'107	1'107
Total as at 30.06.2023	**22'790**	**9'506**	**25'504**	**57'800**
Total as at 31.12.2022	**29'872**	**11'715**	**19'331**	**60'918**
Total as at 30.06.2022	**32'891**	**13'164**	**15'844**	**61'899**

Treasury shares

Number

30.06.23	31.12.22	30.06.22
697'697	756'572	668'878

in '000 CHF

30.06.23	31.12.22	30.06.22
51'037	53'629	47'122

Segment information

VZ Group's services focus on private individuals and couples over 50 with residential property, as well as on advising corporate clients in the areas of insurance and occupational pensions. Through several platforms from one hand miscellaneous financial services are provided for these clients. The management organisation reflects this focus, which is why VZ Group does not provide separate segment reporting.

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

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

Accounting policies for insurance contracts according to IFRS 17

VZ Group's property and collective life insurance business is limited to Switzerland. The following table lists the subsidiaries that offer insurance services, together with the contracts through which these services are reinsured:

Company	Insured benefits	Reinsurance contracts held
VZ BVG Rück Ltd	Collective life insurance in the field of occupational pension schemes	Proportional quota shares reinsurance
VZ Versicherungs-Pool Ltd	Non-life insurance • Motor vehicles • Building, incl. liability • Household contents • Private liability	Non-proportional reinsurance

Definition

With an insurance contract, the insurer assumes significant risks of the policyholders by agreeing to compensate them when an insured event occurs. The assumed risks are insurance risks. The definition of such risks according to IFRS 17 excludes financial risks such as interest rate changes or exchange rate fluctuations.

VZ Group assesses at its own discretion whether a contract transfers an insurance risk and whether the accepted insurance risk is significant. VZ Group's insurance contracts are standardised and limited to traditional insurance risks. For these contracts, the insurance risk is considered significant. Contracts from banking, consulting or other business areas do not cover insurance risks or insurance-like risks.

VZ Group obtains reinsurance in order to mitigate its business risks. A reinsurance contract transfers a significant risk if it transfers the major part of the insured risks arising from the underlying insurance contracts.

Formation of portfolios and groups

VZ Group manages insurance contracts by product lines (for example, motor vehicle, building or household insurance). Lines of business are aggregated into portfolios if the insured risks are similar and the contracts are managed together. Each portfolio is further divided into groups of contracts issued within a calendar year (annual cohorts).

The insurance contracts are recognised and evaluated along these groups. Only if there are indications that the applied criteria no longer meet, contracts can be assigned to a different group. Contracts that are onerous at initial recognition are grouped separately from the other contracts.

Formation of portfolios in the non-life insurance business

- 1st portfolio: Motor vehicle insurance (liability, damage insurance, passenger accident); and
- 2nd portfolio: Other non-life contracts

Formation of portfolios for collective life insurance policies.

- These contracts are combined in a portfolio because they cover the risks of death and disability in a single contract and are managed together.

Reinsurance held

- For aggregation purposes, the reinsurance contracts are assessed separately from the insurance contract portfolios.

Accounting models

IFRS 17 provides for three accounting models for insurance contracts:

- Building block approach (BBA) as a basic, general model
- Variable fee approach (VFA) for contracts with direct profit participation
- Premium allocation approach (PAA) for contracts with short durations

The general model BBA is based on the present value of future cashflows for groups of contracts, including a risk adjustment and a contractual service margin. The service margin represents the deferred profit to be recognised in the income statement when the insured services have been provided. Cashflows are re-evaluated in each reporting period.

The variable fee approach is derived from the BAA, taking into account the direct participation to which policyholders are entitled.

Insurance contracts with terms of up to 12 months can be valued with the premium allocation. This simplified model is mainly used for property insurance with short-term contracts.

Accounting models used by VZ Group

Property/liability insurance

VZ Group's non-life insurance contracts meet the following criteria for the application of the PAA:

- The coverage of all contracts in a portfolio expires within or in less than one year or
- If a group of contracts is assigned to a portfolio, there is a reasonable assumption that the valuation of the liabilities does not deviate from the application of the BBA or VFA model.

For the valuation according to the PAA, the liabilities are divided into two positions.

a) Liability for remaining coverage (similar to the previous premium accrual)
b) Liability for incurred claims (similar to the previous claims reserve)

The liability for remaining coverage corresponds to the premiums received minus the premiums already recognised in the income statement. Due to the short-term nature of these liabilities, they are not discounted.

Liabilities for incurred claims are made for outstanding insurance claims if the amount of the benefits to be paid or the payment date have not yet been determined. The liabilities include claims that have occurred and been reported by the balance sheet date, claims incurred, but not yet reported and claims settlement expenses. Liabilities are calculated using actuarial methods and are based on estimates of the actual payments required to settle such claims in full. The liabilities are increased by a risk adjustment. These liabilities are recognised at present value.

According to the PAA, the insurance revenue for the reporting period corresponds to the expected premium income allocated to the reporting period. The premium income must correspond to the insurance services provided by VZ Group in the respective reporting period, i.e. premium income without prepayments.

Insurance service expenses comprise:
- Claims and benefits expenses;
- Other expenses directly attributable to insurance services;
- Changes in the provisions for outstanding claims

Collective life insurance policies

The duration of these contracts exceeds one year. Through the statutory minimum distribution («legal quote»), policyholders participate in the result and receive a surplus in addition to the guaranteed insurance benefits. The participation depends on the result of the contract and is taken into account in the measurement of the liabilities according to IFRS 17 if they reach a significant level in relation to the insurance benefits. This applies to the group life insurance contracts. Therefore, VZ Group applies the VFA accounting model intended for these insurance contracts.

The valuation takes into account discounted cashflows for premium income as well as payments of insurance claims, costs for the fulfilment of the insurance contract and a risk adjustment. The difference between the expected income and expenses over the term of a group of insurance contracts is the contractual service margin (CSM). The CSM thus corresponds to the unrealised profit over the term of the contracts. In subsequent periods, the estimated cashflows are reassessed and remeasured at each balance sheet date.

The VFA model also considers the participation to which policyholders are entitled. It is based on the legal quota, according to which at least 90 percent of the results generated from the insurance contract must be allocated to the policyholders (more precisely for the Swiss collective life insurance business within the framework of the occupational benefit scheme: result from the savings, risk and cost process).

The surplus participation reduces the CSM and is updated on each balance sheet date.

The unrealised gains recognised as CSM are released to the income statement over the term of the contracts. In order to realise the CSM in the income statement synchronously with the insurance services provided, the insured benefits are divided into coverage units per reporting period over the term of the contract. In the result of the reporting period, the share of the CSM corresponding to the coverage units provided for this period is recognised. The recognised CSM thus corresponds to the profit in the relevant group of contracts at each balance sheet date that has not yet been recognised in profit or loss.

Principles for the accounting models applied

Acquisition costs

VZ Group recognises acquisition costs for insurance contracts as expenses when they are incurred.

Finance result from insurance contracts

Effects from discounting insurance liabilities and assets (including those from reinsurance) are recognised directly in the income statement as finance income or expenses. The same applies to changes in the interest rate curves used for discounting.

Recognition and derecognition

Groups of issued insurance contracts are recognised as liabilities at the earliest of the following dates:
- the beginning of the insurance period;
- the date on which the first policyholder payment is due or received if there is no due date; and
- when VZ Group determines that a group of contracts has become onerous.

Insurance contracts are derecognised when the contractual obligation expires, is settled or cancelled. Insurance contracts are also derecognised when they are materially modified, in which case a new contract with new terms and conditions is recognised.

Reinsurance held

VZ Group uses the PAA approach for its held reinsurance contracts.

Estimates and assumptions

The valuation of insurance liabilities is based on actuarial and financial estimates and assumptions.

Interest rate for discounting future cashflows

VZ Group uses interest rate curves based on the yields of Swiss government bonds and mark-ups for the illiquidity of insurance liabilities/receivables.

Estimation of expected cashflows from insurance contracts in general

VZ Group uses the current, inflation-adjusted cost level to estimate future cashflows related to insurance contracts. Future claims payments are adjusted for inflation within the framework of certain methods for the valuation of non-life insurance contracts. The expected inflation is based on the Swiss National Bank's forecasts. A rise in the cost level results in higher estimated cash outflows and liabilities for incurred claims (loss reserve).

Estimation of liabilities from non-life insurance contracts

VZ Group estimates insurance liabilities by property and liability claims on an incurred year basis. Under the best estimate approach, VZ Group uses internal and market data for incurred claims. The main source of this data is VZ VersicherungsPool Ltd's claims history. This information is used to generate loss latency scenarios to project the final claims figures. The market data consists of, among other things, inflation forecasts, major loss thresholds, major loss frequencies and market loss ratios.

Estimation of liabilities from group life insurance contracts

VZ Group estimates the liabilities for death and disability claims by year of occurrence.

The liabilities for incurred losses are derived from the contractual agreement and the loss reserve calculated therefrom using recognised actuarial methods. Best estimates, biometric and financial assumptions are used in the calculation of the claims reserve.

VZ Group uses internal and market data for best estimate assumptions. The internal data is mainly derived from information provided by the insured collective foundations. This information is used to develop scenarios to project the final number and amount of claims. The market data consists of inflation forecasts, information related to occupational benefit schemes (LPP) and mortality statistics, among other things.

Onerous contracts

Any insurance contract can result in losses. VZ Group would not enter into any onerous insurance contracts. If it becomes apparent that a group of contracts will generate losses in the remaining period of coverage, these contracts are reassessed.

Short-term non-life insurance contracts accounted for under PAA are assessed at the half-yearly closing on the basis of the expected claims experience for the entire financial year (year-to-date).

Dividend

On 18 April 2023, the dividend of CHF 1.74 per share for 2022 was distributed. The total of dividend pay out was TCHF 68'396.

Subsequent events

No events took place between 30 June 2023 and 14 August 2023 that would require adjustments to the amounts recognised in these consolidated financial statements or would need to be disclosed under this heading.

Approval of consolidated half-year financial statements

At its meeting held on 14 August 2023, the Board of Directors discussed and approved the unaudited consolidated half-year financial statements.

INDEX OF ALTERNATIVE PERFORMANCE MEASURES

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

Measure	Definition/Reference
Assets under Management	Detailed information can be found on page 147 of the annual report 2022
Consolidated result	Net profit of VZ Group
Core capital ratio	Common equity tier 1 capital ratio (CET1)
Equity	Equity of VZ Group including non-controlling interests
Equity Ratio	Equity compared to consolidated balance sheet total
Interest income	Banking income from interest operations
Management and platform clients	Clients who use one or more platform services (portfolio management, banking services, mortgages, pension plans or insurances)
Net cash	Includes cash and cash equivalents, short-term investments, marketable securities, financial assets less current liabilities due to customers, long-term debts and due to banks
Net new money	Detailed information can be found on page 147 of the annual report 2022
Net profit	Net profit of VZ Group including non-controlling interests
Platform solutions	Services related to portfolio management, banking services, mortgages, pension plans or insurances

INFORMATION FOR SHAREHOLDERS

Information about the VZ Holding Ltd registered share

ISIN number	CH0528751586
Securities number	52875158

Ticker symbols

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

Important dates

Publication of the annual report 2023	29 February 2024
General meeting 2024	8 April 2024
Publication of the half-year report 2023	16 August 2024

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The half-year report for shareholders is available in German and English. The German version prevails.

Electronic information

Additional information on VZ Holding Ltd can be found on our website: www.vzch.com.

Disclaimer

All statements in this report, if they are not based on historical facts, relate to the future and do not provide any guarantee regarding future benefits. They include risks and uncertainties comprising, but not limited to future global economic conditions, exchange rates, legal provisions, market conditions, activities of competitors as well as other factors that are outside the company's control.

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