



ANNUAL REPORT 2021
VZ GROUP

KEY FIGURES

Income statement

in CHF '000

	2021	2020	2019	2018	2017
Operating revenues	388'866	328'702	301'718	284'188	260'235
Operating expenses	201'010	173'582	159'340	157'004	149'194
Operating profit (EBIT)	167'514	136'963	124'750	116'764	102'603
Net profit	143'204	117'452	102'305	98'246	86'823

Balance sheets

in CHF '000

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Total assets	5'770'792	4'973'249	4'056'231	3'087'945	2'703'475
Equity	699'684	616'657	549'774	512'266	459'470
Net cash	588'229	501'576	432'380	439'543	366'001

Assets under Management

in CHF million

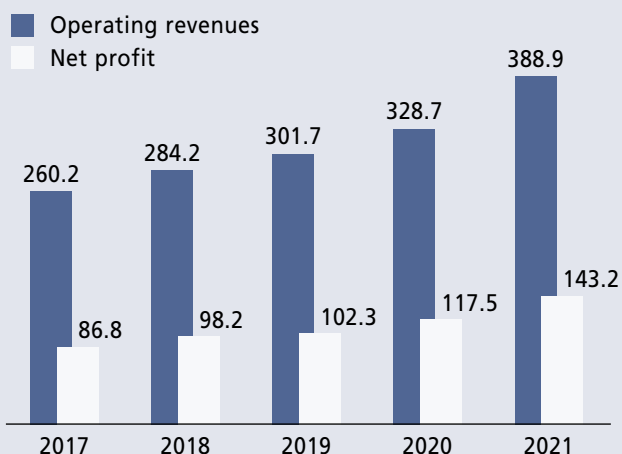
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Assets under Management	39'002	31'459	27'627	23'056	21'775

Equity key figures

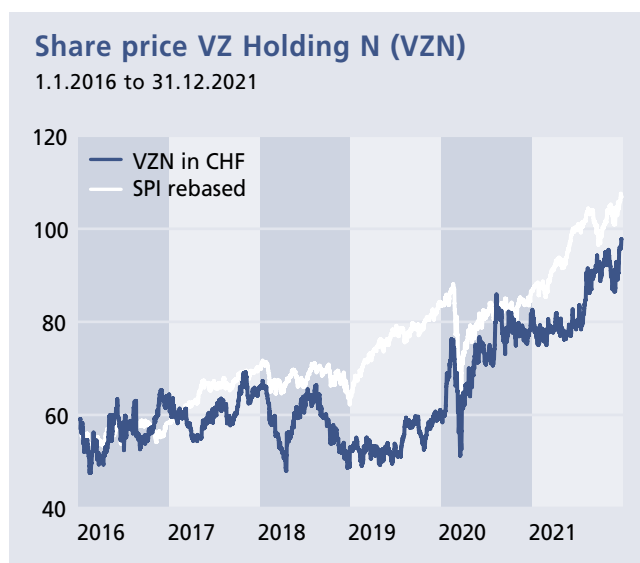
	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Equity ratio	12.1 %	12.4 %	13.6 %	16.6 %	17.0 %
Common equity tier 1 capital ratio (CET1)	25.2 %	26.6 %	27.7 %	30.1 %	30.4 %
Total eligible capital ratio (T1 & T2)	25.2 %	26.6 %	27.7 %	30.1 %	30.4 %

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 2022	12 April 2022
Ex-Date	14 April 2022
Record-Date	19 April 2022
Dividend payment	20 April 2022
Publication of the half-year report 2022	12 August 2022
Publication of the annual report 2022	2 March 2023
General meeting 2023	12 April 2023

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Share statistics¹

	2021	2020
Shares issued	40'000'000	40'000'000
Registered shareholders as at 31.12.	1'929	1'771
Highest price in the year	CHF 97.80	CHF 85.90
Lowest price in the year	CHF 75.00	CHF 51.20
Share price as at 31.12.	CHF 97.80	CHF 80.90
Market capitalisation as at 31.12.	CHF 3'912 mio.	CHF 3'236 mio.
Dividend per share	1.57 ¹	1.23
Payout ratio	44 %	42 %
Payment date	20.4.2022	16.4.2021

¹ Board of Directors's proposal to the shareholders' meeting on 12 April 2022.

Ownership structure

	31.12.2021	31.12.2020
Matthias Reinhart (direct and indirect)	61.07 %	61.04 %
Members of the Board of Directors	1.47 %	1.45 %
Other members of the Executive Board	1.88 %	1.81 %
Employees ¹	3.48 %	3.58 %
Treasury shares	1.55 %	1.83 %

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

Employees

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Full-time equivalents (FTE)	1'142.5	1'035.7	944.8	897.5	840.4

Rating VZ Depository Bank Ltd

	31.12.2021	31.12.2020
Moody's rating VZ Depository Bank Ltd (long-term deposit rating)	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.

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VZ GROUP

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Anton Christoffel, Winter in St. Moritz, 1907

The images in this report are taken from «Hopp Schwiiz!», the second 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 2021

Dear Shareholder

The economy continues to recover

Despite the pandemic and supply bottlenecks, the global economy continued to grow strongly in 2021, while the upward trend on the stock markets even accelerated. After inflation increased noticeably in many countries, several central banks plan to gradually scale back their support measures in the current year.

Net profit rises by 21.9 percent

The strong increase in stock market prices contributed to VZ Group's good annual results. However, our business depends primarily on demographic trends and only secondarily on the economy and financial markets. Operating revenues increased by 18.3 percent in the year under review, from 328.7 to 388.9 million Swiss francs. The main driver of growth are the fees from assets under management, which account for around two-thirds of revenues. They increased by 24.4 percent compared to 2020. Profit grew by 21.9 percent, from 117.5 to 143.2 million francs. Because costs increased at a slower rate, net profit grew more than operating revenues. This results in both the EBIT and net profit margins being higher than in the previous year.

Growing demand confirmed

In total, more than 8000 new clients opted for one or more of our management services in 2021. Compared to the previous year, this is a 27.4 percent increase, and the high growth rates in the first half of the year were confirmed in the second half. Net new money also increased strongly in 2021, from 3.2 to 4.8 billion francs.

Exceptionally solid balance sheet

Compared to the industry, our safety and balance sheet ratios are well above average, even though the balance sheet is growing strongly. At the end of 2021, total assets reached 5.8 billion francs (2020: 5.0 billion). The increase is almost exclusively due to the growing number of clients. On the reporting date, our equity capital amounted to 700 million francs, which corresponds to a core capital ratio of 25.2 percent. The Board of Directors proposes to the Annual General Meeting to increase the dividend from 1.23 to 1.57 francs per share. This will increase the share of distributed profit from 42 to 44 percent. In the long term, we are aiming for a payout ratio of 50 percent.

Outlook

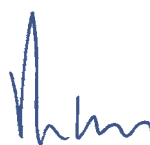
We expect demand to remain strong in the current year. If the economy and stock markets normalise, revenues and net profit should continue to grow in step. Matthias Reinhart will hand over the operational management of VZ Group to Giulio Vitarelli on 1 January 2023 and will take over the chairmanship of the Board of Directors from Fred Kindle at the following Annual General Meeting.

We would like to take this opportunity to thank all our employees, whose unwavering perseverance made a very good result possible in the second pandemic year.

Zug, 3 March 2022



Fred Kindle
Chairman of the Board of Directors



Matthias Reinhart
Chief Executive Officer

«Our proven business model is the basis for the good results in 2021.»

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

Mr Reinhart, how would you sum up the 2021 business year?

We can be very satisfied. The strong stock market performance helped, of course, but the basis for the good result is our proven business model. And the growing number of clients is the best evidence that we get quite a few things right.

Changes are on the horizon for the Board of Directors and Executive Board in 2023. How will the roles be distributed going forward?

I will move to VZ Group's Board of Directors and take over the chairmanship from Fred Kindle. And I am handing over the operational management to Giulio Vitarelli, who has successfully managed the front organisation in Switzerland with all branch offices since 2012. His successor is Philipp Heer, who has also helped shape VZ for years and is a member of the Group Executive Board as well. The proven management team in partly new roles speaks for the continuity and stability of our company.

«The growing number of clients is the best evidence that we get quite a few things right.»

Back to the results: Are there any new factors that explain the strong growth?

Of course, the extraordinarily good stock market performance helped. However, we specialise in what happens before, during and after our clients' retirement. This core competence makes us unique, and that is becoming more and more widely known in our target group. At the same time, the age group for which these topics are highly relevant is growing. Shrinking pensions, low interest rates and the upcoming reform of our pension systems are unsettling many and make it even more challenging to provide well for the time after retirement. That is why we enjoy a steadily growing demand for our financial consulting services.

Can you put a figure on that?

Last year, more than 24'000 clients sought advice from us for the first time, 18 percent more than in 2020. Many of them then opt for one or more of our management services: in 2021, we were able to win over 8000 new clients for these services. This means that at the end of the year we were serving 57'000 management clients – an increase by 16.6 percent year on year.

How much did the strong stock market year contribute to the good result?

That is not easy to calculate. As a rough estimate, I would attribute just under half of the growth rate to the stock market development. The rest is due to the growth of the entire business. Assets under management in particular have grown disproportionately. In good stock market phases, clients are more eager to make decisions and are more likely to conclude a management mandate. This experience has been confirmed last year as well.

EBIT and net profit are significantly higher. Does this indicate a new trend?

The EBIT margin reached 43.1 percent, the net profit margin 36.8 percent. This means that both figures are above our targets of 42 and 36 percent respectively. We expect the margins to converge again towards the target values in the coming years.

Net new money surged from 3.2 billion to 4.8 billion francs. How can this be explained?

The increase is mainly due to the fact that we have so many new clients. An additional factor are the negative interest rates that many banks charge on credit balances above a certain threshold. This increases the pressure on those clients to invest the money instead of leaving it sitting in the bank.

You must surely cut back in quality to grow so fast?

No, on the contrary. Quality is ensured along the entire value chain and even improves with increasing size. For many years we have been systematically measuring our clients' satisfaction at several points and also calculate the Net Promoter Score (NPS). Both satisfaction and NPS are above average and have continued to improve in recent years.



Can your IT keep up with this pace?

This is a key issue that has preoccupied us since the very beginning. In addition to face-to-face consulting, we process enormous amounts of data. That's why we are constantly enhancing our IT architecture to

«An exceptionally high equity base clearly signals how safe our clients' deposits are with us.»

ensure that it remains state of the art. In 2021, for example, we completely renewed the infrastructure for our e-banking. It is now much more agile, new features can be implemented more swiftly, and performance has improved noticeably for users.

VZ Finanzportal is at the core of your digitalisation strategy. What are the latest news there?

With the migration of the e-banking platform, we completed a complex technological conversion last year. The effort was worth it: the users carry out their financial transactions even more efficiently, and in the future, we will be able to make improvements more swiftly. The migration tied up more resources than planned, which is why we had to postpone the launch of the new trading platform to the first half of 2022.

Does it make sense that VZ Group's core capital ratio is so much higher than that of your competitors?

It's a business decision. The high level of equity capital makes it evident how secure clients' deposits are with us. This is an important differentiating criterion and the reason why some clients choose to bank with us. Our successful business model allows us to «square the circle», so to speak: deposits are very safe with us, shareholders receive attractive dividends on a sustainable basis, and we can continue to finance our growth from our own funds.

VZ Group expanded to the UK last year. What is your positioning abroad?

We bought 50.1 percent of Lumin Group Ltd in May 2021, with the aim of acquiring the remaining shares by 2026. Lumin is an Independent Financial Advisor (IFA) with around 50 employees. Compared to VZ Group's business volume as a whole, this is a small stake, but it has the potential to grow – both organically and through the acquisition of additional IFAs. In contrast, in Germany we are focusing on purely organic growth. This is a longer path, which also leads to success.

What can shareholders expect in 2022 in the future?

We anticipate that the demand for our services and thus our client base will increase even more. As a result, revenues and profit should continue to grow at a rate similar to the average of recent years, both in the current year and beyond – assuming a stable stock market development. The margins of EBIT and net profit should again converge with the long-term targets. The Board of Directors proposes to the Annual General Meeting to increase the dividend from 1.23 to 1.57 francs. This corresponds to a payout of 44 percent of profit and will bring us gradually closer to the 50 percent ratio that we want to achieve in the coming years.

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

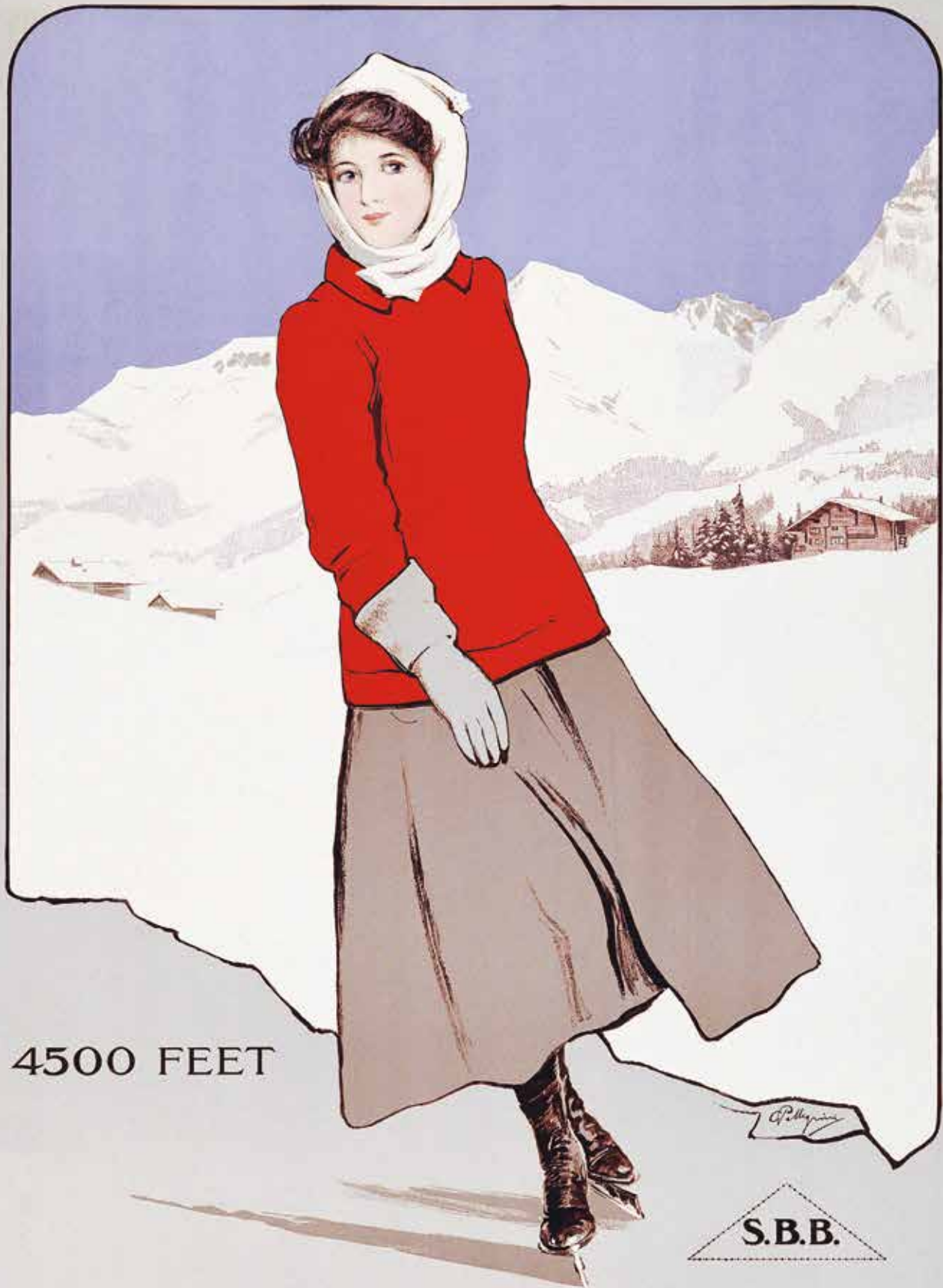
We combine proven investment strategies with independent implementation and active support. Clients choose the extent to which they wish to place the management of their portfolios in professional hands or to manage them on their own. There is a suitable mandate for all of them. Depending on their risk 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.
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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4500 FEET

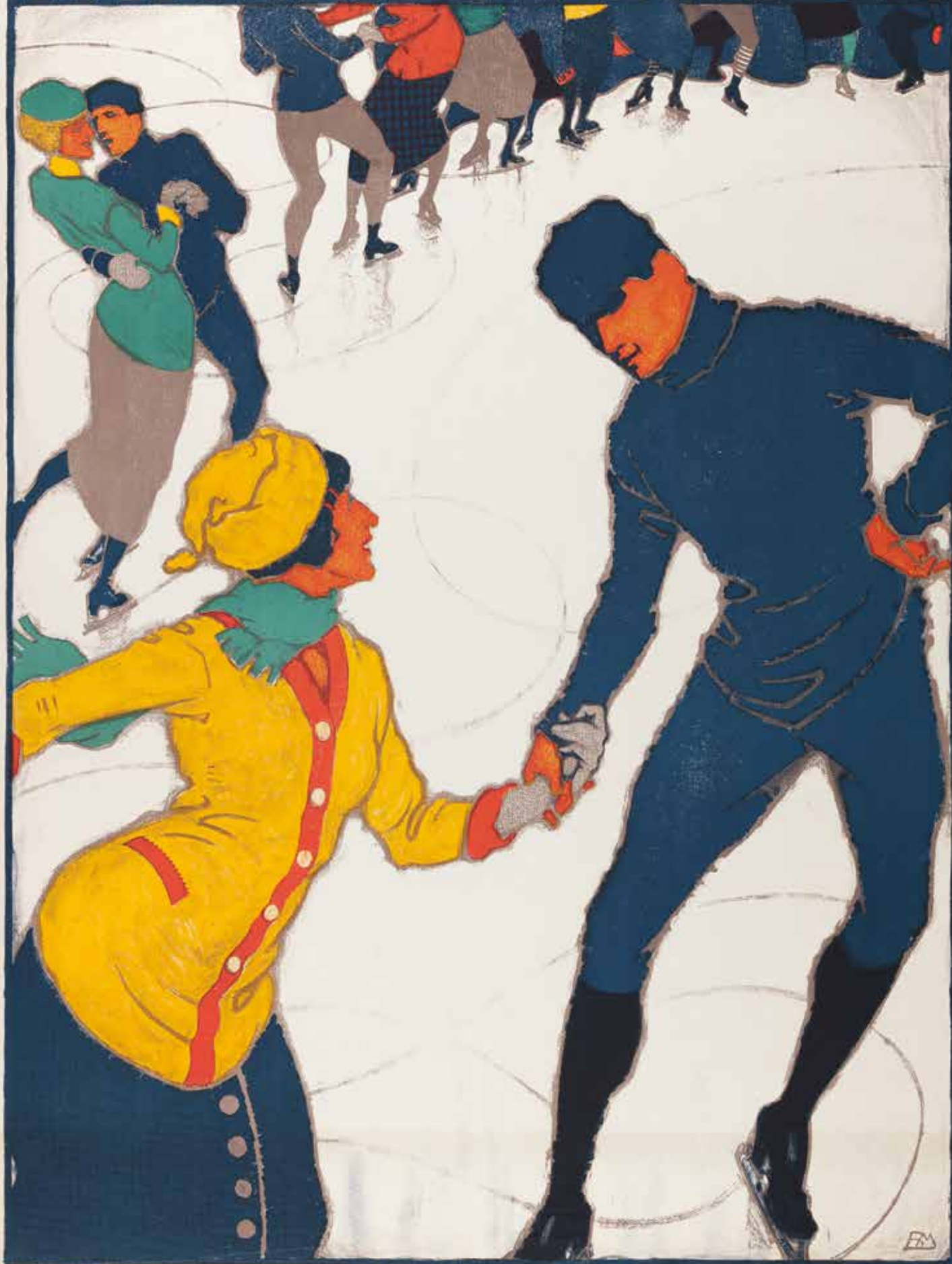
S.B.B.

ADELBODEN

• SWITZERLAND •

LITHO WORKS
A. TRÜB & CO.
AARAU
SWITZERLAND

WINTER-IN-DAVOS



GRAPH-ANSTALT J.E. WOLFENBERGER ZÜRICH

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 21 and 22)

EXECUTIVE BOARD



From left to right:

Thomas Schönbucher, 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», pages 29 and 30)

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 authoritative requirements for 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.

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 «Corporate Governance Directive» and Economiesuisse's «Swiss Code of Best Practice».

All information in this report refers to 31 December 2021.

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 and securities trader. VZ InsurancePool Ltd is monitored by FINMA as a non-life insurer. The German subsidiary VZ Vermögens-Zentrum 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 Group 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 VermögensZentrum Ltd	VZ VermögensZentrum Bank Ltd	VZ Depository Bank Ltd
HypothekenZentrum Ltd ¹	VZ VersicherungsPool Ltd	VZ Vorsorge Ltd
VZ Insurance Services Ltd	VZ Versicherungszentrum Ltd	VZ Legal and Tax Consulting Ltd
VZ Investment Research Ltd	VZ Corporate Services Ltd	Früh & Partner Vermögensberatung Ltd ²
Lumin Group Ltd ³	VZ Operations Ltd	Claridenhof Ltd

¹ HypothekenZentrum Ltd holds 100 percent of the share capital of HZ Servicing Ltd and HZ Credit Support Ltd.
² VZ Holding Ltd holds 40 percent of the capital and 51 percent of the voting rights of Früh & Partner Vermögensberatung Ltd.
³ VZ Holding Ltd holds 50.1 percent of Lumin Group 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 2021 amounted to CHF 3912 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 VermögensZentrum GmbH was merged with VZ Depository Bank Deutschland Ltd in 2021. The company name was changed to VZ VermögensZentrum Bank Ltd.

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 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 with regard to a potential market entry.

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 one property in Zurich, which is used from 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. On 17 May 2021, VZ Holding Ltd acquired 50.1 percent of of Lumin Group's voting and capital rights.

Share capital: GBP 3670

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 a stake of 33 percent in Dufour Capital Ltd, Zurich, and takes a seat on Dufour's Board of Directors. Dufour Capital is an asset manager specialising in the development of rule-based investment solutions. Dufour Capital has an advisory mandate from VZ Group and a share capital of TCHF 150.

As per 31 December 2021 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 61.07 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 2021. No disclosure notices have been received during the year under report.

Shareholders on 31.12.2021

Matthias Reinhart (directly and indirectly)	61.07 %
Members of the Board of Directors ¹	1.47 %
Other members of the Executive Board ¹	1.88 %
VZ employees ²	3.48 %
Treasury shares	1.55 %
Free float/remainder	30.55 %

¹ Without related parties.

² Shares held by VZ employees that are registered in the share register are shown.
For additional information, please refer to the table on page 19.

IX Swiss Exchange's disclosure office publishes all relevant notifications (www.ser-ag.com/de/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 2021, 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 2021, there were 103'082 registered shares (2020: 304'804). 213'469 registered shares were allocated to or sold to employees as part of the management benefit programme (2020: 181'417). Members of the Board of Directors were allocated 4183 registered shares (2020: 5070). Treasury shares are recognised in the balance sheet at a value of TCHF 41'472 (2020: TCHF 44'258). Further details are shown in the notes to the consolidated financial statements under «Share capital and reserves» (pages 118 and 119). For the year 2019, please refer to the 2019 annual report, page 20 (available online: vzch.com/annualreport2019).

Dividend payments

	2021	2020	2019
Dividends in % (annual profit VZ Group)	44%	42%	40%
Dividends in TCHF	61'825 ¹	48'334	40'235
Payment date	20.4.22	16.4.21	16.4.20

¹ The dividend payments are based on a dividend of CHF 1.57 per registered share proposed to the shareholders' meeting of 12 April 2022. 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. These shares are not eligible for dividends.

Restrictions on transferability and nominee registration in the share register

Transfer restrictions Currently 217'324 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 61'986 shares were allocated based on the management benefit programme (2020: 65'970) and 4183 shares were allocated to members of the Board of Directors as compensation (2020: 5070).

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 2022 respectively 2023 and 2024, while it will end in April 2022 respectively 2023 and 2024 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 78) and under «Share-based management benefit programme» (pages 124 to 127).

Locked-up shares as of 31.12.2021

	until 24.2.22 Management Number in %	until 9.4.22 EB/BoD Number in %	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 %	Total Number in %
Members of the Board of Directors	0 0,00	5'210 0,01	0 0,00	5'070 0,01	0 0,00	4'183 0,01	14'463 0,03
Members of the Executive Board	2'280 0,00	18'015 0,05	1'575 0,00	17'260 0,04	1'443 0,00	16'564 0,04	57'137 0,13
Management	50'500 0,13	4'060 0,01	46'295 0,12	840 0,00	43'979 0,11	0 0,00	145'724 0,37
Total	52'830 0,13	27'285 0,07	47'870 0,12	23'170 0,05	45'422 0,11	20'747 0,05	217'324 0,53

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 2021 VZ Holding Ltd held 621'145 VZ shares (31.12.2020: 731'532). These shares are designated for share allotments and options exercised by employees. By the end 2021 no shares were issued from the conditional capital.

During the year under report 123'972 options were granted under this programme (2020: 131'940), whereof 117'664 were still outstanding on 31.12.2021. If these options are exercised, 117'664 registered shares will be transferred. During the year under report a total of 147'278 options were exercised (2020: 109'427). Options outstanding under all option plans totalled 534'779 as at 31 December 2021 (31.12.2020: 575'263). If all these options will be exercised, 534'779 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 78, section «Share-based payments» and pages 124 to 127, 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 directives and 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.

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 2022	<p>Since the end of 2015, Fred Kindle has been a consultant for Clayton, Dubilier & Rice (CD&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&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 member of the Board of Directors of Stadler Rail Ltd, Bussnang, and 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 44.</p>
Roland Iff, born 1961, CH	Vice-Chairman, Head of Risk & Audit Committee	2006 to 2022	<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 2022	<p>Dr. Albrecht Langhart is a partner of Blum & 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 & 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 2022	<p>In May 2021, Roland Ledergerber was elected to the Board of Directors of St. Galler Kantonalbank (SGKB), and in May 2022 he will be proposed to the Annual General Meeting for election as Chairman of the Board.</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.</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 2022	<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 & 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 21 and 22. 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 38 to 51.

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 21 and 22). There are no restrictions on how often a member of the Board of Directors may be re-elected.

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 voting 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 establishment of and amendments to the Risk & Audit Committee's regulations
- the decision on motions brought forward by the Risk & Audit Committee
- the issue of the regulations for the compensation committee respecting the guidelines of the articles of association and the requirements set by the Ordinance against Excessive Compensation in Listed Stock Companies «VegüV»
- 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

- the annual assessment of its own performance (achievement and approach)
- 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 legal tasks, the Board of Directors is also responsible for the forward-looking, strategic 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 CFO participates in these committee meetings. In the year under report, the 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 2021

Board of Directors: four ordinary meetings (as in 2020) plus a strategy workshop with the members of the Executive Board

Risk & Audit Committee: four meetings (as in 2020)

Compensation Committee: two meetings (as in 2020)

In the year under report, one Board member was unable to attend one committee meeting. Apart from that, all Board members attended all meetings. 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 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 Group'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 82 to 96, 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.

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 Schönbacher, 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

(continuation)

Name, Year of birth, Nationality	Function	Professional background	Member of the Executive Board since
Tom Friess, born 1968, CH	Managing Director VZ VermögensZentrum (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

Philipp Heer has been a member of the Executive Board of VZ Group since 1 January 2021.

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 38 to 51.

Shareholders' participation rights

Representation and restrictions on voting rights

Share register

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.

Annual general meeting

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.

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 voting rights proxy

Shareholders may issue powers of attorney and instructions to the independent voting rights 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 2021 elected PricewaterhouseCoopers Ltd (PwC) as external auditor of VZ Holding and VZ Group for the 2021 financial year. 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 four years before the legally required rotation is due.

Auditing fee

PwC charged revision fees of TCHF 678 (2020: TCHF 629) for the financial and regulatory review in the financial year 2021.

Additional fees

In 2021, PwC supported VZ Group in the implementation of regulatory requirements. Fees of TCHF 15 were charged for this service (2020: TCHF 7); representing 2.2 percent 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, the responsible head auditor and the senior 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 and at the beginning of this report.

Permanent source of information

VZ Group publishes news simultaneously for all market participants under www.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/investor-relations.html

Contact addresses

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

Relevant changes since balance sheet date

Between 31 December 2021 and 1 March 2022 there were no changes that would have to be disclosed.

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 and the Executive Board (category 1), to other employees in management functions and to persons who, due to their function, have access to confidential information (category 2). 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 3):

- **Annual accounts and annual report**

Category 1: 15 December

Category 2: 1 January

Category 3: 1 month before publication

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

Category 1: 15 June

Category 2: 1 July

Category 3: 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

No exceptions to these provisions were approved in the year under review.

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, as stipulated by Art. 14–16 of the Swiss Ordinance Against Excessive Remuneration at Listed Stock Corporations [Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften] («VegüV»). The compensation charts have been reviewed by the Auditors.

Legal standards and best practice

VZ Holding Ltd's remuneration principles are outlined in its articles of association and published in the investor/corporate governance section on www.vzch.com. The information in the compensation report is based on VZ Holding's articles of association and regulations as well as the VegüV. The remunerations also comply with the recommendations of SIX's «Corporate Governance Directive» and of Economiesuisse's «Swiss Code of Best Practice». VegüV specifically bans termination payments, advance remunerations and commissions for the takeover of companies. VZ Group's remunerations do not fall into any of these categories.

Banks, securities traders, financial groups and financial conglomerates that require at least CHF 10 billion in own funds according to the Capital Adequacy Ordinance must implement the provisions of FINMA Circular 2010/1 «Remuneration Systems». Although VZ is not included in this group, it uses the recommendations as a guideline for its remuneration principles.

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 reviewed the results 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.

VZ Group carried out another analysis in 2021. As in the previous year, there were no significant unexplained pay differences between women and men. This year's analysis was not subject to a review by PwC because an external review is only required once under the GlG.

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.

Philipp Heer became a member of the Executive Board on 1 January 2021. Detailed information can be found on page 48.

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 ¹	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 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 2021, as in 2020, 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 approve the overall compensation of the Board of Directors and Group Management in a binding vote at the shareholders' meeting. 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 2022 will address the following 3 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 124 to 127. 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

Fixed compensation

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.

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 2021/22 period of office is CHF 90.75, the weighted average price of the shares traded between 10 and 28 January 2022.

Function	Compensation per period ¹	Form ²
Chair of the Board of Directors	CHF 100'000	locked-up shares
Member of the Board of Directors	CHF 50'000	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 ³	additional CHF 10'000	locked-up shares
Member of the Compensation Committee	additional CHF 5'000	locked-up shares

¹ Plus contributions to social insurance

² Locked-up for 3 years

³ 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 21 and 22.

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 2021, there were loans to members of the Board of Directors of totalled CHF 13.9 million (31 December 2020: 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 2021 VZ Group paid Blum & Grob Attorneys at Law Ltd legal fees totalling TCHF 36 (2020: TCHF 81). 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 122 and 123, 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 2021

The reported compensation of the Board of Directors during the year under report consists of the deferred share of the compensation of the 2021/22 period of office, i.e. from 13 April 2021 to the end of 2021, as well as the already paid-out share of the 2020/21 period of office (1 January to 12 April 2021).

Last name ¹	First name	Fixed compensation ²		Variable compensation		Other compensation		Employer social insurance contributions		Total	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
CHF '000											
Kindle	Fred	100	100	–	–	–	–	7	6	107	106
Iff	Roland	70	70	–	–	–	–	6	4	76	74
Langhart	Albrecht, Dr.	60	60	–	–	–	–	4	4	64	64
Ledergerber	Roland	55	55	–	–	–	–	4	4	59	59
de Perregaux	Olivier	60	60	–	–	–	–	4	4	64	64
Total Board of Directors		345	345	–	–	–	–	25	22	370	367

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 2022 shareholders' meeting

For the 2021/22 term of office (13 April 2021 to 12 April 2022), the shareholders' meeting approved the maximum remuneration of TCHF 410 (incl. employer contributions to social insurance agencies).

CHF '000

	2021/2022 period of office:			2022/2023 period of office:
	Approved at the 2021 shareholders' meeting	Compensation April 2022 ¹	Difference	Proposal to the 2022 shareholders' meeting
Fixed compensation	380	345	35	430
Employer social insurance contribution	30	25	5	40
Total	410	370	40	470

¹ On 1 March 2022 the Board of Directors has approved of the compensations for the 2021/2022 period of office. It will be paid out after the shareholders' meeting held in April 2022.

For the term of office 2022/23, the Board of Directors proposes to the shareholders' meeting on 12 April 2022 to increase the maximum remuneration of the Board of Directors to TCHF 470 (including employer's social security contributions). The remuneration has not been adjusted in the last three years. During this time, VZ Group has continued to grow, and the complexity of the Board of Directors' tasks is constantly increasing. The rise is intended to adequately compensate the growing workload of the entire board.

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 3383 (2020: TCHF 2137). Regardless of the management level, their variable compensation varies from 56 to 89 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 2022. 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 2021 financial year corresponds to the weighted average price of the shares traded between 10 and 28 January 2022, and is CHF 90.75.

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 124 and 125 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 2021, loans of CHF 4.4 million (31.12.2020: CHF 4.4 million) to members of the Executive Board were outstanding. Of this amount, CHF 3.5 million is attributable to a Lombard loan to Lorenz Heim. As in the previous year, no loans or credits to persons closely related to members of the Executive Committee were outstanding.
Former officers	No compensation was paid to members of the Executive Board who left in 2020 or 2021.

Compensation of the Executive Board in the 2021 financial year

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 2022 on page 48).

CHF '000	Fixed compensation		Variable compensation		Other compensation		Employer social insurance contribution		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021 ²	2020
Total Executive Board	3'554	3'242	3'188	2'013	37	27	798	641	7'577	5'923
<i>thereof cash</i>	<i>3'554</i>	<i>3'242</i>	<i>683</i>	<i>431</i>	<i>37</i>	<i>27</i>	<i>798</i>	<i>641</i>	<i>5'072</i>	<i>4'341</i>
<i>thereof shares</i>	-	-	<i>2'049</i>	<i>1'290</i>	-	-	-	-	<i>2'049</i>	<i>1'290</i>
<i>thereof options</i>	-	-	<i>456</i>	<i>292</i>	-	-	-	-	<i>456</i>	<i>292</i>
thereof Matthias Reinhart¹	525	525	409	246	17	15	101	87	1'052	873
<i>thereof cash</i>	<i>525</i>	<i>525</i>	<i>88</i>	<i>53</i>	<i>17</i>	<i>15</i>	<i>101</i>	<i>87</i>	<i>731</i>	<i>680</i>
<i>thereof shares</i>	-	-	<i>262</i>	<i>157</i>	-	-	-	-	<i>262</i>	<i>157</i>
<i>thereof options</i>	-	-	<i>59</i>	<i>36</i>	-	-	-	-	<i>59</i>	<i>36</i>

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

2 Philipp Heer has been a member of the Executive Board of VZ Group since 1 January 2021, which has since consisted of 10 members.

The total amount of fixed compensation approved by the General Assembly already includes the compensation of Philipp Heer, who has been a member of the Executive Board since 1 January 2021. Therefore, the additional amount available for additional members of the Executive Board according to the Articles of Association 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 2022 shareholders' meeting

In respect of the 2021 financial year, the shareholders' meeting approved the maximum fixed compensation of the Executive Board amounting to TCHF 4500 (incl. employer social insurance contributions). In addition, in respect of the 2020 financial year, it approved the variable compensation amounting to TCHF 2137. These amounts include the employer's social security contributions.

Fixed compensation

CHF '000

	Financial year 2021: Approved at the 2021 shareholders' meeting			Financial year 2022: Proposal to the 2022 shareholders' meeting
	Compensation 2021	Difference		
Fixed compensation ¹	3'900	3'591	309	4'000
Employer social insurance contribution	600	602	(2)	700
Total	4'500	4'193	307	4'700

¹ Including other salary components

For the 2022 financial year, the Board of Directors is proposing a maximum compensation amounting to TCHF 4700 (incl. employer contributions to social insurance agencies) to the shareholders' meeting of 12 April 2022.

For the 2021 financial year, the Board of Directors proposes a variable compensation of TCHF 3383 (including employer contributions to social security).

Variable compensation

CHF '000

	Bonus Financial year 2020: Approved at the 2021 shareholders' meeting	Bonus financial year 2021: Proposal to the 2022 shareholders' meeting
Variable compensation	2'013	3'188
Employer social insurance contribution	124	195
Total	2'137	3'383

Share ownership

Share portfolio of Board of Directors, including related parties

Last name	First name	Number of shares per 31.12.2021	Number of shares per 31.12.2020
Kindle	Fred	499'733	498'520
Iff	Roland	34'004	33'155
Langhart	Albrecht, Dr.	34'420	32'200
Ledergerber	Roland	13'207	12'540
de Perregaux	Olivier	5'837	5'110

Share portfolio of Executive Board, including related parties

Last name	First name	Number of shares per 31.12.2021	Number of shares per 31.12.2020
Reinhart	Matthias	24'428'777 ¹	24'417'057 ¹
Vitarelli	Giulio	126'025	123'326
Schönbucher	Thomas	17'500	16'965
Heer	Philipp	10'363	_2
Friess	Tom	221'808	220'250
Weber	Marc	78'863	76'295
Rütsche	Manuel	4'745	3'350
Heim	Lorenz	270'658	269'215
Tellenbach	Simon	6'549	5'010
Pfaffen	Rafael	17'606	14'690

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

2 Philipp Heer has been a member of the Executive Board since 1.1.2021.

Options portfolio of Executive Board, including related parties as at 31.12.2021

Last name	First name	Year of allocation				
		2021	2020	2019	2018	2017
Reinhart	Matthias	4'040	4'660	5'320	4'090	0
Vitarelli	Giulio	5'388	5'460	6'720	5'110	4'980
Schönbucher	Thomas	3'270	3'730	4'200	3'400	0
Heer	Philipp	2'886	3'150	3'220	1'810	0
Friess	Tom	3'116	3'640	4'580	3'870	0
Weber	Marc	5'136	5'860	6'500	5'140	5'020
Rütsche	Manuel	2'790	2'020	1'490	810	790
Heim	Lorenz	2'886	3'260	3'640	2'950	1'615
Tellenbach	Simon	3'078	2'420	1'340	0	0
Pfaffen	Rafael	3'462	3'500	3'640	1'810	1'490
Exercised options		0	0	0	960	12'835
Exercise price in CHF		85.75	70.65	66.90	82.50	75.25
Maturity		11.4.2027	7.4.2026	8.4.2025	9.4.2024	5.4.2023

All options allocated in 2016 (exercise price CHF 69.05, maturity 11.4.2022) have been exercised.

REPORT OF THE STATUTORY AUDITOR

Report of the statutory auditor to the General Meeting of VZ Holding Ltd

Zug

We have audited the compensation report of VZ Holding Ltd for the year ended 31 December 2021. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 38 to 49 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

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Opinion

In our opinion, the compensation report of VZ Holding Ltd for the year ended 31 December 2021 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



Beat Rütsche
Audit expert
Auditor in charge



Patrick Wiech
Audit expert

Zurich, 1 March 2022





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FINANCIAL STATEMENTS VZ GROUP

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CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	2021	2020
Consulting fees	97	27'743	25'012
Management fees			
On assets under management	98	255'304	205'305
Other management fees	98	27'318	24'179
Banking income from commissions and trading activities	98	46'530	47'508
Banking income from interest operations			
Interest income	97	17'587	15'295
Interest expense	97	180	(371)
Net earned insurance premiums	98	13'752	11'218
Net impairment (losses)/recoveries on financial assets	88	3	(11)
Other operating revenues	98	449	567
Total operating revenues		388'866	328'702
Personnel expenses	100	(144'782)	(128'883)
Other operating expenses	101	(48'952)	(39'100)
Expenses related to insurance contracts	98	(7'276)	(5'599)
Total operating expenses		(201'010)	(173'582)
EBITDA		187'856	155'120
Depreciation and amortisation	108, 109	(20'342)	(18'157)
EBIT		167'514	136'963
Finance expenses	101	(638)	(492)
Finance income	101	78	114
Net finance income		(560)	(378)
Profit before income taxes		166'954	136'585
Income taxes	102	(23'750)	(19'133)
Net profit		143'204	117'452
Attributable to:			
Shareholders of VZ Holding Ltd		142'592	117'267
Non-controlling interests		612	185
Undiluted earnings per share (CHF)	103	3.62	2.99
Diluted earnings per share (CHF)	103	3.62	2.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	2021	2020
Net profit recognised in the income statement	143'204	117'452
Other comprehensive income, which can be reclassified to the income statement		
Cumulative conversion adjustments	(876)	(107)
Change in cashflow hedge reserve	(9'556)	3'186
Tax effects	1'136	(380)
Total other comprehensive income (net of tax), which can be reclassified to the income statement	(9'296)	2'699
Other comprehensive income, which cannot be reclassified to the income statement		
Remeasurement of defined benefit obligation	1'367	(3'651)
Tax effects	(287)	668
Total other comprehensive income (net of tax), which cannot be reclassified to the income statement	1'080	(2'983)
Total comprehensive income	134'988	117'168
Attributable to:		
Shareholders of VZ Holding Ltd	134'494	116'988
Non-controlling interests	494	180

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	104	1'799'086	1'630'204
Short term investments	104	89'283	116'388
Marketable securities at fair value	104	2'964	12'797
Trade receivables	105	3'119	2'279
Other receivables	105	13'834	19'104
Accrued income and deferred expenses	106	68'646	55'957
Other current assets	106	9'071	6'552
Current assets		1'986'003	1'843'281
Financial assets	106, 107	3'606'605	2'972'342
Investments in associates	107	446	441
Property and equipment	108	132'708	133'225
Goodwill and other intangible assets	109	34'957	13'443
Deferred tax assets	114	10'073	10'517
Non-current assets		3'784'789	3'129'968
Total assets		5'770'792	4'973'249
Liabilities and equity			
Trade payables	112	704	614
Other current liabilities	112	24'179	16'276
Due to banks	112	624'842	530'697
Due to customers	112	3'874'421	3'289'923
Income tax payables		25'616	21'908
Provisions	115	1'350	9'086
Accrued expenses and deferred income	116	38'395	30'272
Current liabilities		4'589'507	3'898'776
Long-term debts	116	410'446	409'535
Other non-current liabilities	116	69'839	48'277
Deferred tax liabilities	114	1'316	4
Non-current liabilities		481'601	457'816
Total liabilities		5'071'108	4'356'592
Share capital	118	2'000	2'000
Treasury shares	119	(41'472)	(44'258)
Retained earnings	119	598'811	538'475
Net profit		142'592	117'267
Other equity components	119	(6'327)	2'850
Equity attributable to shareholders of VZ Holding Ltd		695'604	616'334
Non-controlling interests		4'080	323
Total equity		699'684	616'657
Total liabilities and equity		5'770'792	4'973'249

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	Page	2021	2020
Operating activities			
Net profit		143'204	117'452
Depreciation and amortisation of fixed assets and intangible assets	108, 109	20'342	18'157
Income tax paid		(21'964)	(19'771)
Interest paid from net finance income		(73)	(61)
Interest received from net finance income		15	134
Net capital (gains) losses and impairments on financial assets and liabilities		(2'572)	6'148
(Increase)/decrease in dues from short term investments	104	27'105	91'149
(Increase)/decrease in market value of marketable securities at fair value	104	9'833	(4'825)
(Increase)/decrease in trade receivables	105	(509)	(354)
(Increase)/decrease in financial assets	106, 107	(531'262)	(454'248)
(Increase)/decrease in other operational assets	105, 106	(9'261)	(4'528)
Increase/(decrease) in trade payables	112	(14)	269
Increase/(decrease) in other operational liabilities		48'656	32'435
Increase/(decrease) in due to banks	112	94'145	404'490
Increase/(decrease) in due to customers	112	586'878	429'229
Non cash share-based payment transactions		4'367	3'101
Other non-cash items		(22'921)	(171)
Cash flows (used in)/provided by operating activities		345'969	618'606
Investing activities			
Purchase of property and equipment	108	(7'530)	(6'381)
Proceeds from sale of property and equipment	108	5	20
Purchase of financial assets	106	(156'654)	(189'141)
Proceeds from financial assets	106	50'333	34'780
Purchase of intangible assets	109	(13'204)	(11'760)
Dividend from associates	107	20	0
Acquisition of associates	144	(4'138)	0
Cash flow (used in)/provided by investing activities		(131'168)	(172'482)
Financing activities			
Purchase of treasury shares	119	(8'380)	(21'052)
Proceeds of treasury shares	119	13'169	7'901
Repayment of long-term debts	116, 117	(35'776)	(30'410)
Proceeds from long-term debts	116, 117	43'739	31'849
Payments of leasing liabilities	116, 117	(6'807)	(6'420)
Dividends paid to shareholders	152	(48'812)	(40'235)
Cash flow (used in)/provided by financing activities		(42'867)	(58'367)
Effect of foreign exchange rate changes		(3'052)	(40)
Net increase/(decrease) in cash and cash equivalents		168'882	387'717
Cash and cash equivalents at beginning of the period		1'630'204	1'242'487
Cash and cash equivalents at the end of the period		1'799'086	1'630'204
thereof			
Cash at banks and in hand		1'799'086	1'624'781
Short term deposits less than 90 days		0	5'424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF '000

	Share capital ¹	Treasury shares ¹	Cumulative conversion adjustment ^{1,3}	Cashflow hedge reserve ^{2,3}	Retained earnings ¹	Equity to shareholders of VZ Holding Ltd ¹	Non-controlling interests	Total equity
As at 1 January 2020	2'000	(33'422)	(855)	1'006	580'771	549'500	274	549'774
Net profit					117'267	117'267	185	117'452
Other comprehensive income			(107)	2'806	(2'978)	(279)	(5)	(284)
Total comprehensive income for the period			(107)	2'806	114'289	116'988	180	117'168
Participation plans					(1'463)	(1'463)		(1'463)
Change in treasury shares ¹		(10'836)			2'249	(8'587)		(8'587)
Dividends					(40'104)	(40'104)	(131)	(40'235)
As at 31 December 2020	2'000	(44'258)	(962)	3'812	655'742	616'334	323	616'657
As at 1 January 2021	2'000	(44'258)	(962)	3'812	655'742	616'334	323	616'657
Net profit					142'592	142'592	612	143'204
Other comprehensive income			(757)	(8'420)	1'079	(8'098)	(118)	(8'216)
Total comprehensive income for the period			(757)	(8'420)	143'671	134'494	494	134'988
Participation plans					(791)	(791)		(791)
Change in treasury shares ¹		2'786			7'161	9'947		9'947
Dividends					(48'335)	(48'335)	(477)	(48'812)
Change in liability to purchase non-controlling interests					(16'045)	(16'045)		(16'045)
Change in non-controlling interest						0	3'740	3'740
As at 31 December 2021	2'000	(41'472)	(1'719)	(4'608)	741'403	695'604	4'080	699'684

1 Further details are shown on pages 118 and 119.

2 Further details are shown on pages 57 and 139.

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



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NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

The Board of Directors approved VZ Holding Ltd's consolidated financial statements on 1 March 2022. They are also subject to approval by the shareholders' general meeting on 12 April 2022.

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 in 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 80 and 81.

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 2021 financial year are listed below:

New standards, interpretations and explanations with impact for 2021

- IFRS 9 and IFRS 7 – Reform of Alternative Reference Rates (Phase 2)

Worldwide, several reference interest rates were replaced by new ones at the end of 2021. Relevant for VZ Group is the change from Libor (London Interbank Offered Rate) to Saron (Swiss Average Rate Overnight). The UK Financial Conduct Authority (FCA) announced in March 2021 that Libor rates for Swiss francs would no longer be published after 31 December 2021. VZ Group held a number of financial instruments based on Libor interest rates. These instruments were converted to Saron by 31 December 2021.

The phase 2 amendments to IFRS 9 and IFRS 7 provide practical expedients for switching from Libor to Saron for certain requirements in the IFRS standards. VZ Group has applied the phase 2 amendments concerning the interest rate benchmark reform for the first time from 1 January 2021.

Implementation

The changeover to the Saron primarily affected the following financial instruments:

- Libor mortgages in Swiss francs
- Since 1 April 2021, VZ Group has only offered money market mortgages based on the Saron. Existing contracts had contained a clause to change the reference interest rate for some time, and these contracts were converted as of 1 July 2021. As at 31 December 2021, the conversion of all money market mortgages was completed.
- Hedging instruments
 - for interest rate risks on mortgage bond loans (fair value hedge)
 - for the lending of Libor mortgages (cash flow hedge)

The conversion of all hedging instruments was completed by the end of 2021.

When the reference interest rate was changed, the financial instruments concerned were analysed to ensure that:

- there was no change in counterparties
- the changes made in the agreements are solely a direct consequence of the reform
- the new basis for contractual cash flows (Saron) was economically equivalent to the basis immediately before the change (Libor)
- the changes did not lead to derecognition of hedging instruments
- the hedge accounting relationships could be continued
- the hedging instruments were valued similarly immediately after the changeover as immediately before the changeover

The conversion of the hedging instruments to Saron had no material impact on the consolidated financial statements.

By the end of 2021, all financial assets and liabilities had been converted to the Saron, and the uncertainties in this context ceased to exist. The reform of the reference interest rates did not have a significant impact on VZ Group's risk management.

- IFRS 16 – Rental concessions related to the Corona pandemic
This adjustment has no impact on VZ Group's consolidated financial statements.

Other changes

- Clarifications and minor adjustments to various standards

New standards and interpretations as of 2022

The following standards and interpretations take effect on or after 1 January 2022.

- IAS 37 – Provisions, contingent liabilities and contingent assets

The amendment to the standard concerns «Onerous contracts – costs of fulfilling a contract». In particular, it addresses the costs that must be taken into account when assessing an onerous contract. The amendment is applicable as of 1 January 2022, but will not have a significant impact on VZ Group.

- 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 effects on VZ Group's consolidated financial statements are currently being evaluated.

- 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 are effective from 1 January 2023. This amendment 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	
	31.12.2021	31.12.2020	2021	2020
USD	0.9116	0.8848	0.9142	0.9386
EUR	1.0368	1.0821	1.0811	1.0704
GBP	1.2342	1.2083	1.2578	1.2043

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 133 to 141).

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;
- the combination of these 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 71.

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 71.

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 (from BBB 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 credit-worthiness of debtors is continuously monitored on the basis of ratings, market factors and internal assessments. If an interest rate instrument stops complying with the credit-worthiness 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 mortgages¹.

VZ Group generally only grants lombard loans to investment clients if the loans are covered by easily realisable securities deposited with VZ Depository 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.

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 item «receivables from customers» (fee receivables), 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 105.

¹ Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate (see «Notes on New Standards, Interpretations and Statements 2021» on page 63).

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 84.

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 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».

Receivables from customers and other receivables

HypothekeZentrum 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 HypothekeZentrum 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 HypothekeZentrum Ltd are shown in the balance sheet. Details can be found on pages 106 and 107.

Derivative financial instruments and hedge accounting

Derivative financial instruments

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 Saron¹ 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 139.

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 74).

¹ Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate (see «Notes on New Standards, Interpretations and Statements 2021» on page 63).

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 75 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. 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 80.

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	<p>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 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.</p> <p>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.</p> <p>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.</p>
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

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».

Management fees

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.

HypothekenZentrum Ltd generates revenues from mortgages ceded to institutional investors over a given period.

«Other management fees» include fees for insurance, foundation and pension fund management services. These services are provided on a period basis.

The components of «Management fees» described above are recognised pro rata temporis in the income statement and invoiced periodically (at least quarterly).

Banking income from commissions and trading activities

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.

Services for assets in crypto-currencies

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.

Banking income from interest operations

Revenues and expenses from the interest margin business of the two depository 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.

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.

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. VZ Depository Bank's interest income and expenses form part of the operating business activities and are therefore attributed to banking income and not reported under net finance income.

For detailed information please see page 101.

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.

Deferred income taxes

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.

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 revenues 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 124 to 127.

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 128.

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.

Impact of COVID-19

As in the previous year, the authorities imposed contact restrictions in the first half of 2021 to contain the spread of COVID-19. VZ Group's activities were affected by restrictions regarding on-site consultations. The development of revenues is shown on page 97.

VZ Group assessed the impact of COVID-19 on the expected losses on loans and advances to clients and on financial investments and whether the models used need to be adjusted in this extraordinary situation. An adjustment is not 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 value adjustments are outlined under the heading «Value adjustments» on page 88.

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 3240 in previous years. In 2021, this amount was increased by TCHF 280 to a total of TCHF 3520. 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 109. Changes in the assumptions can lead to the recognition of an impairment loss in the following year.

Other non-current liabilities – purchase obligations for minority interests	With the purchase of 50.1 percent in Lumin Group Ltd, 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 136.
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 102 and 114.
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 115.
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 116.
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 124 to 127.
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 79.
Revenue accruals	The recognition principles and the composition of revenues are described on pages 75 to 77 and on pages 97 to 99 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 Group’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, business and competence 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. 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 Depository 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 Depository 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 68 to 70).

Impact of COVID-19

In order to estimate the expected credit losses as at 31 December 2021, the economic impact of the pandemic 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 2021 and 2022 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 2021.

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. As a result, the risk of default is very low and there have been no defaults to date. For credit losses expected, see page 88. As part of the growth in total assets, mortgage loans were further expanded in 2021 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 88.

Bonds and loans to banks and public-law corporations Loans by VZ Depository Banks to other banks and public-law corporations as well as investments in bonds entail default risks. Although the global economy has recovered, it is not yet possible to assess conclusively how the Corona pandemic will affect the credit-worthiness of banks in the medium term. In particular, the recovery of the global economy was accompanied by a strong rise in inflation in the USA and Europe. Many banks were able to grow in 2021 and benefit from the rising markets. This is especially true for banks active in the trading and commission business. However, problems in building up additional equity, low interest rates and consolidation pressure in many countries continue to weigh on the banking industry. These factors increase the counterparty risk for bonds and loans to banks.

Rating table financial instruments

CHF '000

	State guarantee ¹	AAA	AA	A	BBB	No rating	Total
Cash and cash equivalents							
Sight deposits	1'749'734		11'846	35'922	1'562	22	1'799'086
Short term investments							
Time deposits (over 3 months)	17'993						17'993
Mortgage pre-financing						1'872	1'872
Lombard credits						69'418	69'418
Marketable securities at fair value							
Marketable securities at fair value						114	114
Derivative financial instruments	2'338			8		504	2'850
Due to customers							
						3'119	3'119
Other receivables							
						13'834	13'834
Financial assets							
Time deposits (over 1 year)	312'245				4'558		316'803
Mortgages						2'902'954	2'902'954
Bonds	186'748	69'167	84'135	19'874			359'924
Other financial assets						26'924	26'924
Total as at 31.12.2021	2'269'058	69'167	95'981	55'804	6'120	3'018'761	5'514'891
Total as at 31.12.2020	2'097'533	51'669	74'805	51'673	5'801	2'471'633	4'753'114

¹ 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
Contingencies		1'116		1'116
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	16'469	6'450		22'919
Payment obligation regarding depositor protection measures			14'838	14'838
Total unconditional commitments/ payment obligations	16'469	7'566	14'838	38'873
Additional funding obligation			1'006	1'006
Total as at 31.12.2021	16'469	7'566	15'844	39'879
Total as at 31.12.2020	21'525	5'394	13'490	40'409

Domestic and foreign financial instruments

CHF '000

	Domestic	Foreign countries	Total
Cash and cash equivalents			
Sight deposits	1'744'141	54'945	1'799'086
Short term investments			
Time deposits (over 3 months)	17'993		17'993
Mortgage pre-financing	1'872		1'872
Lombard credits	54'234	15'184	69'418
Marketable securities at fair value			
Marketable securities at fair value	82	32	114
Derivative financial instruments	2'850		2'850
Financial assets			
Time deposits (over 1 year)	312'245	4'558	316'803
Mortgages	2'902'954		2'902'954
Bonds	252'823	107'101	359'924
Other financial assets	26'924		26'924
Total as at 31.12.2021	5'316'118	181'820	5'497'938
Total as at 31.12.2020	4'602'923	128'808	4'731'731

Loans to customers (mortgages and lombard loans)

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Lombard loans		69'418		69'418
Mortgages	2'888'137	14'817	0	2'902'954
Pre-financing	1'872			1'872
Total loans as at 31.12.2021	2'890'009	84'235	0	2'974'244
Total loans as at 31.12.2020	2'358'022	72'641	0	2'430'663

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 88.

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 according to IFRS 9 as at 1.1.2021	IFRS 9 measurement effect in the income statement	Impairment according to IFRS 9 as at 31.12.2021
Assets			
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)
Total	(105)	3	(102)

	Impairment according to IFRS 9 as at 1.1.2020	IFRS 9 measurement effect in the income statement	Impairment according to IFRS 9 as at 31.12.2020
Assets			
Cash and cash equivalents (A)	(8)	0	(8)
Short-term investments (A)	(8)	1	(7)
Trade receivables (V)	(8)	(3)	(11)
Other current assets (V)	(14)	8	(6)
Financial assets (A)	(56)	(17)	(73)
Total	(94)	(11)	(105)

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 Depository 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 296 (2020: +/- TCHF 1280).

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 Depository 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 Depository 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 1.1 years (2020: 1.1 years), and around 6.3 years for bonds (2020: 5.3 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 2021, the bank held loans from central mortgage institutions in the amount of CHF 350.7 million (31.12.2020: CHF 334.0 million) with an average term of 5.3 years (2020: 5.6 years). This type of refinancing was further increased in the 2021 reporting year. 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 139.

The interest risk in the event of a rise in the interest yield curve of 1.5 % (or 150 basis points) impact total equity by minus CHF 20.2 million (2020, with 150 basis points: minus CHF 17.6 million). In the event of a lowering of the interest yield curve of 1.5 % (or minus 150 basis points) the interest risk impact on total equity by plus CHF 4.9 million (2020, with 150 basis points: plus CHF 2.5 million). The interest risk is still on a low level.

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 Depository 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 Depository Banks and hedged by forward foreign exchange contracts so that no currency risks arise.

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

Financial instruments: foreign exchange table

CHF '000

	CHF	EUR	USD	Others	Total
Cash and cash equivalents					
Sight deposits	1'716'239	65'965	4'322	12'560	1'799'086
Short term investments					
Time deposits (over 3 months)	17'993				17'993
Mortgage pre-financing	1'872				1'872
Lombard credits	67'409	2'000	9		69'418
Marketable securities at fair value					
Marketable securities at fair value	82	32			114
Derivative financial instruments	2'850				2'850
Financial assets					
Time deposits (over 1 year)	312'245		4'558		316'803
Mortgages	2'902'954				2'902'954
Bonds	350'197	9'727			359'924
Other financial assets	26'876			48	26'924
Due to banks	(624'480)	(68)	(294)		(624'842)
Due to customers	(3'563'577)	(179'685)	(122'139)	(9'020)	(3'874'421)
Long-term debts					
Medium-term notes	(381)				(381)
Loans from central mortgage institutions	(350'715)				(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)
Long-term leasing liabilities	(42'089)	(5'471)		(790)	(48'350)
Other non-current liabilities ¹				(20'162)	(20'162)
Total as at 31.12.2021	806'475	(107'500)	(113'544)	(17'364)	568'067
Foreign exchange forward contracts		117'148	113'466	3'873	234'487
Total as at 31.12.2021 (hedged)	806'475	9'648	(78)	(13'491)	802'554
Total as at 31.12.2020 (hedged)	615'029	10'063	(413)	126	624'805

¹ Financial instruments included in Other non-current liabilities.

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	
		2021	2020
EUR	+/-25%	+/- 4'762	+/- 2'516
USD	+/-25%	+/- 3	+/- 103
GBP	+/-25%	+/- 661	n/a
Other	+/-25%	+/- 19	+/- 32

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, the VZ Depository Banks 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 112 and 113.

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
Cash and cash equivalents						
Sight deposits	1'799'086					1'799'086
Short term investments						
Time deposits (over 3 months)			17'993			17'993
Mortgage pre-financing		1'872				1'872
Lombard credits		15'286	54'132			69'418
Marketable securities at fair value						
Marketable securities at fair value	114					114
Derivative financial instruments	2'850					2'850
Financial assets						
Time deposits (over 1 year)				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
Due to banks	(98'842)	(526'000)				(624'842)
Due to customers	(3'861'421)	(1'000)	(12'000)			(3'874'421)
Long-term debts						
Medium-term notes			(226)	(155)		(381)
Loans from central mortgage institutions		(6'000)	(6'413)	(138'686)	(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)
Long-term leasing liabilities				(23'530)	(24'820)	(48'350)
Other non-current liabilities				(20'162)		(20'162)
Interest payments		(166)	(1'011)	(3'835)	(1'275)	(6'287)
Total as at 31.12.2021	(2'158'213)	(400'783)	325'073	2'378'311	417'392	561'780

Financial instruments: maturity table (remaining time to maturity) as at 31.12.2020

CHF '000

	Demand	0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total
Cash and cash equivalents						
Sight deposits	1'624'780					1'624'780
Call deposits		4'424				4'424
Time deposits (within 3 months)		1'000				1'000
Short term investments						
Time deposits (over 3 months)		27'323	30'170			57'493
Mortgage pre-financing		977				977
Lombard credits		13'808	44'110			57'918
Marketable securities at fair value						
Marketable securities at fair value	111					111
Derivative financial instruments	12'686					12'686
Financial assets						
Time deposits (over 1 year)				113'485	144'750	258'235
Mortgages		117'527	252'300	1'783'310	218'631	2'371'768
Bonds		11'549	35'748	125'413	153'095	325'805
Other financial assets		2'795		13'739		16'534
Due to banks	(45'697)	(475'000)	(10'000)			(530'697)
Due to customers	(3'235'573)	(36'350)	(18'000)			(3'289'923)
Long-term debts						
Medium-term notes		(200)	(76)	(381)		(657)
Loans from central mortgage institutions			(17'505)	(84'812)	(231'662)	(333'979)
Time deposits more than 1 year from customers				(15'000)		(15'000)
Time deposits more than 1 year from banks				(10'000)		(10'000)
Long-term leasing liabilities				(24'155)	(25'744)	(49'899)
Interest payments		(124)	(1'142)	(4'348)	(1'792)	(7'406)
Total as at 31.12.2020	(1'643'693)	(332'271)	315'605	1'897'251	257'278	494'170

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.

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.

Regulatory and legal risk

Legal and regulatory risk management seeks to minimise the so-called compliance risk, which refers to the legal or regulatory sanctions, financial loss or loss of reputation resulting from failure to comply with the applicable provisions. For VZ Group these particularly include financial market regulations and decrees and self-regulatory provisions in addition to its own code of conduct and provisions.

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

Negative media coverage can damage the VZ Group's reputation. VZ Group minimises reputational risks by means of clear management structures, standardised work processes, detailed client documentation, a code of conduct for all employees 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 resources¹

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 149 to 151. 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

	31.12.2021	31.12.2020
Common equity tier 1 capital (net CET1)	601'312	546'850
Additional tier 1 capital	0	0
Total regulatory capital (net T1)	601'312	546'850
Supplementary capital (T2)	0	0
Total of eligible capital	601'312	546'850

¹ Unaudited information.

Presentation of required capital

CHF '000

	Approach used	Capital adequacy requirements	
		31.12.2021	31.12.2020
Credit risk	Int. standardised approach	125'483	105'361
Non-counterparty-related risk	Int. standardised approach	10'623	10'666
Market risk	De-minimis approach	1'758	1'216
Operational risk	Basis indicator	51'383	45'657
Amounts below the deduction threshold		1'680	1'509
Total of required capital		190'927	164'409

Capital adequacy ratios according to the FINMA Circular 2016/1

	31.12.2021	31.12.2020
Common equity tier 1 capital ratio (CET1) ¹	25.2 %	26.6 %
Tier 1 capital ratio (T1) ²	25.2 %	26.6 %
Total eligible capital ratio (T1 & T2) ³	25.2 %	26.6 %

¹ CET1 capital adequacy target as at 31.12.2021: 7.4 % (31.12.2020: 7.4)

² Tier 1 capital adequacy target as at 31.12.2021: 9.0 % (31.12.2020: 9.0 %)

³ Overall capital adequacy target as at 31.12.2021: 11.2 % (31.12.2020: 11.2 %)

Details can be found on page 149 under «Disclosure obligations under supervisory law»

Information to the leverage ratio

CHF mio.

	31.12.2021	31.12.2020
Ratio of eligible equity and of total exposure		
Tier 1 capital	600	595
Leverage ratio exposure	5'774	4'761
Leverage ratio		
Leverage ratio	10.4 %	12.5 %

Notes on the income statement

Operating revenues

CHF '000

	2021	2020
Consulting fees	27'743	25'012
Management fees		
Management fees on assets under management	255'304	205'305
Fees for the management of securities portfolios	215'395	168'904
Custody fees	10'936	9'443
Fees for the management of residential property mortgages	28'973	26'958
Other management fees	27'318	24'179
Total management fees	282'622	229'484
Banking income from commissions and trading activities		
Income from commission business	24'136	26'213
Commission income	27'318	29'333
Commission expenses	(3'182)	(3'120)
Income from trading activities	22'375	21'261
Other banking income	19	34
Total banking income from commissions and trading activities	46'530	47'508
Banking income from interest operations		
Interest income ^{1,2}	17'587	15'295
Interest expense ³	180	(371)
Total banking income from interest operations	17'767	14'924
Net earned insurance premiums	13'752	11'218
Net impairment (losses)/recoveries on financial assets	3	(11)
Other operating revenues	449	567
Total operating revenues	388'866	328'702

1 Interest income calculated using the effective interest rate method.

2 Interest income from liabilities amounts to TCHF 3461 in 2021 (2020: TCHF 2206).

3 Negative interest paid on balances with the Swiss National Bank SNB, the German Federal Bank and other counterparty banks 2021 TCHF 333 (2020: TCHF 461).

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 75 to 77.

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

	2021	2020
Gross premiums written	15'625	12'790
Reinsurance premiums ceded	(939)	(744)
Net premiums written	14'686	12'046
Net change in unearned premium reserve	(934)	(828)
Net earned insurance premiums	13'752	11'218
Claims incurred incl. claims handling expenses	(7'376)	(5'239)
Reinsurers' share of claims incurred	459	0
Change in actuarial loss reserves	(359)	(360)
Expenses related to insurance contracts	(7'276)	(5'599)
Earnings from insurance contracts	6'476	5'619

Net impairment on financial assets

The calculation of the net impairment on financial assets is described in detail on pages 68 to 70.

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 2021 are shown under «Development of expected credit losses in accordance with IFRS 9» on page 88.

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 2021 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	31.12.2021	31.12.2020
Receivables and contract assets			
Trade receivables	Consulting fees and other operating revenue ¹	2'985	2'234
Accrued income and deferred expenses	Consulting fees and other operating revenue ¹	2'943	2'870
Accrued income and deferred expenses	Management fees	61'510	48'911
Accrued income and deferred expenses	Banking income from commissions and trading activities	98	290
Total		67'536	54'305
Contract liabilities			
Accrued expenses and deferred income	Consulting fees and other operating revenue ¹	0	1
Accrued expenses and deferred income	Management fees	8'398	5'567
Total		8'398	5'568

¹ «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

		31.12.2021	31.12.2020
Full time equivalents		1'142,5	1'035,7
CHF '000			
	Pages	2021	2020
Salaries		119'488 ¹	108'293 ²
Pension costs – defined benefit plan	128–132	7'933	6'622
Pension costs – defined contribution plans		2'150	1'942
Other social security expenses		9'851	8'818
Other personnel expenses		5'360	3'208
Total personnel expenses		144'782	128'883

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

2 Including share-based payments of TCHF 4564 and costs for option plans TCHF 753.

Other operating expenses

CHF '000

	2021	2020
Office space rent and maintenance	5'079	3'559
Marketing expenses	9'541	9'334
General and administrative expenses ¹	34'332	26'207
Total	48'952	39'100

¹ Of which IT expenses 2021 TCHF 18'851 (2020: TCHF 14'803).

Net finance income

CHF '000

	2021	2020
Interest expense to third parties	(477)	(361)
Interest income from third parties	31	118
Income from investments in associates	17	(15)
Capital losses incl. foreign exchange	(73)	(35)
Capital gains incl. foreign exchange	30	11
Other commission expenses	(88)	(96)
Total	(560)	(378)

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 Depository 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 97.

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 (2020: TCHF 36) and the share of capital losses amounts to TCHF 0 (2020: 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

	2021	2020
Current income tax		
Current income tax charge	21'950	18'158
Adjusted for current income tax for previous years ¹	480	672
Deferred income tax		
Deferred income tax (see page 114)	1'320	303
Tax expense reported in the cons. income statement	23'750	19'133

¹ Thereof TCHF 280 (2020: TCHF 700) for uncertainties in connection with taxes for financial years not yet confirmed (see page 80).

CHF '000

	2021	Tax rate	2020	Tax rate
Profit before income taxes	166'954		136'585	
Expected income tax expense	22'715	13.61 %	18'542	13.58 %
Adjusted for current income tax for previous years	480		672	
Non-deductible expenses	197		171	
Effect of higher tax rates in Germany	360		(251)	
Effect of change in applicable tax rates on deferred taxes	(2)		(1)	
Effective income tax expenses	23'750	14.23 %	19'133	14.01 %

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

	2021	2020
Net profit	142'592	117'267
Weighted average number of shares issued	40'000'000	40'000'000
Less weighted average number of treasury shares	621'145	731'532
Weighted average number of outstanding shares (undiluted)	39'378'855	39'268'468
Dilution effect from option programmes	50'069	16'457
Weighted average number of outstanding shares (diluted)	39'428'924	39'284'925
Undiluted earnings per share (CHF)	3.62	2.99
Diluted earnings per share (CHF)	3.62	2.99

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

	31.12.2021	31.12.2020
Time deposits more than 3 months	17'993	57'493
Interim financing for mortgages	1'872	977
Lombard loans	69'418	57'918
Total	89'283	116'388

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
Expected credit loss rates¹		0.05 %	0.10 %	1.00 %	2.50 %	3.50 %
Trade receivables						
as at 31.12.2021	3'119	1'519	1'131	179	100	190
as at 31.12.2020	2'279	1'666	261	141	126	85

¹ The expected credit loss rates were reviewed as at 31 December 2021 and applied unchanged compared to prior year. The expected impairment losses in absolute terms are shown on page 88.

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
Other receivables						
as at 31.12.2021	13'834	13'834	0	0	0	0
as at 31.12.2020	19'104	19'104	0	0	0	0

Accrued income and deferred expenses

CHF '000

	31.12.2021	31.12.2020
Prepaid expenses	1'672	1'350
Consulting fees	2'943	2'870
Management fees	61'510	48'911
Banking income	1'992	2'584
Earnings from insurance contracts	529	0
Other operating revenues	0	242
Total accrued revenues	66'974	54'607
Total	68'646	55'957

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

Other current assets

CHF '000

	31.12.2021	31.12.2020
Rent deposits	589	580
Short term overdrafts due to securities transactions	7'274	5'810
Other positions	1'208	162
Total	9'071	6'552

Financial assets

CHF '000

	31.12.2021	31.12.2020
Loans to employees	525	435
Time deposits more than 1 year	316'803	258'235
Mortgages (also see following overview)	2'902'954	2'371'768
Bonds (for further details, see the section «Risk management»)	359'924	325'805
Other financial assets	26'399	16'099
Total	3'606'605	2'972'342

Most loans to employees have no fixed repayment dates.

Disclosure of the remaining time to maturity/framework agreements¹ of mortgages

CHF '000

	up to 1 year	1 to 3 years	3 to 5 years	over 5 years	Total
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
Total Saron mortgages	300'760	764'364	1'395'687	9'910	2'470'721
Fixed interest rate	52'283	60'500	104'475	214'975	432'233
Total mortgages	353'043	824'864	1'500'162	224'885	2'902'954

31.12.2020

Interest rate based on Libor

3 month Libor	308'517	654'758	961'405	3'612	1'928'292
6 month Libor	6'420	10'254	6'723	206	23'603
Total Libor mortgages	314'937	665'012	968'128	3'818	1'951'895
Fixed interest rate	54'850	91'880	58'330	214'813	419'873
Total mortgages	369'787	756'892	1'026'458	218'631	2'371'768

¹ 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 84 to 93 and on page 146.

Investments in associates

CHF '000

	2021	2020
As at 1 January	441	457
Additions	8	0
Disposals	0	0
Impairment	0	0
Share of profit/(loss)	17	(16)
Dividend payment	(20)	0
Cumulative conversion adjustments	0	0
As at 31 December	446	441

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

On 17 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Gross values at cost										
Balance as at 1 January	125'359	119'612	27'000	26'584	8'625	7'963	4'847	4'321	165'831	158'480
Change in the scope of consolidation	505	0	0	0	94	0	94	0	693	0
Additions	9'115	7'281	4'928	3'288	1'231	1'539	1'760	1'520	17'034	13'628
Disposals/Removals	(4'572)	(1'506)	(1'594)	(2'871)	(238)	(877)	(1'438)	(994)	(7'842)	(6'248)
Cumulative conversion adjustments	(380)	(28)	(11)	(1)	(8)	(0)	(5)	(0)	(404)	(29)
Balance as at 31 December	130'027	125'359	30'323	27'000	9'704	8'625	5'258	4'847	175'312	165'831
Accumulated depreciation and impairment										
Balance as at 1 January	14'300	7'496	10'365	10'643	4'930	4'657	3'011	2'963	32'606	25'759
Change in the scope of consolidation	0	0	0	0	64	0	73	0	137	0
Depreciation	7'650	7'023	3'090	2'593	1'232	1'150	1'263	1'043	13'235	11'809
Impairments	0	0	0	0	0	0	0	0	0	0
Disposals/Removals	0	(226)	(1'594)	(2'871)	(238)	(877)	(1'434)	(994)	(3'266)	(4'968)
Cumulative conversion adjustments	(93)	7	(5)	(0)	(6)	(0)	(4)	(1)	(108)	6
Balance as at 31 December	21'857	14'300	11'856	10'365	5'982	4'930	2'909	3'011	42'604	32'606
Net carrying amount										
As at 1 January	111'059	112'116	16'635	15'941	3'695	3'306	1'836	1'358	133'225	132'721
As at 31 December	108'170	111'059	18'467	16'635	3'722	3'695	2'349	1'836	132'708	133'225

Details regarding the rights of use from leases included in property, plant and equipment are provided on page 120.

Impairment losses incurred on property and equipment:

CHF '000

	2021	2020
Impairment losses incurred	0	0

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

	2021	2020
Buildings excluding land	35 years	35 years
Land	unlimited	unlimited
Interior fittings	5 to 10 years	10 years
Office furniture and others	4 to 5 years	5 years
Equipment and IT fittings	3 to 5 years	3 years

The change in the useful life of property, plant and equipment is due to the acquisition of Lumin Group Ltd and a reassessment of IT systems. 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 ¹		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Gross values at cost										
Balance as at 1 January	0	0	24'420	22'452	2'106	2'806	1'500	0	28'026	25'258
Change in the scope of consolidation	9'547	0	0	0	0	0	6'364	0	15'911	0
Additions	0	0	13'010	10'060	194	200	0	1'500	13'204	11'760
Disposals/Removals	0	0	(2'594)	(8'092)	(72)	(892)	0	0	(2'666)	(8'984)
Cumulative conversion adjustments	(289)	0	0	0	(80)	(8)	(193)	0	(562)	(8)
Balance as at 31 December	9'258	0	34'836	24'420	2'148	2'106	7'671	1'500	53'913	28'026
Accumulated amortisation and impairments										
Balance as at 1 January	0	0	13'109	15'617	1'193	1'601	281	0	14'583	17'218
Amortisation	0	0	5'914	5'584	424	483	768	281	7'106	6'348
Impairments	0	0	0	0	0	0	0	0	0	0
Disposals/Removals	0	0	(2'594)	(8'092)	(72)	(892)	0	0	(2'666)	(8'984)
Cumulative conversion adjustments	0	0	0	0	(60)	1	(7)	0	(67)	1
Balance as at 31 December	0	0	16'429	13'109	1'485	1'193	1'042	281	18'956	14'583
Net carrying amount										
As at 1 January	0	0	11'311	6'835	913	1'205	1'219	0	13'443	8'040
As at 31 December	9'258	0	18'407	11'311	663	913	6'629	1'219	34'957	13'443

1 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 acquisition of Lumin Group Ltd in May 2021. The value of the acquired customer relationships was recognised as Other intangible assets.

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

	2021	2020
Software	3 to 5 years	3 years
Business set-up costs	5 years	5 years

The change in the useful life of intangible assets is due to the reassessment of software. 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 of the UK.

According to this test, the recoverable amount exceeded the carrying amount as at 31 December 2021. 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 2021 financial statements are shown in the following table. The discount rate is directly influenced by the fluctuations in interest rates.

CHF '000

	Carrying amount 31.12.2021	Carrying amount 31.12.2020	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 rate after tax
Goodwill Lumin	9'258	n/a	N	1,24% (n/a)	11,04% (n/a)

Sensitivity

The sensitivity analysis shows how strongly the value of the goodwill position reacts to changes in important assumptions for the calculation of the recoverable amount (increase in the discount rate by 2 percentage points or decrease in the growth rate by 2 percentage points).

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

	31.12.2021	31.12.2020
Trade payables	704	614
Tax payables	8'374	7'664
Derivative financial instruments	6'704	233
Short term leasing liabilities	6'220	6'061
Others	2'881	2'318
Total other current liabilities	24'179	16'276
Due to banks	624'842	530'697
Due to customers	3'874'421	3'289'923
Total	4'524'146	3'837'510

«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 139.

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

Client liabilities are primarily derived from client deposits with VZ Depository banks.

As at 31 December 2021, VZ Group reported CHF 38.3 million (31.12.20: 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
31.12.2021				
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
Total	4'524'146	3'966'967	540'547	16'632
thereof				
Leasing liabilities	6'220	0	1'588	4'632
31.12.2020				
Trade payables	614		614	
Other current liabilities	16'276	233	11'497	4'546
Due to banks	530'697	45'697	475'000	10'000
Due to customers	3'289'923	3'235'573	36'350	18'000
Total	3'837'510	3'281'503	523'461	32'546
thereof				
Leasing liabilities	6'061	0	1'515	4'546

Deferred tax assets and tax liabilities

CHF '000

	As at 1 January	Recognised in income statement	Recognised in comprehensive income	Change in the scope of consolidation	As at 31 December
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
Total deferred income tax assets	23'269	(1'967)	684	97	22'083
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)
Total deferred tax liabilities	(12'756)	647	100	(1'317)	(13'326)
Deferred (tax liabilities)/tax assets net	10'513	(1'320)	784	(1'220)	8'757
Deferred income tax assets 2020					
Deferred pension cost for defined benefit plan (IAS 19)	6'840	598	668	0	8'106
Impairment (losses)/recoveries on financial assets	15	5	0	0	20
Intangible assets	474	(113)	0	0	361
Leasing liabilities	12'813	(579)	11	0	12'245
Tax loss carry-forwards	3'641	(216)	(11)	0	3'414
Total deferred income tax assets	23'783	(305)	668	0	24'146
Deferred tax liabilities 2020					
Property and equipment	(12'314)	686	(10)	0	(11'638)
Provisions	(79)	12	(1)	0	(68)
Derivative financial instruments	(136)	0	(380)	0	(516)
Options incl. social security expenses	(713)	(697)	(1)	0	(1'411)
Total deferred tax liabilities	(13'242)	1	(392)	0	(13'633)
Deferred (tax liabilities)/tax assets net	10'541	(304)	276	0	10'513

CHF '000

	31.12.2021	31.12.2020
Reflected in the balance sheet as follows		
Deferred tax assets	10'073	10'517
Deferred tax liabilities	(1'316)	(4)
Deferred tax assets/(tax liabilities) net	8'757	10'513

The reported tax assets from losses carried forward amount to TCHF 2111 (2020: TCHF 3414). These tax assets are available for offset against future taxable profits.

Provisions

CHF '000

	2021	2020
As at 1 January	9'086	8'036
Additions	1'888	1'050
Used during the year	(9'624)	0
Unused amounts reversed	0	0
Cumulative conversion adjustments	0	0
As at 31 December	1'350	9'086

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 31 December 2020 were due to a ruling by the Swiss Federal Tax Administration (FTA) on an aspect of VAT law that requires interpretation. On the one hand, the FTA ruled in favour of VZ Group on some of the disputed points in 2019, so that part of the provision of TCHF 1440 could be released to profit or loss at that time. On the other hand, the remaining objections to the ruling were taken to court and a decision was reached 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

	31.12.2021	31.12.2020
Personnel expenses	11'521	8'753
Other expenses	3'842	3'589
Expenses of insurance contracts	271	74
Banking expenses ¹	883	880
Total accrued expenses	16'517	13'296
Prepaid revenues	21'878	16'976
Total	38'395	30'272

¹ 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

	31.12.2021	31.12.2020
Medium-term notes	381	657
Loans from central mortgage institutions	350'715	333'979
Time deposits more than 1 year from customers	6'000	15'000
Time deposits more than 1 year from banks	5'000	10'000
Leasing liabilities	48'350	49'899
Total long-term debts (also see following overview)	410'446	409'535
Deferred pension cost	44'937	44'038
Liabilities from insurance contracts		
Outstanding loss reserve	2'214	1'462
Incurred but not reported reserve	1'432	1'755
Liability to acquire minority interests	15'684	0
Others	5'572	1'022
Total other non-current liabilities	69'839	48'277
Total non-current liabilities	480'285	457'812

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 128 to 132.

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
31.12.2021					
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
Total long-term debts	12'639	94'944	78'427	224'436	410'446
31.12.2020					
Medium-term notes	276	361	20		657
Loans from central mortgage institutions	17'505	35'663	49'149	231'662	333'979
Time deposits more than 1 year from customers		15'000			15'000
Time deposits more than 1 year from banks		10'000			10'000
Leasing liabilities		12'108	12'047	25'744	49'899
Total long-term debts	17'781	73'132	61'216	257'406	409'535

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

	31.12.2020	Cash flows	Change in the scope of consolidation	Non-cash changes Changes affecting profit or loss	Other ¹	31.12.2021
Non-current financial liabilities without leasing	359'636	7'963		(5'503)		362'096
Non-current leasing liabilities	49'899	(6'807)	464	230	4'564	48'350
Total long-term financial liabilities	409'535	1'156	464	(5'273)	4'564	410'446

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 2021 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.

Matthias Reinhart directly holds 5.97 % of VZ Holding Ltd's shares. He also owns 100 % of Madarex Ltd, Zug, which in turn holds an additional 55.10 % of VZ Holding Ltd's shares. The members of the Board of Directors hold 1.47 %, while the other members of the Executive Board hold 1.88 % of VZ Holding Ltd's shares. Employees own 3.48 % of the shares registered in the share register.

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 31.12.2021		as at 31.12.2020	
	Number of shares at CHF 0.05 nominal value each	in %	Number of shares at CHF 0.05 nominal value each	in %
Employees and statutory bodies				
Matthias Reinhart (direct and indirect) ¹	24'428'777	61.07	24'417'057	61.04
Members of the Board of Directors ²	587'201	1.47	581'525	1.45
Other members of the Executive Board ²	750'888	1.88	725'896	1.81
Employees ³	1'392'553	3.48	1'431'406	3.58
Other shareholders				
Treasury shares	621'145	1.55	731'532	1.83
Others < 3 %	12'219'436	30.55	12'112'584	30.29
Grand total	40'000'000	100.0	40'000'000	100.0

1 Thereof 7010 shares (0.02 %) are locked-up (31.12.2020: 7035 shares (0.02 %) are locked-up).

2 Without related parties.

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

Treasury shares

	Number	in '000 CHF
As of 1 January 2020	608'145	33'422
Purchases	304'804	21'053
Disposals	(181'417)	(10'217)
As of 31 December 2020	731'532	44'258
As of 1 January 2021	731'532	44'258
Purchases	103'082	8'380
Disposals	(213'469)	(11'166)
As of 31 December 2021	621'145	41'472

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 24.975 million as at 31 December 2021 (2020: CHF 24.909 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.

Translation differences

The foreign currency translation reserves are used to record exchange differences arising from the translation of the financial statements of the german and british companies.

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	
	2021	2020	2021	2020	2021	2020
Capitalised right-of-use assets¹						
As of 1 January	55'529	55'784	15	52	55'544	55'836
Change in the scope of consolidation	505	0	6	0	511	0
Additions	9'114	7'281	390	0	9'504	7'281
Disposals	(4'572)	(1'280)	(3)	0	(4'575)	(1'280)
Depreciation	(6'849)	(6'222)	(42)	(37)	(6'891)	(6'259)
Cumulative conversion adjustments	(287)	(34)	0	0	(287)	(34)
As of 31 December	53'440	55'529	366	15	53'806	55'544

1 Included in the balance sheet item property and equipment.

The following lease expenses were recorded in the income statement:

CHF '000

	2021	2020
Interest on lease liabilities ¹	(301)	(351)
Expenses relating to short-term leases ²	(3'959)	(2'592)
Expenses relating to leases of low-value assets ²	(145)	(114)
Income from sub-leasing right-of-use assets	144	141
Total	(4'261)	(2'916)

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 2021 amount to TCHF 10'905 (2020: TCHF 9126).

Leasing contracts as lessor

VZ Group leases a small part of its office building in Zurich to third parties. The rental income of TCHF 22 (2020: TCHF 46) 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

	31.12.2021	31.12.2020
Up to 1 year	22	20
1 to 5 years	0	0
Total	22	20

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 and VZ BVG Sammelstiftung counts as related parties because the Supervisory Committee consists mainly of representatives 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
Board of Directors and Executive Board				
2021	210	106 ¹	16'060 ²	35'256
2020	232	116 ¹	16'507 ²	30'821
Madarex Ltd, Zug³				
2021	226	2	39	26'888
2020	217	1	33	5'554
Madarex Immobilien Ltd, Zug				
2021	7	2'865 ⁴	0	991
2020	7	1'553 ⁴	0	9
VZ Foundations, Switzerland				
2021	54'032	239	5'474	836'081
2020	44'634	221	5'929	798'907
Associates⁵				
2021	0	397	0	151
2020	0	572	0	254

1 Blum & Grob attorneys at law Ltd – represented by Dr. Albrecht Langhart acting in his capacity as a partner – provided legal services worth TCHF 36 (2020: TCHF 82) 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 2021, Madarex Ltd holds receivables vis-à-vis related parties of VZ Group in the amount of TCHF 49'875 (2020: TCHF 43'826) and no liabilities as at 31 December 2021 (2020: zero). Revenues generated out of these receivables amount for TCHF 477 (2020: TCHF 414) whereas expenses account for TCHF 47 (2020: TCHF 47).

4 Expenses for premises rented by VZ Group.

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

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 2021, VZ Group did not form any provisions for outstanding amounts owed by related parties (2020: zero). This assessment is carried out at the end of each financial year.

Key management compensation

CHF '000

	2021	2020
Share-based payments	345	345
Total compensation to members of the Board of Directors	345	345
Fixed basic salary	3'554	3'242
Variable performance-related compensation	3'188	2'013
<i>thereof cash</i>	<i>683</i>	<i>431</i>
<i>thereof shares</i>	<i>2'049</i>	<i>1'290</i>
<i>thereof expenses related to options</i>	<i>456</i>	<i>292</i>
Other	37	27
Total compensation to members of the Executive Board	6'779	5'282
Total compensation to key management	7'124	5'627

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 by the Swiss Ordinance against Excessive Compensation in Listed Companies (OaEC) 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 defined by the OaEC. The share portfolios of the Board of Directors and the Executive Board are detailed in the «Compensation Report» (page 49).

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.

	2021	2020
Number of shares allocated to management employees	45'422	47'870
End of lock-up period	24.2.2024	24.2.2023
Number of shares allocated to members of the executive board	16'564	18'100
End of lock-up period	11.4.2024	8.4.2023
Price per share transferred	CHF 77.95	CHF 64.25
Total of shares allocated	61'986	65'970

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 ¹
Year of allocation 2022, Bonus year 2021 (indicative)	10.14	–
Year of allocation 2021, Bonus year 2020 (actual)	8.76	11.35

¹ 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 2022 for the 2021 bonus year is CHF 99.80 (year of allocation 2021, bonus year 2020: CHF 85.75).

Option plans

Year of allocation	Valuation date	Remaining maturity	Expiration date	Market value at grant date	Exercise price
2021 ^a	13.4.2021	5.3 years	12.4.2027	CHF 11.35	CHF 85.75
2021 ^b	25.2.2021	5.2 years	24.2.2027	CHF 8.76	CHF 85.75
2020 ^a	9.4.2020	4.3 years	8.4.2026	CHF 9.69	CHF 70.65
2020 ^b	25.2.2020	4.2 years	24.2.2026	CHF 11.63	CHF 70.65
2019 ^a	10.4.2019	3.3 years	9.4.2025	CHF 19.05	CHF 66.90
2019 ^b	25.2.2019	3.2 years	24.2.2025	CHF 20.69	CHF 66.90
2018 ^a	11.4.2018	2.3 years	10.4.2024	CHF 9.01	CHF 82.50
2018 ^b	23.2.2018	2.2 years	22.2.2024	CHF 20.27	CHF 82.50
2017 ^a	7.4.2017	1.3 years	06.4.2023	CHF 16.27	CHF 75.25
2017 ^b	24.2.2017	1.2 years	23.2.2023	CHF 25.70	CHF 75.25
2016 ^a	12.4.2016	0.3 years	11.4.2022	CHF 16.49	CHF 69.05
2016 ^b	25.2.2016	0.2 years	24.2.2022	CHF 23.48	CHF 69.05
2015 ^a	12.4.2015	0.0 years	11.4.2021	CHF 8.50	CHF 40.45
2015 ^b	25.2.2015	0.0 years	24.2.2021	CHF 8.50	CHF 40.45

a Allocation to members of the Executive Board. These options are allocated upon the approval of the shareholders' meeting in April. Therefore, these options expire later than those from the options plans 2021^b, 2020^b, 2019^b, 2018^b, 2017^b, 2016^b and 2015^b. The terms for all seven plans are the same.

b Allocation to management employees. These options expire earlier than those from the options plans 2021^a, 2020^a, 2019^a, 2018^a, 2017^a, 2016^a and 2015^a. The terms for all seven plans are the same.

Outstanding options

Year of allocation	Allocated options	Outstanding as at 31.12.2020	Exercised options	Forfeited options in the reporting period	Outstanding as at 31.12.2021
2021 ^a	33'128	–	–	0	33'128
2021 ^b	90'844	–	–	6'308	84'536
2020 ^a	36'200	36'200	–	0	36'200
2020 ^b	95'740	91'180	–	5'380	85'800
2019 ^a	44'150	44'150	–	0	44'150
2019 ^b	105'960	97'600	–	5'230	92'370
2018 ^a	33'220	31'900	0	0	31'900 ¹
2018 ^b	81'240	74'100	12'500	220	61'380 ¹
2017 ^a	33'650	31'160	16'145	0	15'015 ¹
2017 ^b	77'130	66'950	22'290	600	44'060 ¹
2016 ^a	46'800	34'180	34'180	0	0 ¹
2016 ^b	82'970	62'498	56'118	140	6'240 ¹
2015 ^a	78'650	0	0	0	0 ¹
2015 ^b	126'620	6'045	6'045	0	0 ¹
Total	966'302	575'963	147'278	17'878	534'779

a Allocation to members of the Executive Board. These options are allocated upon the approval of the shareholders' meeting in April. Therefore, these options expire later than those from the options plans 2021^b, 2020^b, 2019^b, 2018^b, 2017^b, 2016^b and 2015^b. The terms of all seven plans are the same.

b Allocation to management employees. These options expire earlier than those from the options plans 2021^a, 2020^a, 2019^a, 2018^a, 2017^a, 2016^a and 2015^a. The terms for all seven plans are the same.

¹ Options exercisable at balance sheet date.

The weighted average of the remaining maturities of outstanding options as at 31.12.2021 was 3.5 years (31.12.2020: 3.4 years). The weighted average exercise price is CHF 75.57 (31.12.2020: CHF 72.09).

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 2021.

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 2021, 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

	2021	2020
Plan assets at fair value	110'758	97'732
Present value of pension obligations	(155'695)	(141'770)
Prepaid/(deferred) pension cost recognised	(44'937)	(44'038)

Component of pension expense

CHF '000

	2021	2020
Current service cost	(7'850)	(6'627)
Net interest (expense)/income	(83)	(73)
Plan amendments	0	78
Pension cost for defined benefit plans recognised in personnel expenses	(7'933)	(6'622)
Actuarial (loss)/gain on obligation	(4'723)	(7'041)
Actuarial (loss)/gain on plan assets	6'090	3'390
Total remeasurement recognised in OCI	1'367	(3'651)
Net cost for VZ Group's defined benefit plans	(6'566)	(10'273)

Changes in the net amount recognised in the balance sheet

CHF '000

	2021	2020
Prepaid/(deferred) pension cost at the beginning of the year	(44'038)	(38'724)
Pension cost for defined benefit plans	(6'566)	(10'273)
Employer contributions	5'667	4'959
Prepaid/(deferred) pension cost	(44'937)	(44'038)

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

CHF '000

	2021	2020
Present value of the obligation as at 1 January	141'770	122'823
Interest cost	279	251
Current service cost	7'850	6'627
Employee's contributions	3'661	3'240
Plan amendments ¹	0	(78)
Benefits paid or deposited ²	(2'588)	1'866
Actuarial (gain)/loss on pension obligation ³	4'723	7'041
Present value of the pension obligation as at 31 December	155'695	141'770

- 1 The plan adjustments in 2020 consist of an increase in savings contributions in the compulsory salary range for all employees and in the non-compulsory salary range for employees aged 35 and over (TCHF -78).
- 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 result.
- 3 The actuarial losses for 2021 are due to experience adjustments resulting from the increase in employees (TCHF 17'388), the increase in the discount rate (TCHF -3553) and the adjustment of demographic assumptions (TCHF -9112). The actuarial losses for 2020 were solely due to the increase in the number of employees (TCHF 7041).

Changes in the fair value of the plan assets

CHF '000

	2021	2020
Fair value of plan assets as at 1 January	97'732	84'099
Expected return on plan assets	196	178
Employer's contributions	5'667	4'959
Employee's contributions	3'661	3'240
Benefits paid or deposited	(2'588)	1'866
Actuarial gain/(loss) on plan assets ¹	6'090	3'390
Fair value of plan assets as at 31 December	110'758	97'732

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

Defined benefit pension plan (actuarial assumptions)

	2021	2020
Discount rate (as at 31.12.)	0.30 %	0.20 %
Future salary increase	2.00 %	2.00 %
Future pension increases	0.00 %	0.00 %
Expected average remaining service years	7.6	8.3
Actuarial principles	BVG 2020	BVG 2015

Interest and current service cost for 2021 were calculated at a discount rate of 0.20 % (2020: 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

	2021	2020
Discount rate (-0.5 %)	12'474	13'093
Discount rate (+0.5 %)	(10'812)	(11'242)
Future salary increase (-0.5 %)	(2'286)	(2'615)
Future salary increase (+0.5 %)	2'443	2'803

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

Allocation of plan assets

	2021		2020	
	in CHF '000	in %	in CHF '000	in %
Cash	1'108	1.0 %	880	0.9 %
Equity	40'427	36.5 %	32'643	33.4 %
Bonds	47'515	42.9 %	44'370	45.4 %
Real Estate	10'411	9.4 %	9'089	9.3 %
Other	11'297	10.2 %	10'750	11.0 %
Total	110'758	100.0 %	97'732	100.0 %

The estimated employer's contribution to be paid for the pension plans in 2022 amounts to CHF 5.8 million (2021: CHF 5.1 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.

Fair value of financial instruments as at 31.12.2021

CHF '000

	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	1'799'086	1'799'086	0
Short term investments	89'283	89'283	0
Marketable securities at fair value			
Marketable securities at fair value	114	114	0
Derivative financial instruments	2'850	2'850	0
Trade receivables	3'119	3'119	0
Other receivables	13'834	13'834	0
Other current assets	9'071	9'071	0
Financial assets			
Mortgage	2'902'954	2'977'607	74'653
Bonds	359'924	361'034	1'110
Time deposits	316'803	320'461	3'658
Other financial assets	26'924	27'414	490
Subtotal	5'523'962	5'603'873	79'911
Liabilities			
Trade payables	704	704	0
Other current liabilities			
Other current liabilities	17'475	17'475	0
Derivative financial instruments	6'704	6'704	0
Due to banks	624'842	624'842	0
Due to customers	3'874'421	3'874'421	0
Long-term debts			
Medium-term notes	381	385	(4)
Loans from central mortgage institutions	350'715	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 ¹	20'162	20'162	0
Subtotal	4'954'754	4'958'729	(3'975)
Total of divergence			75'936

¹ Financial instruments included in Other non-current liabilities.

Fair value of financial instruments as at 31.12.2020

CHF '000

	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	1'630'204	1'630'204	0
Short term investments	116'388	116'388	0
Marketable securities at fair value			
Marketable securities at fair value	111	111	0
Derivative financial instruments	12'686	12'686	0
Trade receivables	2'279	2'279	0
Other receivables	19'104	19'104	0
Other current assets	6'552	6'552	0
Financial assets			
Mortgage	2'371'768	2'454'477	82'709
Bonds	325'805	331'616	5'811
Time deposits	258'235	270'718	12'483
Other financial assets	16'534	16'656	122
Subtotal	4'759'666	4'860'791	101'125
Liabilities			
Trade payables	614	614	0
Other current liabilities			
Other current liabilities	16'043	16'043	0
Derivative financial instruments	233	233	0
Due to banks	530'697	530'697	0
Due to customers	3'289'923	3'289'923	0
Long-term debts			
Medium-term notes	657	667	(10)
Loans from central mortgage institutions	333'979	343'573	(9'594)
Time deposits more than 1 year from customers	15'000	15'186	(186)
Time deposits more than 1 year from banks	10'000	10'137	(137)
Leasing liabilities	49'899	49'899	0
Other non-current liabilities ¹	0	0	0
Subtotal	4'247'045	4'256'972	(9'927)
Total of divergence			91'198

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 Libor resp. Saron¹ 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.

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

Level 3 financial instruments

CHF '000

	31.12.2021
Holdings at the beginning of the year	0
Addition to the scope of consolidation	15'293
Expense recognised in the income statement	121
Income recognised in other comprehensive income	0
Changes recognised in equity	752
Cumulative conversion adjustments	(482)
Total carrying amount at balance sheet date	15'684

¹ Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate (see «Notes on New Standards, Interpretations and Statements 2021» on page 63).

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	870
Expected growth	-1 percentage point	(844)
Discount rate	+1 percentage point	(660)
Discount rate	-1 percentage point	697

Valuation methods for financial instruments at fair value

CHF '000

	Level 1	Level 2	Level 3	Total
as at 31.12.2021				
Assets				
Marketable securities at fair value ¹	85	29	0	114
Derivative financial instruments ¹	0	2'850	0	2'850
Liabilities				
Derivative financial instruments ²	0	6'704	0	6'704
Change in market value of hedged loans from central mortgage institutions ³	0	2'023	0	2'023
Liability to acquire minority interests ⁴			15'684	15'684
as at 31.12.2020				
Assets				
Marketable securities at fair value ¹	81	30	0	111
Derivative financial instruments ¹	0	12'686	0	12'686
Liabilities				
Derivative financial instruments ²	0	233	0	233
Change in market value of hedged loans from central mortgage institutions ³	0	7'527	0	7'527

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 2021 and 2020.

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 institutions¹

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 Saron¹. 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 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 loans¹

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 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 current 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.

¹ Until it was replaced by the Saron in 2021, the Libor was the relevant reference interest rate (see «Notes on New Standards, Interpretations and Statements 2021» on page 63).

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». As in the previous year, no payments were due to the counterparties of the interest rate caps in 2021 because the defined interest rate limit was not breached. The interest income from the designated mortgage portfolio is recognised in the same item of the income statement.

CHF '000

	Hedge Accounting	2021	2020
Fair value hedges			
Foreign currency risks on balance sheet items	no		
Positive replacement values of forward exchange transactions as at 31.12.		8	230
Negative replacement values of forward exchange transactions as at 31.12.		1'283	181
Contract value as of 31.12.		234'488	123'229
Interest rate risks on mortgage bond loans	yes		
Positive replacement values of interest rate swaps as of 31.12.		2'842	7'569
Negative replacement values of interest rate swaps as of 31.12.		700	0
Contract value as of 31.12.		265'400	210'400
Bank income from interest business (income from interest rate swaps)		1'709	1'468
Bank income from commission and trading business (hedging business)		(5'539)	2'110
Bank income from commission and trading (underlying transaction)		5'503	(2'121)
Change in fair value of mortgage bond loan)			
Cash flow hedges			
Interest income on Libor mortgage loans	yes		
Positive replacement values interest rate caps as at 31.12.		0	4'887
Negative replacement values Interest rate caps as at 31.12.		4'722	53
Contract value as of 31.12.		350'000	250'000
Bank income from interest rate business (option premiums interest rate caps)		936	1'090
Change in cash flow hedge reserves in the statement of comprehensive income (hedging business)		(9'556)	3'186

Categories of financial instruments as at 31.12.2021

CHF '000

	Amortised Cost ¹	FVTPL ²	FVOCI ³	Equity ⁴	Not classified as financial instrument	Total
Assets						
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
Total assets	5'520'998	2'964	0	0	246'830	5'770'792
Liabilities						
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
Total liabilities	4'664'943	269'406	4'721	15'684	116'354	5'071'108

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 31.12.2020

CHF '000

	Amortised Cost ¹	FVTPL ²	FVOCI ³	Equity ⁴	Not classified as financial instrument	Total
Assets						
Cash and cash equivalents	1'630'204					1'630'204
Short term investments	116'388					116'388
Marketable securities at fair value		7'910	4'887			12'797
Trade receivables	2'279					2'279
Other receivables	19'104					19'104
Accrued income					55'957	55'957
Other current assets	6'552					6'552
Financial assets	2'972'342					2'972'342
Investments in associates					441	441
Property and equipment					133'225	133'225
Intangible assets					13'443	13'443
Deferred tax assets					10'517	10'517
Total assets	4'746'869	7'910	4'887	0	213'583	4'973'249
Liabilities						
Trade payables	614					614
Other current liabilities	16'043	180	53			16'276
Due to banks	530'697					530'697
Due to customers	3'289'923					3'289'923
Income tax payables					21'908	21'908
Provisions					9'086	9'086
Accrued expenses					30'272	30'272
Long-term debts	191'608	217'927				409'535
Other non-current liabilities					48'277	48'277
Deferred tax liabilities					4	4
Total liabilities	4'028'885	218'107	53	0	109'547	4'356'592

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

Changes to the group structure

On 17 May 2021, VZ Holding AG acquired a 50.1 per cent stake in Lumin Group Limited. Detailed information can be found on pages 144 and 145.

On 1 July 2021, the newly founded VZ Legal and Tax Consulting Ltd started its operations. The company spun off from VZ VermögensZentrum Ltd.

On 29 October 2021, VZ Depository Bank Deutschland Ltd took over VZ VermögensZentrum GmbH by means of a merger and the company name was changed to VZ VermögensZentrum Bank Ltd. Neither the new company nor the merger had any effect on the consolidated financial statements.

The consolidated financial statements include the financial statements of VZ Group and the subsidiaries listed in the table on page 143.

in '000

	Currency	Share capital		Equity
		31.12.21	31.12.20	interest
Subsidiaries (full consolidation)				
Switzerland				
VZ VermögensZentrum Ltd, Zurich	CHF	2'000	2'000	100%
VZ Legal and Tax Consulting Ltd, Zurich ¹	CHF	250		100%
Früh & Partner Vermögensberatung Ltd, Zurich ²	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 Depository Bank 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 Insurance Services Ltd, Zurich	CHF	100	100	100%
VZ Corporate Services Ltd, Zurich	CHF	100	100	100%
Claridenhof Ltd, Zurich	CHF	104	104	100%
Germany				
VZ VermögensZentrum Bank Ltd, Munich ³	EUR	20'000	20'000	100%
VZ VermögensZentrum GmbH, Munich ³	EUR		4'500	
VZ Treuhand GmbH, Munich	EUR	100	100	100%
Great Britain				
Lumin Group Limited, St Albans ⁴	GBP	3		50.1%
Lumin Wealth Limited, St Albans	GBP	6		50.1%
Lumin Wealth Management Limited, St Albans	GBP	0.1		50.1%
Lumin Pensions Services Limited, St Albans	GBP	0.1		50.1%
Chamberlain Stean & West Limited, St Albans	GBP	0.9		50.1%
VZ Investment Research Ltd, London	GBP	100	100	100%

1 VZ Legal and Tax Consulting Ltd was founded on 18 June 2021.

2 VZ Holding Ltd holds 50.66 percent of Früh & Partner Vermögensberatung Ltd's voting rights (31.12.20: 50.66 percent).

3 Merger of VZ VermögensZentrum Bank Ltd (previously VZ Depository Bank Deutschland Ltd) and VZ VermögensZentrum GmbH as of 29 October 2021.

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

Acquisition of Lumin Group Limited

VZ Group acquired an interest in the British consulting firm Lumin Group Limited (Lumin) on 17 May 2021. In the course of this transaction, VZ Holding Ltd acquired 50.1 percent of the voting and capital rights in Lumin Group Limited, based in St Albans, London. Lumin is an Independent Financial Advisor (IFA) offering independent advice on a fee basis. The company was founded in 2010, employs approximately 50 people and operates primarily in the North London area. In turn, Lumin holds 100 percent of the shares in the following subsidiaries:

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

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

CHF '000

Assets

Cash & cash equivalents	9'164
Other assets	467
Current assets	9'631
Other assets	614
Client relationships	6'364
Deferred tax assets	96
Non-current assets	7'074
Total assets	16'705
Current liabilities	1'026
Long-term liabilities	6'867
Deferred tax liabilities	1'317
Non-current liabilities	8'184
Total liabilities	9'210
Fair value of acquired net assets	7'495
Fair value of acquired net assets non-controlling interests (49.9 %)	3'740
Fair value of acquired net assets VZ Group (50.1 %)	3'755
Goodwill from acquisition	9'547
Purchase price paid	13'302
Of which attributable to capital investment	7'636
Acquired cash & cash equivalents	(9'164)
Net outflow of cash & cash equivalents	(4'138)

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

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

As part of the purchase price allocation, the fair value of the customer relationships was determined using the multi-period excess earnings method. These valuations fall into Level 3 of the fair value hierarchy because several non-observable input parameters were used, including the estimated revenues and costs as well as the attrition rate of the acquired customer relationships. The customer relationships are amortised over 10 years. With the exception of goodwill (residual) and customer relationships, all other assets and liabilities fall into the Level 1 or Level 2 measurement of the fair value hierarchy. The definitions for the fair value measurement in Levels 1 to 3 are provided on page 136. The goodwill from this acquisition can be primarily justified by Lumin Group's expected growth potential and VZ Group's entry into the UK market. The impairment test will be based on Lumin's results. The goodwill recognised will not be amortisable for tax purposes.

The minority shares are held by Lumin's management and employees. The holders of these shares have the right to sell them to VZ Group after 5 years. At the same time, VZ Group has the right to purchase these shares after 5 years. For the purchase of the minority shares, VZ Group recognises a liability in the amount of the estimated purchase price against equity. The estimated liability amounts to approximately GBP 12.0 million (CHF 15.3 million) as at the acquisition date. Changes in the liability are recognised in equity. The valuation of the liability is explained in the section Fair Value of Financial Instruments on page 136. The non-controlling interests continue to be allocated their share of profit or loss in the income statement and statement of comprehensive income. The non-controlling interests were recognised in VZ Group's balance sheet at CHF 3.7 million according to their proportion of the fair value of the acquired net assets at the time of acquisition.

Lumin has been included in VZ Group's consolidated financial statements since 17 May 2021. This increases operating revenues by CHF 4.4 million and net profit by CHF 0.7 million in the financial year 2021. If the transaction had taken place on 1 January 2021, operating revenues would have increased by CHF 6.3 million and net profit by CHF 1.1 million for the first half of the year. The transaction costs of around CHF 0.5 million were charged to the income statement.

Pledged assets

CHF '000

	Book value	thereof utilised
31.12.2021		
Cash and cash equivalents	3'780	4'250
Mortgages	425'913	373'140
Bonds	22'337	0
Total	452'030	377'390
31.12.2020		
Cash and cash equivalents	1'420	1'367
Mortgages	410'832	348'840
Bonds	21'942	0
Total	434'194	350'207

Securities financing operations (assets and liabilities)

CHF '000

	31.12.2021	31.12.2020
Carrying amount of obligations from cash deposits in connection with repurchase agreements ¹	306'000	270'000
Carrying amount of own securities transferred under repurchase agreements ²	305'522	265'487
thereof with unrestricted right to resell or pledge	305'522	265'487

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

	31.12.2021	31.12.2020
Assets under management with management mandates	23'173'268	17'937'477
Other assets under management	11'229'547	8'844'140
Total assets under management (incl. double counts)	34'402'815	26'781'617
<i>thereof double counts</i>	<i>4'759'744</i>	<i>3'821'938</i>

Development of the assets under management

CHF '000

	2021	2020
Total assets under management (incl. double counts)		
As of 1 January	26'781'617	23'410'405
Net new money ¹	3'836'754	2'195'386
Performance, interest, dividends and changes in foreign exchange rates ¹	2'028'481	557'597
Other effects ²	1'755'963	618'229
Total assets under management (incl. double counts)		
As of 31 December³	34'402'815	26'781'617

1 Based on values without double counts.

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

On 17 May 2021, VZ Group acquired Lumin Group Ltd. The assets of CHF 818 million managed by Lumin at the time of the acquisition are included in "Other effects".

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 management¹

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

CHF '000

	2021	2020
Total assets under management (incl. double counts)		
As of 31 December	34'402'815	26'781'617
Double counts	(4'759'744)	(3'821'938)
Additional assets (mortgages and other assets)	9'359'263	8'449'639
Assets under management according to the internal approach	39'002'334	31'459'318
Changes to net new money from assets under management	3'836'754	2'195'386
Changes to net new money from additional assets under management (mortgages and other assets)	967'262	1'010'446
Net new money according to the internal approach	4'804'016	3'205'832

¹ Transition to the key figures inside the cover (unaudited figures).

Disclosure obligations under supervisory law¹

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		31.12.2021	31.12.2020
	Eligible capital		
1	Common Equity Tier (CET1)	601'312	546'850
2	Regulatory capital (T1)	601'312	546'850
3	Total eligible capital	601'312	546'850
	Risk-weighted assets (RWA)		
4	RWA	2'386'590	2'055'103
4a	Required capital	190'927	164'408
	Risk-based capital ratios (as percentage of RWA)		
5	CET1-ratio	25.2 %	26.6 %
6	Regulatory capital ratio	25.2 %	26.6 %
7	Eligible capital ratio	25.2 %	26.6 %
	CET1-Conservation buffer requirement (as percentage of RWA)		
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 %	18.6 %
	Capital target ratios according to appendix 8 ERV (as percentage of RWA)		
12a	Capital conservation buffer according to appendix 8 ERV	3.2 %	3.2 %
12b	Countercyclical buffer requirement (Para. 44 and 44a ERV) ²	0.0 %	0.0 %
12c	CET1 target according to appendix 8 ERV + countercyclical buffer (Para. 44 and 44a ERV) ²	7.4 %	7.4 %
12d	T1 capital target + countercyclical buffer (Para 44 and 44a ERV) ²	9.0 %	9.0 %
12e	Total capital target according to appendix 8 ERV + countercyclical buffer (Para. 44 and 44a ERV) ²	11.2 %	11.2 %

¹ Unaudited information.

² As of 31.12.2020 and as of 31.12.2021, the countercyclical buffer was deactivated because of the COVID 19 pandemic.

CHF '000

Row number		31.12.2021	31.12.2020
	Basel III leverage ratio¹		
13	Leverage ratio exposure	5'773'916	4'761'107
14	Basel III leverage ratio (regulatory capital as percentage of leverage ratio exposure)	10.4 %	12.5 %
	Liquidity coverage ratio (LCR)²	–	–
	Net stable funding ratio (NSFR)²	–	–

1 As at 31.12.2020, the requirements of FINMA's supervisory notices on the COVID 19 pandemic were applied.

2 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 ¹	RWA ¹	Required capital
		31.12.2021	31.12.2020	31.12.2021
1	Credit risk	1'568'534	1'317'017	125'483
20	Market risk	21'974	15'197	1'758
24	Operational risk	642'287	570'708	51'383
25	Items not deducted in application of threshold (risk-weighted with 250 %: minimum capital requirements) ²	21'004	18'861	1'680
27	Total (1 + 20 + 24 + 25)	2'253'799	1'921'784	180'304
	Non-counterparty related risks	132'791	133'319	10'623
	Total RWA	2'386'590	2'055'103	190'927

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)		5'236'143	(84)	5'236'059
2	Debt instruments		359'944	(20)	359'924
3	Off-balance sheet items		50'733		50'733
4	Total	0	5'646'820	(103)	5'646'716

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)	2'425'482	2'996'152	174'350
Off-balance sheet items	26'698	24'034	
Total	2'452'181	3'020'186	174'350
Thereof defaulted			

6. Interest rate risks (IRRBB, 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 94).

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
8.4.2020	16.4.2020	8'000'000	0.25	5.10	40'104 ¹
12.4.2021	16.4.2021	40'000'000	0.05	1.23	48'335 ¹

Proposed dividend per ordinary shares for approval at the AGM for the year 2021:

12.4.2022	20.4.2022	40'000'000	0.05	1.57	61'825 ²
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1 No dividend payments on treasury shares.

2 Status of dividend entitled shares as at 31 December 2021. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment date (20 April 2022).

On 21 April 2020, VZ Holding Ltd's registered share was split at a ratio of 1:5. The figures for 2020 have not been adjusted in this table.

On 16 April 2021, the dividend of CHF 1.23 per share for the 2020 financial year was distributed. The total dividend distribution amounted to TCHF 48'335.

Events after the balance sheet date

No events took place between 31 December 2021 and 1 March 2022 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 1 March 2022, the Board of Directors discussed and approved the consolidated financial statements. They will be submitted to the general meeting of shareholders on 12 April 2022 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 2021 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 56 to 152) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and 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 (ISAs) and Swiss Auditing Standards. 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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

Overall Group materiality: CHF 8'340'000



We completed full scope audits at five group companies in Switzerland and reviews as well as specified procedures at six group companies in Switzerland. In Germany, we performed reviews at one group company. The Group companies at which we performed audit and review procedures, accounted for approximately 99% of the Group's profit before tax

As key audit matter the following area of focus has been identified:

Valuation of financial assets (mortgages)



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.

Overall Group materiality	CHF 8'340'000
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	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 judgement, 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
The Group is engaged in traditional mortgage business, as can be seen on pages 106 to 107 and page 58 of the consolidated financial statements.	We tested the adequacy and effectiveness of the following internal controls relating to the valuation of mortgage loans on a sample basis:
The mortgages amount to CHF 2'902'954 thousand as at 31 December 2021, represent 50% of total assets and are thus the largest asset on the balance sheet.	<ul style="list-style-type: none">• We have tested whether overdue interest payments are adequately monitored and reported.• We have tested whether potential value adjustments were appropriately identified as well as mortgages were adequately monitored and supervised.
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.	



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.

Please refer to pages 65 to 71 (Summary of key accounting principles) in the notes to the consolidated financial statements.

- We have tested whether customer complaints were recorded and documented adequately and, where necessary, followed up.

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.

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.

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.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of VZ Holding Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of 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
Audit expert
Auditor in charge



Patrick Wiech
Audit expert

Zurich, 1 March 2022



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27 – 29 AUGUST 2021

FINANCIAL STATEMENTS OF VZ HOLDING LTD

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INCOME STATEMENT

CHF '000

	2021	2020
Revenues		
Management fees	16	10
Dividend income	71'660	29'418
Other financial income	7'415	2'858
Total revenues	79'091	32'286
Expenses		
Premises	10	7
Personnel expenses	837	697
Other operating expenses third parties	919	489
Other operating expenses VZ Group companies	1'065	836
Other financial expenses	97	117
Direct income taxes	698	222
Total expenses	3'626	2'368
Net profit	75'465	29'918

BALANCE SHEET

CHF '000

	31.12.2021	31.12.2020
Assets		
Cash and cash equivalents	2'171	9
Accounts receivable VZ Group companies	28'153	31'974
Other receivables	183	162
Accrued income	1	2
Current assets	30'508	32'147
Loans to third parties	304	302
Loan VZ Group companies	5'000	5'000
Investments in subsidiaries	163'787	149'532
Investments in associates	400	400
Non-current assets	169'491	155'234
Total assets	199'999	187'381
Liabilities and equity		
Trade payables	0	1
Liabilities VZ Group companies	19'266	27'729
Other current liabilities	15	3
Provisions	0	2
Income tax payables	702	163
Accrued expenses	1'047	422
Current liabilities	21'030	28'320
Financial liabilities to VZ companies	0	10'000
Other non-current liabilities	0	8
Non-current liabilities	0	10'008
Total liabilities	21'030	38'328
Share capital	2'000	2'000
Legal reserves	1'000	1'000
Free reserves	80'000	80'000
Retained earnings	137'441	110'311
Treasury shares	(41'472)	(44'258)
Total equity	178'969	149'053
Total liabilities and equity	199'999	187'381

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

	31.12.2021	31.12.2020
Contingency items		
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	12'441	7'776
Subordinate loans		
VZ Holding Ltd has granted to VZ VersicherungsPool Ltd an indefinite subordinate loan	5'000	5'000
Liabilities VZ Group companies		
Financial liability to VZ Depository Bank Ltd, Zug	10'000	20'000

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

	Ownership	Voting interest	Share capital	
			31.12.2021	31.12.2020
Switzerland				
VZ VermögensZentrum Ltd, Zurich	100 %	100 %	2'000	2'000
VZ Legal and Tax Consulting Ltd, Zurich ¹	100 %	100 %	250	0
Früh & Partner Vermögensberatung Ltd, Zurich	40 %	50.7 %	250	250
VZ VersicherungsZentrum Ltd, Zurich	100 %	100 %	100	100
VZ VersicherungsPool Ltd, Zurich	100 %	100 %	17'500	17'500
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 Insurance Services Ltd, Zurich	100 %	100 %	100	100
VZ Corporate Services Ltd, Zurich	100 %	100 %	100	100
Claridenhof Ltd, Zurich	100 %	100 %	104	104
Germany				
VZ VermögensZentrum Bank Ltd, Munich ² Registered capital EUR 20'000'000	100 %	100 %	21'662	21'662
VZ VermögensZentrum GmbH, Munich ²			0	6'822
VZ Treuhand GmbH, Munich Registered capital EUR 100'000	100 %	100 %	108	108
Great Britain				
Lumin Group Limited, St Albans ³ Registered capital GBP 3'670	50.1 %	50.1 %	5	0
VZ Investment Research Ltd, London Registered capital GBP 100'000	100 %	100 %	119	119

1 VZ Legal and Tax Consulting Ltd was founded on 18 June 2021.

2 Merger of VZ VermögensZentrum Bank Ltd (previously VZ Depository Bank Deutschland Ltd) and VZ VermögensZentrum GmbH as of 29 October 2021.

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

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 2021 and 2020 financial years had no significant impact on the valuation of the investment.

Liabilities under occupational benefit schemes

As of 31.12.2021, there were no liabilities under occupational benefit schemes (31.12.2020: 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 2021.

Treasury shares

As part of the management participation plan, VZ Holding Ltd purchased a total of 103'082 treasury shares during the 2021 financial year (2020: 304'804) at an average price of CHF 81.29 (2020: CHF 69.07). During the same period, it sold 213'469 shares (2020: 181'417) at an average price of CHF 85.85 (2020: 68.71) within the framework of the share-based management benefit programme. As at 31 December 2021, VZ Holding Ltd held 621'145 treasury shares at an average price of CHF 66.77 (2020: 731'532 shares at CHF 60.50).

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 2171 (2020: TCHF 0).

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 118.

Compensation of the members of the Board of Directors and the Executive Board

The information required by the articles 663b^{bis} and 663c of the Swiss Code of Obligations are disclosed in the «compensation report» on pages 38 to 51, 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 2021 and 1 March 2022 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 2022:

CHF '000

	31.12.2021	31.12.2020
Balance brought forward	61'976	80'393
Net profit for the year	75'465	29'918
Total retained earnings available	137'441	110'311
Dividend	(61'825) ¹	(48'335)
Balance to be carried forward	75'616	61'976

¹ Status as at 31 December 2021. The dividend payments are based on a dividend of CHF 1.57 per registered share proposed to the shareholders' meeting of 12 April 2022. 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 2022, the dividend of CHF 1.57 per registered share with a nominal value of CHF 0.05 each will be paid out on 20 April 2022 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, which comprise the balance sheet as at 31 December 2021, income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 160 to 165) as at 31 December 2021 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 Auditing Standards. 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 entity 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 3'808'000



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 entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Impairment testing of investments in subsidiaries

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.

Overall materiality	CHF 3'808'000
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	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.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, 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
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.	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.
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.	Where the book value was higher than the available equity, an impairment test based on an analysis of the business plans considering an earnings value method was performed.
If indications of impairment are identified, VZ Holding Ltd tests whether impairment charges are necessary by analysing the available business plans, including an assessment of the current market situation by applying an earnings value method.	The analysis consisted of the following: <ul style="list-style-type: none">• We compared Management's expectations for revenue growth and long-term growth rates with developments in the industry.



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.

Please refer to page 163 (Shareholdings) in the notes to the financial statements.

- 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.
- We examined critically the business plans of those companies still in the start-up phase.
- We performed an assessment of the appropriateness of the discount rate used in the calculation.

The assumptions made were within a reasonable range.

Responsibilities of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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 at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further 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
Audit expert
Auditor in charge



Patrick Wiech
Audit expert

Zurich, 1 March 2022





ADELBODEN

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S^{TE} CROIX-LES RASSES
JURA SUISSE, ALT. 1200 M.
TOUS LES SPORTS

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HZ Credit Support Ltd	Claridenstrasse 25, 8002 Zurich, Phone +41 44 563 63 33
HZ Servicing Ltd	Claridenstrasse 25, 8002 Zurich, Phone +41 44 563 63 33
VZ Insurance Services Ltd	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
VZ VersicherungsZentrum Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 20 20 Av. de la Gare 50, 1003 Lausanne, Phone +41 21 341 30 40
VZ VersicherungsPool Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 58 344 20 00
VZ Vorsorge Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 29 29
VZ Corporate Services Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
VZ Operations Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
Claridenhof Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 27
VZ Treuhand GmbH	Maximiliansplatz 12, 80333 Munich, Phone +49 89 288 117-0
Lumin Group Limited	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
Assets under Management	Detailed information on page 146 of the annual report 2021
Average fixed interest period	Period for which the interest rates of financial assets are fixed
Consolidated result	VZ Group's net profit
Core capital ratio	Common equity tier 1 capital ratio (CET1)
Earnings from insurance contracts	Detailed information on page 98 of the annual report 2021
EBIT margin	Earnings before interest and taxes (EBIT) in relation to operating revenues
Equity	VZ Group's equity, including non-controlling interests
Equity ratio	Equity compared to consolidated balance sheet total
Fixed interest period	Period for which the interest rates of financial assets are fixed without being affected by changes in market interest rates.
Management clients	Clients who use one or more platform services (portfolio management, banking services, mortgages, pension plans or insurances)
Net cash	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
Net new money	Detailed information on page 146 of the annual report 2021
Net profit	VZ Group's net profit, including non-controlling interests
Net profit margin	Net profit in relation to operating revenues
Operating profit (EBITDA)	Operating revenues less operating expenses (see consolidated income statement, page 56 of the annual report 2021)
Payout ratio	Dividend paid compared to net profit
Platform solutions	Management services (asset management, banking services, mortgages, pension plans and insurances)
Tax burden	Current and deferred income taxes
Tax ratio	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: 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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