ANNUAL REPORT 2023
VZ GROUP

KEY FIGURES

Income statement

in CHF '000

	2023	2022[1]	2021[2]	2020[2]	2019[2]
Operating revenues	463'842	403'900	381'590	323'103	297'300
Operating expenses	244'922	227'597	214'076	186'140	172'550
Operating profit (EBIT)	218'920	176'303	167'514	136'963	124'750
Net profit	**187'022**	**151'385**	**143'204**	**117'452**	**102'305**

1 Retrospective restatement due to the implementation of IFRS 17 (details on page 68 of the financial report).
2 For better comparability, revenues and expenses have been adapted to IFRS 17.

Balance sheets

in CHF '000

	31.12.2023	31.12.2022[1]	31.12.2021	31.12.2020	31.12.2019
Total assets	**6'535'708**	**5'945'986**	**5'770'792**	**4'973'249**	**4'056'231**
Equity	926'117	770'963	699'684	616'657	549'774
Net cash	844'035	686'276	588'229	501'576	432'380

1 Retrospective restatement due to the implementation of IFRS 17 (details on page 68 of the financial report).

Assets under Management

in CHF million

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Assets under Management	44'887	39'108	39'002	31'459	27'627

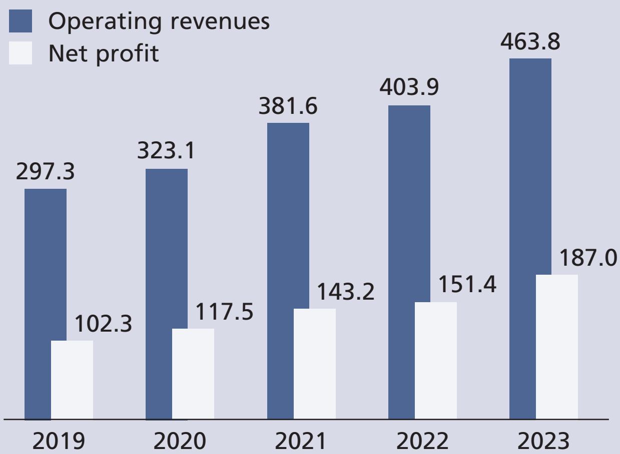
Equity key figures

	31.12.2023	31.12.2022[1]	31.12.2021	31.12.2020	31.12.2019
Equity ratio	14.2 %	13.0 %	12.1 %	12.4 %	13.6 %
Common equity tier 1 capital ratio (CET1)	26.2%	25.2 %	25.2 %	26.6 %	27.7 %
Total eligible capital ratio (T1 & T2)	26.2%	25.2 %	25.2 %	26.6 %	27.7 %

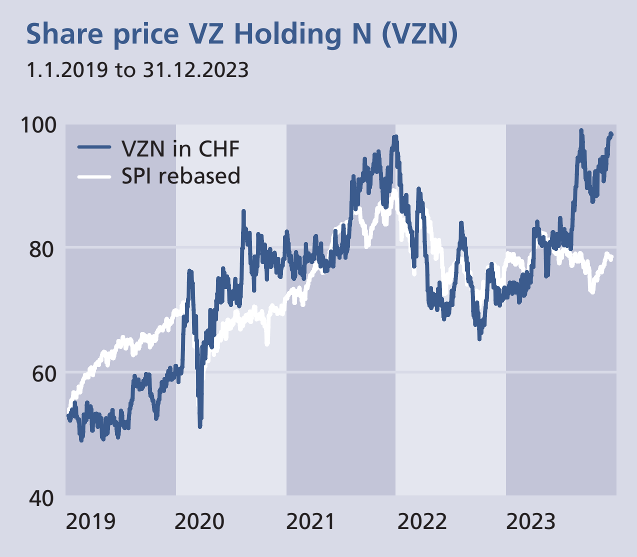
1 Retrospective restatement due to the implementation of IFRS 17 (details on page 68 of the financial report).

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 2024	8 April 2024
Ex-Date	10 April 2024
Record-Date	11 April 2024
Dividend payment	12 April 2024
Publication of the half-year report 2024	16 August 2024
Publication of the annual report 2024	28 February 2025
General meeting 2025	9 April 2025

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Share statistics

	2023	2022
Shares issued	40’000’000	40’000’000
Registered shareholders as at 31.12.	2’409	2’198
Highest price in the year	CHF 98.90	CHF 97.90
Lowest price in the year	CHF 71.20	CHF 65.30
Share price as at 31.12.	CHF 98.20	CHF 71.80
Market capitalisation as at 31.12.	CHF 3’928 mio.	CHF 2’872 mio.
Dividend per share	2.24[1]	1.74
Payout ratio	48 %	46 %
Payment date	12.4.2024	18.4.2023

1 Board of Directors’s proposal to the shareholders’ meeting on 8 April 2024.

Ownership structure

	31.12.2023	31.12.2022
Matthias Reinhart (direct and indirect)	61.14 %	61.10 %
Members of the Board of Directors	0.25 %	1.49 %
Other members of the Executive Board	0.73 %	1.93 %
Employees[1]	4.73 %	3.57 %
The Capital Group Companies (reported on 21.8.2023)	3.02 %	–
Treasury shares	1.57 %	1.89 %

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

Employees

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Full-time equivalents (FTE)	1’390.7	1’247.4	1’142.5	1’035.7	944.8

Rating VZ Depository Bank Ltd

	31.12.2023	31.12.2022
Moody’s rating VZ Depository Bank Ltd (long-term deposit rating)	Aa3	Aa3

Alternative Performance Measures (APM)

To measure our performance, we use alternative performance measures that are not defined under International Financial Reporting Standards (IFRS). Details can be found on page 194.

ANNUAL REPORT 2023
VZ GROUP

Anonym: Oberaargauisch-Emmenthalische Gewerbe- & Industrie-Ausstellung Burgdorf, 1908

The images in this report are taken from «Jour de Fête» (a Holiday), the fourth volume of a book series on Swiss poster art. VZ VermögensZentrum produces these books as an exclusive Christmas gift for its clients.

CONTENT

VZ GROUP: FINANCIAL YEAR 2023

Dear Shareholder

Prospect of a soft landing for the economy

Inflation rates around the world are approaching the target range. While economic growth is slowing, partly due to higher interest rates, the prospect of a soft landing remains intact. The stock market year 2023 was characterised by strong fluctuations in value, but turned out positively overall.

Profit increases by 23.5 percent

Against this backdrop, our business has developed well: Revenues rose from 403.9 million to 463.8 million Swiss francs. This corresponds to an increase of 14.8 percent. Fees from assets under management are our most important revenue component. They rose by 7.4 percent, while banking income increased at an extraordinary rate, mainly thanks to higher interest rates. As expected, growth accentuated in the second half of the year, due to the lower basis for comparison in the previous year.

Demand continues to rise

The rising demand follows a long-term trend based on demographic developments and is reinforced by the ongoing reforms to the Swiss pension system. In 2023, we were able to further expand our consulting capacity and branch office network, resulting in an increased reach in our target segment. This is evident from the strong growth in consulting fees of 19.2 percent. We once again gained a net total of 8000 new clients for our platform services. Due to the challenging market environment, net new money was slightly lower than in the previous year (4.4 billion compared to 4.6 billion francs).

Stable balance sheet and higher dividend

Our balance sheet total rose from 5.9 billion to 6.5 billion francs. This is mainly due to the increase in client deposits. Capitalisation remains well above the industry average. With a core capital ratio (CET1 ratio) of 26,2 percent, we are very solidly capitalised. The Board of Directors is proposing to the Annual General Meeting to raise the dividend from 1.74 to 2.24 francs per share. This will increase the payout ratio from 46 to 48 percent as planned.

Outlook

Over the next few years, we will continue to expand our consulting capacity to match the rising demand. If the financial markets remain stable, revenue and profit growth in the 2024 financial year should be in line with the long-term average. Due to base effects, we expect growth to be stronger in the first half of the year.

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

Zug, 29 February 2024

Matthias Reinhart
Chairman of the Board of Directors

Giulio Vitarelli
Chief Executive Officer

«More and more people are planning their retirement with our help.»

Adriano Pavone, Head of Media Operations, discusses the results and outlook for VZ Group with Giulio Vitarelli, the group's CEO.

Mr Vitarelli, you have taken over the operational management of VZ Group from Matthias Reinhart in 2023. How would you assess the first financial year under your leadership?

Overall, we are satisfied with the result. The markets were challenging, but we are ideally positioned with our business model and are able to pursue our proven strategy. More and more people are planning their retirement with our help, and this target group is growing steadily. We focus on the quality of our consulting, which is why we invest significantly in the further training of our experts. This pays off: Our high Net Promoter Score shows that our clients are exceptionally satisfied. This is the best possible basis for ensuring that a large proportion of them opt for one or more of our platform services after completing a consulting project with us.

«Security has priority for us and our clients. This is why we ensure that our risk ratios remain above average.»

Revenues have increased by 14.8 percent. What lies behind this above-average growth?

Around half of the growth in revenues is due to the rise in interest rates: The interest hike is the reason for the strong growth in the banking business. The other half of the growth is spread evenly across all other business units. I would like to highlight that consulting fees also saw an exceptionally strong increase of almost 20 percent. This is an indicator of how many new clients we are gaining – and thus the basis for our future growth.

Profit has grown even more. Does that mean that the profit margin is widening further?

No. We assume that the profit margin will not improve any further in the future. Our long-term goal is a margin of at least 38 percent. The interest rate development has made 2023 an exceptional year. In future, our costs are likely to grow in line with revenues again.

How many clients use your banking and other services?

In 2023, we added a net total of over 8000 platform clients. Typically, consulting clients start with one of our five platforms and opt for additional services over time. Today, we support over 73'000 platform clients. A good 25 percent of these private households and companies use three or more platforms.

Net new money is slightly lower than in 2022. What is the reason for this?

The end of negative interest rates has taken pressure off clients to immediately invest funds that become available. And the uncertain environment is reinforcing hesitant investment behaviour: We know from experience that our clients are more reluctant to invest during difficult market phases. In addition, homeowners amortised their mortgages more quickly than usual last year because interest rates have risen noticeably. All three factors slowed the growth of net new money.

The banking business contributes significantly to profit growth. Is that a trend?

This was a one-off event that will not be repeated. The first interest rate cuts are foreseeable in the current year already. With this interest rate outlook, a significant increase is unlikely, even if the balance sheet continues to grow. The banking result includes three components: net income from interest business, trading activities and commissions. As expected, net interest income grew disproportionately thanks to the sharp rise in interest rates. The result from trading and security commission business, on the other hand, is transaction-driven. Last year, these two components continued to decline because more and more clients are using all-in-fee models. Fee-based consulting and portfolio management will continue to be the two main drivers of our development.

Your balance sheet and risk ratios are very sound. Will it stay that way?

The balance sheet is growing in line with the number of clients who entrust their savings to our bank. We invest their money in very secure assets: in deposits with the Swiss National Bank, in our clients' prime Swiss residential mortgages and in bonds with the highest credit ratings. Security has priority for us and our clients. This is why we ensure that our risk ratios remain above average.

«Fee-based consulting and portfolio management will continue to be the main drivers of our development.»

Coming back to the front business: How important is the corporate client segment?

It is an important pillar of our Swiss business. Many decision-makers first come to us as private clients and then mandate us to optimise the pension schemes for their SMEs as well. When companies opt to join our collective foundations, we establish contact with the beneficiaries – and this in turn acts as an accelerator for our private client business.

What role do digitalisation and artificial intelligence play for VZ?

We continue to invest significantly in VZ Finanzportal, our digital client interface, for example in our trading platform or in self-onboarding. In the medium term, we also want to offer all our services digitally and move up from third to first place among the most digitalised financial service providers in Switzerland. For the time being, we are primarily using AI in the areas of data processing and settlement.

How do you assess the situation in Germany and the UK?

In both markets, business is growing at a similar pace to Switzerland. Marketing, training and the acquisition of small independent financial advisors are our focus in the UK. At the same time, we are optimising the platforms used to manage the assets under management. In Germany, we record considerably more initial consultations, which brings us more clients.

Why do you want the dividend to increase at a higher rate than the profit?

We intend to increase the payout ratio to 50 percent by 2025. With the step from 46 to 48 percent, we are getting closer to this goal. In subsequent years, we want the dividend to grow in line with profits again. As before, we will use the retained earnings to strengthen our equity so that we can continue to finance our growth from our own resources in the future.

And finally: What is your outlook?

We assume that the demand for consulting will continue to increase due to demographics and the challenges in the pension system. Therefore, we plan to continue to increase our consulting capacity on an ongoing basis. If the financial markets remain stable, revenue and profit growth should return to the long-term average in the 2024 financial year. Due to base effects, growth will be stronger in the first half of the year than in the second.

VZ PRESENTS ITSELF

The first choice for wealth-related issues

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

Independence and expertise

Independence

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

Detailed action plan

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

All financial services from a single source

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

Portfolio management

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

Banking services VZ Depository Bank offers all banking services from a single source. It does not issue financial products and does not sell third-party financial products. VZ Depository Bank's costs and fees are significantly lower than the usual market prices.

Mortgages In Switzerland, most mortgage lenders are capital lenders, risk bearers and administrators at the same time. However, HypothekenZentrum is a lender that brings mortgage borrowers together with institutional investors who wish to invest in prime mortgages. This eliminates any conflicts of interest, for example in respect of maturities. As HypothekenZentrum operates very cost-effectively, clients also benefit from low interest rates.

Occupational benefits Our foundations enable companies to insure their employees inexpensively, to manage their occupational benefit plans effectively and to invest assets profitably. Many of our clients pay up to 30 percent less for equivalent or better benefits. VZ Foundations cover the entire second and third pillars of occupational benefits (Swiss Occupational Pensions Act «BVG», executive pension plans, vested pension benefits and 3a retirement savings).

Insurance VZ Group's insurance pool offers property and liability insurance for private individuals. The benefits are typically identical to those of the best providers, but significantly cheaper. This is possible because the pool works very efficiently, and sales costs and commissions are practically eliminated. VZ BVG Rück insures death and disability risks and places the majority of these risks on the reinsurance market. It passes on a large part of the margin from primary insurance to its corporate and pension fund clients.

Financial portal VZ Finanzportal is a cockpit from which our clients manage their financial transactions conveniently online. They have their credit balances, mortgages, insurance policies and taxes under control, know the value of their total assets and have an overview of all payment flows.

Prime service online and offline

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

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

Fulvelle: Festa Federale di Musica Lugano, 1903

Jules Courvoisier: Exposition d'affiches, 1913

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Matthias Reinhart
Chairman,
Member Compensation Committee

Roland Iff
Vice-Chairman, Head Risk, Sustainability & Audit Committee, Member Compensation Committee

Dr. Albrecht Langhart
Member Risk, Sustainability & Audit Committee

Roland Ledergerber
Head Compensation Committee

Olivier de Perregaux
Member Risk, Sustainability & Audit Committee

EXECUTIVE BOARD

Giulio Vitarelli
Chairman of the
Executive Board

Philipp Heer
Managing Director
VZ VermögensZentrum
(Switzerland)

Thomas Schönbucher
Deputy CEO of
VZ VermögensZentrum
(Switzerland)

Marc Weber
Managing Director
VZ Depository Bank

Manuel Rütsche
Head Asset Management
VZ Depository Bank

Simon Tellenbach
Director for Corporate Clients

Rafael Pfaffen
Chief Financial Officer

CORPORATE GOVERNANCE

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

Best Practice

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

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

Revised company law

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

The Board of Directors has revised VZ Holding Ltd's articles of association with regard to the revision of the company law, and the Annual General Meeting approved the revised articles on 12 April 2023. All relevant changes in this context are documented in this report.

All information in this report relates to 31 December 2023 or the 2023 financial year.

Regulations

VZ Group is a financial services group and is subject to consolidated supervision by the Swiss Financial Market Supervisory Authority (FINMA). VZ Depository Bank Ltd, which is authorised as a bank, the non-life insurer VZ InsurancePool Ltd and the group life insurer VZ BVG Rück Ltd are supervised by FINMA. VZ VermögensZentrum Bank Ltd, Munich, is subject to the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank. Lumin Group Ltd, St Albans, in which VZ Holding Ltd has held a stake since 2021, is subject to supervision by the UK Financial Conduct Authority (FCA).

Group structure and shareholders

Group structure

VZ Group encompasses the following legally-independent companies:

VZ Holding Ltd, Zug		
VZ Vermögens-Zentrum Ltd, Zurich	VZ Vermögens-Zentrum Bank Ltd, Munich	VZ Legal and Tax Consulting Ltd, Zurich
VZ Depository Bank Ltd, Zug	VZ Operations Ltd, Zurich	Hypotheken-Zentrum Ltd, Zurich[1]
VZ Vorsorge Ltd, Zurich	VZ Versicherungs-Zentrum Ltd, Zurich	VZ Corporate Services Ltd, Zurich
VZ Investment Research Ltd, London	VZ BVG Rück Ltd, Zurich	VZ Versicherungs-Pool Ltd, Zurich
Lumin Group Ltd, St. Albans[2]	Claridenhof Ltd, Zurich	Früh & Partner Vermögensberatung Ltd, Zurich[3]

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

Listed company

VZ Holding Ltd (Zug) is the only listed company within the scope of consolidation. Its entire share capital is listed on SIX Swiss Exchange's International Reporting Standard (securities number 52'875'158, ISIN CH0528751586). The market capitalisation as at 31 December 2023 amounted to CHF 3928 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.
Share capital: EUR 20'000'000

VZ Legal and Tax Consulting Ltd

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

VZ Depository Bank Ltd, Zug

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

VZ Operations Ltd, Zurich

Services in connection with banking, financial consulting, financial services and securities trading, especially for VZ Group companies. The company may also provide these services to third parties.
Share capital: CHF 100’000

HypothekenZentrum Ltd, Zurich

Management of mortgages and transfer of mortgages to institutional investors.
Share capital: CHF 250’000
In order to optimise its business activities, HypothekenZentrum Ltd has established two subsidiaries; HZ Credit Support Ltd, Zurich, and HZ Servicing Ltd, Zurich.

VZ VersicherungsZentrum Ltd, Zurich

Risk management consulting and management of insurance portfolios for private clients.
Share capital: CHF 100’000

VZ InsurancePool Ltd, Zurich

Property and casualty insurances for individuals in Switzerland.
Share capital: CHF 17’500’000

VZ Vorsorge Ltd, Zurich

Consulting and management services for as well as management of investment foundations, pension funds and other institutions providing occupational benefit schemes.
Share capital: CHF 100’000

VZ BVG Rück Ltd, Zurich

Operation of a group life insurance as part of occupational benefit schemes.
Share capital: CHF 35’000’000

VZ Corporate Services Ltd, Zurich

IT, marketing, HR, accounting and controlling services for VZ Group companies.
Share capital: CHF 100’000

VZ Investment Research Ltd, London (United Kingdom)

Analysis of the UK market for financial consulting and portfolio management.
Registered capital: GBP 100’000

Claridenhof Ltd, Zurich

The company's purpose is the acquisition, holding and sale of real estate. It is not operative and holds properties, which are used predominantly by VZ Group.
Share capital: CHF 104'000

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

Lumin Group Ltd, St Albans (United Kingdom)

Lumin is an Independent Financial Advisor (IFA) and offers independent advice on a fee basis. VZ Holding Ltd holds 50.1 percent of Lumin Group's voting and capital rights. Lumin in turn holds nine subsidiaries and one minority interest (see page 165, section «Scope of consolidation» and page 120, section «Investments in associates»).
Share capital: GBP 5323

Früh & Partner Vermögensberatung Ltd, Zurich

Financial consulting for enterpreneurs in Switzerland. VZ Holding Ltd holds 40 percent of Früh & Partner Vermögensberatung Ltd's share capital and 51 percent of the voting rights.
Share capital: CHF 250'000

Minority holdings

VZ Holding Ltd holds 33 percent of Dufour Capital Ltd, Zurich, and takes a seat on Dufour's Board of Directors. Dufour is an asset manager specialising in the development of rule-based investment solutions. It holds a licence from FINMA and is supervised by the supervisory organisation for financial service providers OSFIN. Dufour Capital Ltd works with VZ Group.
Share capital: CHF 150'000

As per 31 December 2023 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 Chairman of VZ Group's Board of Directors, holds a majority of 61.14 percent of all shares (last disclosure report from 2012: 60.87 percent), both directly and indirectly via Madarex Ltd, which he controls. In addition to Matthias Reinhart, one institutional investor held at least 3 percent of the voting rights as at 31 December 2023: The Capital Group Companies, Inc. (USA) reported on 24 August 2023 holding 3.02 percent of the voting rights. No further notifications of shareholdings were received in the reporting year.

Shareholders on 31.12.2023

Matthias Reinhart (directly and indirectly)	61,14%
Members of the Board of Directors[1]	0,25%
Other members of the Executive Board[1]	0,73%
VZ employees[2]	4,73%
The Capital Group Companies, Inc. (reported on 24.8.2023)	3,02%
Treasury shares	1,57%
Free float/remainder	28,56%

1 Without related parties.
2 Shares held by VZ employees that are registered in the share register are shown.

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

There are no shareholder pooling agreements.

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Ordinary share capital

VZ Holding Ltd's nominal share capital amounts to CHF 2 million, divided into 40 million fully paid-up registered shares with a nominal value of CHF 0.05 each. Each registred share entitles its holder to one voting right. VZ Holding Ltd 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 2023, 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». 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.

VZ Holding Ltd has not provided for a capital band in its articles of association. A capital band specifies the limits within which the Board of Directors may increase or reduce the share capital.

Changes in capital

VZ Holding Ltd buys treasury shares for share-based payments. In 2023, 94’867 registered shares were purchased (2022: 231’935). 221’561 registered shares were allocated to or sold to employees as part of the management benefit plan (2022: 96’508). 5097 registered shares were allocated to members of the Board of Directors (2022: 3594). Treasury shares are recognised in the balance sheet at a value of TCHF 47’643 (2022: TCHF 53’629). Details can be found in the notes to the consolidated financial statements in the section “Share capital and reserves” (pages 131 and 132). For 2021, please refer to page 18 of the 2021 Annual Report (www.vzch.com/annualreport2021).

Dividend payments

	2023	2022	2021
Dividends in % (annual profit VZ Group)	48 %	46%	44%
Dividends in TCHF	88’189[1]	68’396	61’884
Payment date	12.4.2024	18.4.2023	18.4.2022

1 The dividend payments are based on a dividend of CHF 2.24 per registered share proposed to the shareholders’ meeting of 8 April 2024. No dividend will be paid on treasury shares. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment.

Restrictions on transferability and nominee registration in the share register

Transfer restrictions

Registered shares of VZ Holding Ltd are transferable without restriction and each share entitles the holder to one vote.

Vesting periods apply to shares allocated to executives, members of the Executive Board or the Board of Directors as part of their remuneration. Further information on the management benefit plan can be found in the notes to the consolidated financial statements (page 90, section “Share-based payment”).

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. Those acquiring VZ shares can be registered as shareholders with voting rights if they expressly declare that they have acquired these shares in their own name and for their own account, that there is no agreement to redeem or return the shares and that they bear the risks associated with owning shares.

Nominee

The Board of Directors may register persons who hold shares on behalf of third parties ("nominees") as shareholders with voting rights in the share register. A nominee's voting rights are limited to 3 percent of the share capital listed in the Commercial Register. The Board of Directors may approve the entry of voting rights exceeding this threshold 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, VZ Holding Ltd 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.

VZ Holding Ltd's articles of association do not provide for any statutory privileges.

Exceptions

Apart from the provisions on nominee entries, no exceptions are provided for.

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 2023, VZ Holding Ltd held 629'878 treasury shares (31.12.2022: 756'572) to service share allocations and option exercises by employees. No shares were issued from the conditional capital by the end of 2023. In the reporting year, 158'248 options were allocated (2022: 139'228), of which 153'230 were still outstanding on 31 December 2023. If these outstanding options are exercised, this will result in 153'230 registered shares. In the reporting year, 147'185 options were exercised (2022: 22'635). Of all current option plans, 598'703 options were still outstanding as at 31 December 2023 (31.12.2022: 639'804). If all options are exercised, this will result in 598'703 registered shares. Detailed information on the benefit programme including the exercise prices per option plan is disclosed in the notes to the consolidated financial statements (page 90, section «Share-based payments» and pages 148 to 150, section «Share-based management benefit programme»).

No convertible bonds were outstanding during the year under report.

Board of Directors

Authorities

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

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

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

Changes in 2023

Matthias Reinhart stepped down as Chief Executive Officer as of 31 December 2022 and handed the operational management of VZ Group over to Giulio Vitarelli. On 12 April 2023, the Annual General Meeting elected Matthias Reinhart as Chairman of the Board of Directors. Fred Kindle did not stand for re-election and stepped down from the Board of Directors on 12 April 2023. His professional background is listed on page 23 of the 2022 Annual Report (www.vzch.com/annualreport2022).

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
Matthias Reinhart, born 1960, CH	Chairman	2023 to 2024	Matthias Reinhart was CEO of the VZ Group until the end of 2022. On 12 April 2023, he was elected Chairman of the Board of Directors of VZ Group by the Annual General Meeting. Before founding VZ in 1993, he worked for five years as an Associate and Engagement Manager at McKinsey & Co. in Zurich and Chicago. He completed his studies in business administration at the University of St. Gallen in 1986 (lic. oec. HSG). Matthias Reinhart is a member of the Board of Directors of Aktiengesellschaft für die Neue Zürcher Zeitung, Zurich, OM Pharma Ltd, Meyrin, Optimus Holding Ltd, Meyrin, Madarex Ltd, Zug, Familie Ernst Basler Ltd, Zollikon and Reinhart Holding Ltd, Winterthur. Matthias Reinhart is a non-executive member of the Board of Directors. As Madarex, which is wholly owned by Matthias Reinhart, holds 55.1% of the shares in VZ Holding Ltd, it is considered a related party. Information on this can be found in the notes to the consolidated financial statements (page 146, section "Related party disclosures").
Roland Iff, born 1961, CH	Vice-Chairman, Head of Risk, Sustainability & Audit Committee	2006 to 2024	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. Roland iff is member of the Board of Directors of Bauwerk Group Ltd, St. Margrethen. 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.
Dr. Albrecht Langhart, born 1961, CH	Member of the Risk, Sustainability & Audit Committee	2000 to 2024	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.

(continuation)

Name, Year of birth, Nationality	Function	Elected (for the first time/until)	Professional background, other activities, vested interests and education
			Albrecht Langhart is a member of the Board of Directors of AGCO Finance Ltd, euro delkredere Swiss Ltd, Medina Holding Ltd, GUpro Ltd, Gurtner Baumaschninen Ltd, CGBM Holding Ltd, Megado Holding Ltd and Multi-Manager Investments Ltd. These mandates are all related to his work as a partner at Blum & Grob Rechtsanwälte Ltd, where he is also a member of the Board of Directors. 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.
Roland Ledergerber, born 1961, CH	Head of the Compensation Committee	2014 to 2024	Roland Ledergerber has been Chairman of the Board of Directors of St. Galler Kantonalbank (SGKB) since May 2022. 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 Ltd in the areas of Corporate Development, Corporate and Institutional Banking Europe and Corporate Banking Switzerland in Switzerland and abroad. Roland Ledergerber graduated in business administration at the University of St. Gallen (lic. oec. HSG). Roland Ledergerber is Chairman of the Board of the St. Gallen Appenzell Chamber of Industry and Commerce and Chairman of the Board of Directors of Switzerland Innovation Park Ost Ltd. As a non-executive and independent member of the Board of 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.
Olivier de Perregaux, born 1965, CH	Member of the Risk, Sustainability & Audit Committee	2014 to 2024	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). 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.

Other activities and vested interests

The activities and vested interests can be found in the section "Members of the Board of Directors" on pages 22 and 23. No member of the Board of Directors holds an official function or political office or performs a permanent management or advisory function for important Swiss or foreign interest groups.

Restriction of additional activities

Members of the Board of Directors may fulfil functions in management or administrative bodies of other legal entities as long as these commitments are compatible with their mandate with VZ Group. Mandates in comparable functions at other companies with a commercial purpose must be authorised by the Board of Directors.

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. This restriction does not apply to mandates held by members of the Board of Directors at the request of VZ Group. Mandates from companies that are part of the same group count as one mandate.

Compensation, shareholdings and loans

For additional information please refer to the «Compensation Report» on page 40 to 53.

Election and term of office

Election

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

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

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

Internal organisation

Tasks

The Board of Directors consists of at least five members, the majority of whom must be independent. Decisions are made by the full Board of Directors by a majority of the votes of the members present. In the event of a tie, the Chairman has the casting vote. In routine matters and in urgent cases, the Board of Directors can also accept or reject proposals in writing (circular resolution) if no member requests an oral consultation. Circular resolutions require a majority of the votes cast.

For its support and discharge, the Board of Directors has formed two permanent committees: The Risk, Sustainability & Audit Committee and the Remuneration Committee prepare decisions on their subject areas and submit proposals to the full Board of Directors. As most business is discussed and decided by the full Board of Directors, no further committees are required. Members of the Board of Directors abstain from voting on matters that affect their own interests or the interests of individuals or legal entities that are closely related to them.

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:

- ultimate management of VZ Group and the issue of the necessary directives
- establishment of the organisation
- structuring of the accounting system, financial controls and financial planning
- appointment and dismissal of the persons entrusted with the management and representation of the company and regulation of signatory powers
- supervision of the persons entrusted with the management, in particular with regard to compliance with the law, articles of association, regulations and directives
- drawing up of the company's annual report, the remuneration report and the report on non-financial matters
- preparation of the Annual General Meeting, in particular setting the agenda, and implementation of resolutions
- submission of an application for a debt-restructuring moratorium and notification of the court in the event of insolvency
- resolution on the subsequent payment of contributions on shares that have not been fully paid up and the associated amendment to the articles of association
- 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
- formation of committees for the preparation and implementation of its resolutions or the monitoring of transactions, provided that the Board of Directors consists of at least five members
- appointing the regulatory audit firm and assessing its reports
- appointing and monitoring the internal audit, appointing and dismissing the head of the internal audit
- deciding on the establishment, liquidation or acquisition of subsidiaries, branches and operating facilities in new country markets, participation in third-party companies, entering into joint ventures, establishing pension funds
- deciding on the purchase and sale of real estate
- issuing and amending the organisational regulations
- appointing and dismissing the Chief Executive Officer (CEO), his deputy and the other members of the Executive Board, the Chief Risk Officer (CRO) and the Head of Legal & Compliance
- appointing and dismissing persons entrusted with representing VZ Holding Ltd in subsidiaries or participations.
- passing resolutions on proposals from the committees of the Board of Director

- approving the Executive Board’s framework for Group-wide risk management, which defines the risk policy, risk tolerance and the risk limits based on these in all key risk categories and sets out the responsibility for regulating, establishing and monitoring effective risk management and managing overall risks.
- annual self-assessment of its own performance: The Board of Directors discusses its working methods once a year, usually at one of its meetings. In particular, it assesses the achievement of objectives, the composition in terms of expertise and personnel, as well as efficiency and effectiveness. External experts are not consulted for this assessment.
- the definition and the approval of the job profiles for the members of the Board of Directors including their periodic assessment.
- the definition, approval and periodic assessment of the job profiles for the members of the Executive Board, the CRO and the head of the internal audit.
- the responsibility for an effective internal control system consisting of at least two bodies (profit-oriented business units and supervisory bodies that are independent from them) including the supervision of the control system.

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

Chairman

The Chairman of the Board of Directors has the following duties:
- chairmanship of the Board as a whole
- preparation of the agenda for the meetings of the Board of Directors
- convening of the meetings of the Board of Directors
- chairing of the shareholders’ meetings and the meetings of the Board of Directors
- monitoring of the implementation of the decisions taken by the Board of Directors
- keeping of the share register, whereas the administration of the register may be delegated to a suitable service provider
- keeping of the company’s records, documents and minutes
- 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. If both are unable to attend, the Board of Directors appoints one of its members to take over these tasks and duties.

Risk, Sustainability & Audit Committee

The Risk, Sustainability & Audit Committee comprises at least two independent, qualified members of the Board of Directors. If more than two members are appointed, the majority must be independent, i.e. not operationally active for VZ Group. The Chairman of the Board of Directors is not eligible for this committee. The Risk, Sustainability & Audit Committee supports the Board of Directors in monitoring the risk management, the accounting and the financial reporting as well as compliance with legal and compliance with legal and regulatory requirements. 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, Sustainability & Audit Committee presents the Board of Directors with its recommendations. The Risk, Sustainability & 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. In addition, the committee defines the criteria for the selection of candidates for the Board of Directors and prepares the selection according to these criteria. It is also responsible for the selection and assessment of candidates for VZ Group's Executive Board and for the succession planning of this body. The Compensation Committee reports to the Board of Directors twice per annum within the context of board meetings.

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, Sustainability & 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, Sustainability & Audit Committee
The head of the Risk, Sustainability & Audit Committee proposes members of the Executive Board, other internal specialists or representatives of the internal or external auditors who, upon invitation, attend the meeting of the Committee and report from their area of responsibility. Usually, the CEO and CFO participate in these committee meetings. In the year under report, the CEO and CFO took part in all meetings held by the Risk, Sustainability & 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 2023
Board of Directors: four ordinary meetings (as in 2022) plus a strategy workshop with the members of the Executive Board
Risk, Sustainability & Audit Committee: four meetings (as in 2022)
Compensation Committee: two meetings (as in 2022)
Neither the Board of Directors as a whole nor the two committees have invited any external consultants in the year under report.

Attendance of the Board of Directors

BoD meeting	28.2.23	12.4.23	14.8.23	24.11.23	strategy workshop
Fred Kindle[1]	×	n.a.	n.a.	n.a.	n.a.
Matthias Reinhart[1]	n.a.	×	×	×	×
Roland Iff	×	×	×	×	×
Albrecht Langhart	×	×	×	×	×
Roland Ledergerber	×	×	×	×	×
Olivier de Perregaux		×	×	×	×

1 Matthias Reinhart was elected to the Board of Directors on 12 April 2023, Fred Kindle stepped down from the Board of Directors on this date.

Risk, Sustainability & Audit Committee	28.2.23	18.4.23	14.8.23	22.11.23
Roland Iff	×	×	×	×
Albrecht Langhart	×	×	×	×
Olivier de Perregaux		×	×	

Compensation Committee	25.2.22	24.11.22
Fred Kindle[1]	×	n.a.
Roland Ledergerber	×	×
Matthias Reinhart[1]	n.a.	×
Roland Iff[1]	n.a.	×

1 Matthias Reinhart was elected to the Board of Directors on 12 April 2023, Fred Kindle stepped down from the Board of Directors on this date.

Supervision of the Executive Board

As a rule, the CEO of VZ Group reports periodically and without being asked to do so to the Board of Directors on the course of business of the Group companies and the fulfilment of the tasks of the Executive Board. He may inform all of the members of the board in writing or orally on the occasion of a board meeting. The Executive Board also provides the members of the Board of Directors with quarterly documentation on the financial situation of VZ Holding Ltd and draws attention to unforeseen financial liabilities without being asked to do so.

Irrespective of the regular reporting, the Executive Board 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.

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.

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

The overall responsibility including overall management, supervision and control of risk management lies with VZ Holding Ltd's Board of Directors. The Board of Directors sets the general guidelines for the entire group, approves the conceptual framework for group-wide risk management incl. risk policy, risk tolerances and limits, and issues the organisational and business 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, Sustainability & Audit Committee.

Additional information is set out in the notes to the consolidated accounts (pages 95 to 110, 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, Sustainability & Audit Committee. They carry out all tasks assigned by Risk, Sustainability & 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, Sustainability & Audit Committee shall approve the annual audit plan. The internal audit shall inform the Risk, Sustainability & 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

To the extent necessary for the fulfilment of their duties, each member of the Board of Directors may inspect the books and files of the Chief Executive Officer and, with the permission of the Chairman of the Board of Directors, request information on individual transactions. If the Chairman and/or the Chief Executive Officer refuse a request for information, consultation or inspection, the Board of Directors shall decide.

Executive Board

Authorities

VZ Group's Executive Board of is responsible for the operational management of the entire company. The Executive Board has the necessary management competence, expertise and experience in the banking and financial sector to fulfil the requirements for the authorisation of operational business activities.

Apart from tasks that are reserved for other bodies by law, the articles of association or regulations, management is delegated to the Executive Board. Within the applicable framework, it is responsible for implementing the strategy of VZ Group and VZ Holding Ltd. In particular, it has the following tasks:
- organising, managing and monitoring the business activities of VZ Holding Ltd and the VZ Group at the operational level
- deciding on the establishment or liquidation of branches and permanent establishments in existing country markets
- submitting proposals to the Board of Directors for the appointment of directors, authorised signatories and submitting proposals to the Chairman of the Board of Directors for the appointment of authorised representatives to represent VZ Holding Ltd
- organising, managing and monitoring the activities of the directors, authorised signatories and authorised representatives, including regulating their reporting at the operational level
- organisation, management and monitoring of accounting, financial control and financial planning as well as management of the balance sheet structure and liquidity
- preparation of the resolutions of the Board of Directors
- regular reporting to VZ Holding Ltd's the Board of Directors
- submitting proposals to the Board of Directors for the appointment and dismissal of the CEO, his deputy and the other members of the Executive Board, the CRO and the Head of Legal & Compliance
- designing and maintaining appropriate internal processes, an appropriate management information system, an internal control system and a suitable IT infrastructure
- developing a framework concept for group-wide risk management for approval by the Board of Directors

The budgets, business, medium-term, capital and liquidity planning must be approved by the Board of Directors.

Chief Executive Officer

Within the framework of the law, the articles of association and the organisational regulations, the Chief Executive Officer heads the Executive Board of the VZ Group and is responsible for the management of the company. His duties include in particular:
- Ensuring the uniform management and development of VZ Group and VZ Holding Ltd in accordance with the defined business policy and strategies
- Monitoring the proper performance of management duties

- Defining the organisation of the Executive Board
- Informing the Executive Board about the meetings and resolutions of the Board of Directors and implementing them
- Ensuring that the Executive Board fulfils its duty to inform the Board of Directors
- Submitting proposals to the Board of Directors for the appointment and dismissal of members of the Executive Board
- Submitting proposals to the Remuneration Committee to determine the remuneration of the members of the Executive Board in accordance with the articles of association and statutory provisions.

Changes in 2023

Matthias Reinhart stepped down as Chief Executive Officer on 31 December 2022 and has handed over the operational management of VZ Group to Giulio Vitarelli.

Members of the Executive Board

Name, Year of birth, Nationality	**Function**	**Professional background**	**Member of the Executive Board since**
Giulio Vitarelli, born 1971, Swiss	CEO VZ Group	Master of law (lic. iur.) From 1998: VZ Group 1998–2012: Various positions as financial consultant, team leader, branch office and business manager at VermögensZentrum From 2012: CEO VZ VermögensZentrum From 2023: CEO VZ Group	2002
Marc Weber, born 1976, Swiss	CEO VZ Depository Bank	MAS in Bank Management 1992-1999: Education and various functions at Vaudoise Insurance From 1999: VZ Group 1999–2009: Head of Portfolio Management VZ Depository Bank From 2009: CEO VZ Depository Bank	2008
Philipp Heer, born 1984, Swiss	CEO VZ VermögensZentrum (Switzerland)	BSc specialising in Finance & Banking From 2003: VZ Group 2003-2015: Various positions as financial consultant, team leader, branch office manager at VZ VermögensZentrum From 2023: CEO VZ VermögensZentrum	2021
Thomas Schönbucher, born 1973, Swiss	Deputy CEO VZ VermögensZentrum (Switzerland)	Master of business administration (lic. oec. HSG) From 2000: VZ Group 2000–2012: Various positions as financial consultant, team leader, branch office manager and managing director at VZ VermögensZentrum From 2012: Deputy CEO VZ VermögensZentrum	2012

(Continuation)

Name, Year of birth, Nationality	Function	Professional background	Member of the Executive Board sincet
Simon Tellenbach, born 1983, Swiss	Managing Director Corporate Clients & Insurance Brokerage	Business Economist, Certified Swiss Pension Fund Manager 1999–2005: Education and various functions at Allianz Suisse From 2005: VZ Group 2005–2009: Various positions within the VZ corporate client business From 2010: Managing Director VZ Foundations From 2013: Managing Director VZ Vorsorge Ltd From 2019: Managing Director VZ VersicherungsZentrum Ltd	2019
Manuel Rütsche, born 1984, Swiss	CEO Asset Management	MSc in Finance, London Business School 2002–2004: Investment and credit advisor at Raiffeisen From 2004: VZ Group 2004–2012: Various positions as portfolio, project and business development manager 2012–2014: Head Business Development 2015–2018: CEO VZ Quant Portfolio Services From 2019: Head VZ Asset Management	2018
Rafael Pfaffen, born 1977, Swiss	Chief Financial Officer VZ Group	MAS in Bank Management 1999–2006: Various positions at SwissRe From 2007: VZ Group From 2007: CFO VZ Depository Bank From 2017: CFO VZ Group	2017

Other activities and vested interests

Giulio Vitarelli is a member of the Board of Directors of Arconit Ltd and Chairman of the Board of Directors of Fervit Ltd and RSGV Holding Ltd. Thomas Schönbucher is a member of the Advisory Board of Destillerie Brunner GmbH.

No member of the Executive Board holds an official function or political office or performs a permanent management or advisory function for important Swiss or foreign interest groups.

Restriction of additional activities

Members of the Executive Board may perform comparable functions at other companies with a commercial purpose as long as these activities are compatible with their duties for VZ Group in terms of time and content. Such mandates must be authorised by the Board of Directors.

A maximum of 6 remunerated mandates (including one from a public company) plus 6 unremunerated mandates are permitted. This restriction does not apply to mandates held by members of the Executive Board at the request of VZ Group. Mandates from companies that are part of the same group count as one mandate.

Changes during the reporting period

Tom Friess and Lorenz Heim stepped down from the Executive Board at their own request on 30 September 2023. Both continue to work for VZ Group in new roles.

Management contracts

VZ Holding Ltd has not concluded any management contracts.

Compensation, shareholdings and loans

Details of the compensation, shareholdings and loans of the Executive Board can be found in the Remuneration report on pages 40 to 53.

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 VZ Holding Ltd, 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, VZ Holding Ltd 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 majority of the represented nominal share values at the shareholders' meeting. Shareholders may only exercise their voting rights if they are recorded as shareholders with voting rights in the share register of VZ Holding Ltd. The treasury shares of VZ Holding Ltd does not confer voting rights. No exemptions to these provisions were granted during the year under report.

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

Quorums pursuant to the articles of association

The conversion of registered shares into bearer shares is only possible with the consent of the shareholders' meeting. The minimum quorum required is two thirds of the represented voting rights and the 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

Annual general meeting

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 0.5 percent of the total share capital may have additional items included in 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.

Instructions issued to the independent proxy

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

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.

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 para 3 and 4 (opting-out) and Article 135 para 1 (opting-up) of the Financial Market Infrastructure Act.

Changes of control

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

Transparency on non-financial matters

Report on non-financial matters

The report provides an account of environmental matters (in particular CO2 targets), social matters, employee matters, respect of human rights and combating of corruption, in accordance with Art. 964b of the Swiss Code of Obligations. This report is available at www.vzch.com/investor-relations under Corporate Governance, Remuneration Report and Sustainability Report.

Auditors

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

The sharholders' meeting held on 8 April 2023 elected PricewaterhouseCoopers Ltd (PwC) as external auditor of VZ Holding and VZ Group for the financial year 2023. PwC has held this mandate since 2012, and Beat Rütsche has been the head auditor since 2019. He assumed the mandate in 2019 and may exercise it for another two years before the legally required rotation is due.

Auditing fee

PwC charged revision fees of TCHF 806 (2022: TCHF 661) for the financial and regulatory review in the financial year 2023.

Additional fees

PwC has not charged any additional fees in 2023 (2022: TCHF 20).

Information instruments exercised by external auditors

The Risk, Sustainability & Audit Committee oversees the external auditing. It defines 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, Sustainability & Audit Committee holds meetings with the CEO, the CFO and the responsible head auditor. Evaluation criteria include qualifications, expertise and independence of the audit teams as well as of the head auditor. The Risk, Sustainability & 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, Sustainability & 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, Sustainability & 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. The organ of publication is the Swiss Official Gazette of Commerce. VZ Holding sends notices and invitations to the Annual General Meeting by post or electronically to shareholders who are entered in the share register. VZ Group also regularly participates in conferences for financial analysts and investors.

Important dates (Annual General Meeting, publication of annual and half-year reports, etc.) can be found on the inside cover of this report and on the company website: www.vzch.com/investor-relations

Permanent source of information

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

Contact addresses

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

Trading suspension periods («blackout periods»)

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

General blackout periods

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

- **Annual accounts and annual report**
  Category 1: 15 December
  Category 2: 1 month before publication

- **Half-yearly financial statements and half-year report**
  Category 1: 15 June
  Category 2: 1 month prior to publication

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

Additional blackout periods

If necessary, VZ Group's CEO can set additional trading blackout periods at any time. In his absence, the CFO assumes this task together with the Chairman of the Board of Directors.

Exceptions

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

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

Significant changes since the balance sheet date

There were no material changes between 31 December 2023 and 27 February 2024 that would need to be disclosed.

COMPENSATION REPORT

COMPENSATION REPORT

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

Legal standards and best practice

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

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

Equal pay

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

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

In 2021, 2022 and 2023, the Executive Board had the VZ Group's salaries analysed again using the same methodoly and the same tool. These analyses also showed no significant, inexplicable wage differences between women and men. These additional analyses were not reviewed by PwC because an external review is only required once.

Changes during the year under report

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

Compensation principles

Compensation policy and goals

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

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

Objective and fair

Objectivity is the basis of a fair remuneration system and ensures that nobody is discriminated against. For this reason, objective criteria are applied when setting compensation.

Performance-based

At VZ, compensation reflects first and foremost the performance and the function of a person (skills and responsibility). In addition to the individual performance, the work within a team and across departments is also encouraged and recognised. In certain functions, experience or specific know-how are also important components. In addition to the fixed remuneration, compensation may also contain variable components – above all where the individual performance is measurable and contributes directly towards the success of the business.

Competitive

VZ Group needs a competitive compensation system to recruit and retain a sufficient number of employees. For this reason, it is orientated towards the compensation models of companies that compete with VZ for talent.

Long-term

Corporate culture at VZ Group is based on long-term success. This is demonstrated by the services, processes and structures, as well as by the development of the employees in particular. Also the compensation system is designed to support VZ Group's long-term and sustainable development. For this reason, the variable components in particular are structured in such a way that no conflicts with the interests of the company arise. For example, the compensation must not create incentives to take disproportionate risks. Executives draw a part of their variable compensation in the form of locked-up shares. This brings their interests into line with those of VZ and supports their long-term commitment.

Responsibility for compensation

	CEO	CC[1]	BoD	SM
Principles		P	A	
Compensation report		P	A	

Compensation BoD and EB	CEO	CC[1]	BoD	SM
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 supports the Board of Directors in the development and monitoring of VZ Group's compensation system. It reviews the principles of compensation, submits them to the full Board of Directors for approval and monitors their implementation. It regularly reviews the compensation structure and the shareholding programme and proposes adjustments to the Board of Directors.

The committee supports the Board of Directors in determining the compensation of VZ Group's Board of Directors and Executive Board and prepares the compensation report. Finally, it regularly reviews whether the statutory provisions and the requirements of the Annual General Meeting regarding compensations have been met.

The Compensation Committee has the following tasks in connection with the compensation of the Board of Directors and the Executive Board:

- 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 individual 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 individual compensation of the members of the Executive Board, which is proposed by the CEO, and submits this to the Board of Directors for approval.

In addition, the committee defines the criteria for the selection of candidates for the Board of Directors and prepares the selection according to these criteria. It is also responsible for the selection and assessment of candidates for VZ Group's Executive Board and for the succession planning of this body.
The Compensation Committee consists of at least two members of the Board of Directors who are not operationally active for VZ Group and are elected individually by the Annual General Meeting for a term of one year. Fred Kindle and Roland Ledergerber were members of the Compensation Committee until the Annual General Meeting on 12 April 2023. The Annual General Meeting re-elected Roland Ledergerber and elected Matthias Reinhart and Roland Iff as additional members.

The Committee meets as often as business requires, but at least twice a year. As in the previous year, two meetings were held in 2023, which were attended by all elected members. Details on the attendance of the members of the Board of Directors can be found in the «Corporate Governance» section on page 28. If the business at hand requires it, the Chairman of the Committee may invite other persons to attend the meeting in a consulting capacity, but who do not have voting rights.

The Annual General Meeting on 12 April 2023 increased the number of members from two to three. Since then, the committee has been quorate if two members are present. Resolutions are passed by a majority of votes; in the event of a tie, the Chairman of the Committee casts the deciding vote. As in the previous year, no external consultants were called in to set compensations in the reporting period.

Board of Directors

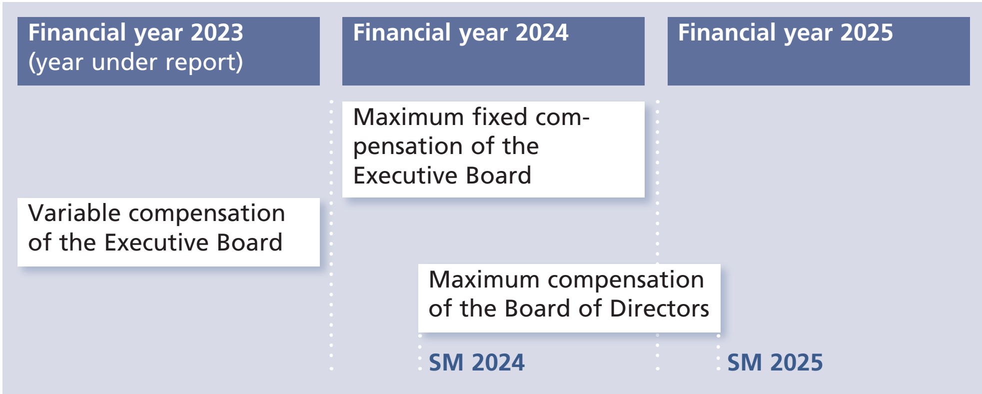
The Board of Directors has the overall responsibility for the duties and powers that it assigns to the Compensation Committee. It approves the compensation principles and the compensation report, checks the compensation of the Board of Directors and Executive Board, and submits the maximum compensation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

Shareholders' meeting

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

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

The shareholders' meeting scheduled for 8 April 2024 will address the following three motions:



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

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 «Management benefit programme)» on page 91 and in the notes to the consolidated financial statements in the section «Share-based management benefit programme» on pages 148 to 150.

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

Loans and credits

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

Pension benefits

VZ Group uses two collective foundations for the occupational benefits of the members of the Executive Board and the Board of Directors. The mandatory and extra-mandatory benefits are defined in the pension plans and regulations of the basic and supplementary pension plans. If the members of the Board of Directors carry out their activities in a secondary capacity, they may take out voluntary insurance. In such a case, VZ Group pays the regulatory contributions. If a member of the Executive Board or the Board of Directors is not insured through VZ Group's pension plan, the reimbursement of contributions may not exceed 40 percent of the annual remuneration of the person concerned.

Compensation of the Board of Directors

Determination method

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

Compensation components

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

Fixed compensation

100 percent of the fixed compensation is paid in VZ shares, which are locked for three years. The allocation price corresponds to the volume-weighted average price of VZ shares traded in calendar weeks 2, 3 and 4 of the year in which the compensation is paid out. The allocation price of the compensation for the 2023/24 term of office is CHF 97.35.

Function	Compensation per period[1]	Form
Chair of the Board of Directors[2]	CHF 180’000	locked-up shares
Member of the Board of Directors	CHF 60’000	locked-up shares
Head of the Risk, Sustainability and Audit Committee	additional CHF 20’000	locked-up shares
Member of the Risk, Sustainability and Audit Committee	additional CHF 10’000	locked-up shares
Head of the Compensation Committee	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 The Chairman of the Board of Directors receives no additional remuneration as Chair or member of a committee.

Information on the functions of all members of the Board of Directors can be found in the Corporate Governance section on pages 22 and 23.

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».

Social insurance contributions

The reported employer contributions to social insurance schemes encompass expenditure on occupational pensions, OASI, DI, ILI, FCO (incl. administrative costs).

Loans and credits

As at 31 December 2023, no loans to current members of the Board of Directors were outstanding (31.12.2022: CHF 18.5 million, attributable to a lombard loan to Fred Kindle).

Additional fees and compensation

In 2023 VZ Group paid Blum & Grob Attorneys at Law Ltd legal fees totalling TCHF 14 (2022: TCHF 9). 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 146 and 147, 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 2023

The reported compensation of the Board of Directors during the year under report consists of the deferred share of the compensation of the 2023/24 period of office, i.e. from 13 April 2023 to the end of 2023, as well as the already paid-out share of the 2022/23 period of office (1 January to 12 April 2023).

Last name[1]	First name	Fixed compensation[2]		Variable compensation		Other compensation		Employer social insurance contributions		Total	
CHF '000		2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Reinhart	Matthias	128	–	–	–	19	–	10	–	157	–
Kindle	Fred	32	106	–	–	–	–	2	7	34	113
Iff	Roland	84	76	–	–	–	–	11	10	95	86
Langhart	Albrecht, Dr.	70	66	–	–	–	–	5	5	75	71
Ledergerber	Roland	68	61	–	–	–	–	4	4	72	65
de Perregaux	Olivier	70	66	–	–	–	–	5	5	75	71
Total Board of Directors		**452**	**375**	**–**	**–**	**19**	**–**	**37**	**31**	**508**	**406**

1 Functions for the 2023/2024 term of office: Matthias Reinhart: Chairman, member of the Compensation Committee, Roland Iff: Vice Chairman, Head of the Risk, Sustainability & Audit Committee, member of the Compensation Committee, Dr Albrecht Langhart: member of the Risk, Sustainability & Audit Committee, Roland Ledergerber: Head of the Compensation Committee, Olivier de Perregaux: member of the Risk, Sustainability & Audit Committee.
Functions for the 2022/2023 term of office: Fred Kindle: Chairman, Head of the Compensation Committee, Roland Iff: Vice Chairman, Head of the Risk, Sustainability & Audit Committee, Dr Albrecht Langhart: Member of the Risk, Sustainability & Audit Committee, Roland Ledergerber: Member of the Compensation Committee, Olivier de Perregaux: Member of the Risk, Sustainability & Audit Committee
2 Compensation paid in shares

Compensation of the Board of Directors: Proposal to the 2024 shareholders' meeting

For the 2023/24 term of office (13 April 2023 to 8 April 2024), the shareholders' meeting approved the maximum remuneration of TCHF 570 (incl. employer contributions to social insurance agencies).

CHF '000

	2023/2024 period of office: Approved at the 2023 shareholders' meeting	Compensation April 2024[1]	Difference	2024/2025 period of office: Proposal to the 2024 shareholders' meeting
Fixed compensation	525	494	31	675
Employer social insurance contribution	45	41	4	55
Total	**570**	**535**	**35**	**730**

1 On 27 February 2024 the Board of Directors has approved of the compensations for the 2023/2024 period of office. It will be paid out after the shareholders' meeting held in April 2024.

For the term of office 2024/25, the Board of Directors proposes to the shareholders' meeting on 12 April 2024 to increase the maximum remuneration of the Board of Directors to TCHF 730 (including employer's social security contributions).

The Board of Directors proposes that Nadia Tarolli Schmidt and Henriette Wendt be elected to the Board of Directors on 8 April 2024. The election of these additional members has been taken into account in the proposal to the Annual General Meeting, which is why the total compensation is higher than in the previous year.

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. 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.
VZ can only be compared with other financial service providers to a limited extent. For this reason, no benchmarks or comparisons with competitors are used.

Variable components

The bonus of the CEO and the other members of the Executive Board consists of two components, which reflect VZ Group's consolidated result on the one hand and individual target achievement on the other. The first component depends on the growth in operating revenue and profit, with both targets being equally weighted. The Board of Directors defines these targets annually in advance. They are based on medium-term planning. The individual component depends on the targets for each member's management area, which are set by the CEO each year.

The so-called target bonus is achieved when both the financial targets and the individual targets have been met. Depending on the management level of the Executive Board member, the target bonus amounts to 25 to 43 percent of the fixed base salary. In relation to the total compensation, the target bonus therefore corresponds to a minimum of 20 and a maximum of 30 percent. If both the financial targets and the individual targets are exceeded, the bonus increases proportionally, but is capped. The maximum bonus is 63, 80 or 100 percent of the fixed base salary, depending on the Executive Board level.

Overview of the variable compensation

Consolidated result VZ Group Target bonus: 12 to 20 percent of base salary Minimum / maximum: 0 percent / 47 percent of base salary	Growth in operating revenue (weighted at 50 percent) Growth in profit (weighted at 50 percent)
Individual target achievement Target bonus: 13 to 23 percent of the base salary Minimum / maximum: 0 percent / 53 percent of base salary	Targets for the Executive Board member's management area

If the financial or individual targets have not been met, the Board of Directors may reduce or suspend the corresponding bonus component at its own discretion. The Board of Directors monitors compliance with this regulation and can decide on exceptions if it deems them appropriate.

The Board of Directors proposes variable compensation of TCHF 3317 to the General Meeting (2022: TCHF 2798). The variable compensation of the individual members of the Executive Board ranges from 42 to 85 percent of the fixed salary component, regardless of their rank, depending on the achievement of individual targets.

The variable compensation for the year under report will be paid out once this has been approved by the shareholders' meeting in April 2024. 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 allocation price corresponds to the volume-weighted average price of VZ shares traded in calendar weeks 2, 3 and 4 of the year in which the bonus is paid out. The allocation price of the variable compensation for 2023 is CHF 97.35.

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 148 to 150 in the management benefit plan section.

Other components

Other salary components contain public transport season tickets and private shares of company vehicles.

Social insurance and pension benefits

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 2023, there was a credit line for members of the Executive Board of CHF 1.8 million (31.12.2022: CHF 4.8 million). CHF 1.2 million of this amount was outstanding, of which CHF 0.4 was attributable to a Lombard loan to Rafael Pfaffen (31.12.2022: CHF 2.6 million outstanding, of which CHF 2.0 million was attributable to a Lombard loan to Lorenz Heim). As in the previous year, no loans or credits were outstanding to persons related to members of the Executive Board.

Former members

No compensation was paid to members of the Executive Board who left the company in 2022 or 2023.

Compensation of the Executive Board in the financial year 2023

The compensation of the Executive Board during the year under report consists of all salary components that belong to this period. The shareholders' meeting approves the variable compensation (cf. motions submitted to the shareholders' meeting 2023 on page 51).

CHF '000	Fixed compensation		Variable compensation		Other compensation		Employer social insurance contribution		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Total Executive Board	**3'432**	**3'637**	**3'136**	**2'647**	**19**	**38**	**817**	**859**	**7'404**	**7'181**
thereof cash	*3'432*	*3'637*	*630*	*537*	*19*	*38*	*817*	*859*	*4'898*	*5'071*
thereof shares	–	–	*1'889*	*1'608*	–	–	–	–	*1'889*	*1'608*
thereof options	–	–	*617*	*502*	–	–	–	–	*617*	*502*
thereof Giulio Vitarelli[1]	**700**	–	**685**	–	**0**	–	**134**	–	**1'519**	–
thereof cash	*700*	–	*138*	–	*0*	–	*134*	–	*972*	–
thereof shares	–	–	*412*	–	–	–	–	–	*412*	–
thereof options	–	–	*135*	–	–	–	–	–	*135*	–

1 Highest compensation within the Executive Board as CEO of VZ Group (2022: Matthias Reinhart as CEO of the VZ Group Total TCHF 1'010).

Executive Board compensation: Motions submitted to the 2024 shareholders' meeting

In respect of the financial year 2023, the shareholders' meeting approved the maximum fixed compensation of the Executive Board amounting to TCHF 4730 (incl. employer social insurance contributions). In addition, in respect of the financial year 2022, it approved the variable compensation amounting to TCHF 2798. These amounts include the employer's social security contributions.

Fixed compensation

CHF '000

	Financial year 2023: Approved at the 2023 shareholders' meeting	Compen-sation 2023	Difference	Financial year 2024: Proposal to the 2024 shareholders' meeting
Fixed compensation[1]	4'000	3'451	549	3'400
Employer social insurance contribution	730	637	93	660
Total	**4'730**	**4'088**	**642**	**4'060**

1 Including other salary components.

For the financial year 2024, the Board of Directors is proposing a maximum compensation amounting to TCHF 4060 (incl. employer contributions to social insurance agencies) to the shareholders' meeting of 8 April 2024.

For the financial year 2023, the Board of Directors proposes a variable compensation of TCHF 3317 (including employer contributions to social security).

Variable compensation

CHF '000

	Bonus Financial year 2022: Approved at the 2023 shareholders' meeting	Bonus financial year 2023: Proposal to the 2024 shareholders' meeting
Variable compensation	2'647	3'136
Employer social insurance contribution	151	181
Total	**2'798**	**3'317**

Share ownership

Share portfolio of Board of Directors, including related parties

Last name	First name	Shares 31.12.2023	Shares 31.12.2022
Reinhart	Matthias	24'456'966	–[1]
Kindle	Fred	–[2]	500'775
Iff	Roland	35'765	34'733
Langhart	Albrecht, Dr.	41'258	40'355
Ledergerber	Roland	14'619	13'780
de Perregaux	Olivier	7'365	6'462

1 Matthias Reinhart has been a member of the Board of Directors since 12 April 2023.
22'039'870 of the shares are held by Madarex Ltd, Zug, which is wholly owned by Matthias Reinhart.
2 Fred Kindle has no longer been a member of the Board of Directors since 13 April 2023.

Share portfolio of Executive Board, including related parties

Last name	First name	Shares 31.12.2023	Shares 31.12.2022
Reinhart	Matthias	–[1]	24'441'789
Vitarelli	Giulio	132'509	129'335
Schönbucher	Thomas	20'100	20'000
Heer	Philipp	14'476	12'429
Friess	Tom	–[2]	223'615
Weber	Marc	85'127	82'028
Rütsche	Manuel	7'932	6'397
Heim	Lorenz	–[3]	272'104
Tellenbach	Simon	10'477	8'532
Pfaffen	Rafael	25'329	21'727

1 Matthias Reinhart has been a member of the Board of Directors since 12 April 2023.
2 Tom Friess stepped down from the Executive Board on 30 September 2023.
3 Lorenz Heim stepped down from the Executive Board on 30 September 2023.

Options portfolio of Executive Board, including related parties as at 31.12.2023

Last name	First name	Year of allocation 2023	2022	2021	2020	2019
Vitarelli	Giulio	6’348	6’610	5’388	5’460	6’720
Schönbucher	Thomas	3’276	3’966	3’270	3’730	0
Heer	Philipp	4’094	4’132	2’886	3’150	0
Weber	Marc	6’198	6’330	5’136	5’860	6’500
Rütsche	Manuel	3’070	3’304	2’790	2’020	1’490
Tellenbach	Simon	3’890	3’966	3’078	1’720	0
Pfaffen	Rafael	4’504	4’462	3’462	3’500	3’640
Exercised options		0	0	0	700	8’760
Exercise price in CHF		80.60	99.80	85.75	70.65	66.90
Maturity		11.4.2029	11.4.2028	11.4.2027	7.4.2026	8.4.2025

7760 options from the 2018 allocation year (exercise price CHF 82.50, term until 22.2.2024 or 9.4.2024) have not yet been exercised.

Report of the statutory auditor

to the General Meeting of VZ Holding Ltd

Zug

Report on the audit of the remuneration report

Opinion

We have audited the remuneration report of VZ Holding Ltd (the Company) for the year ended 31 December 2023. The audit was limited to the information pursuant to article 734a-734f CO of the remuneration report.

In our opinion, the information pursuant to article 734a-734f CO in the remuneration report (pages 40 to 53) complies with Swiss law and the Company's articles of incorporation.

Basis for opinion

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

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

Other information

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

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

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

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

Board of Directors' responsibilities for the remuneration report

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

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, www.pwc.ch

Auditor's responsibilities for the audit of the remuneration report

Our objectives are to obtain reasonable assurance about whether the information pursuant to article 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this remuneration report.

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

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

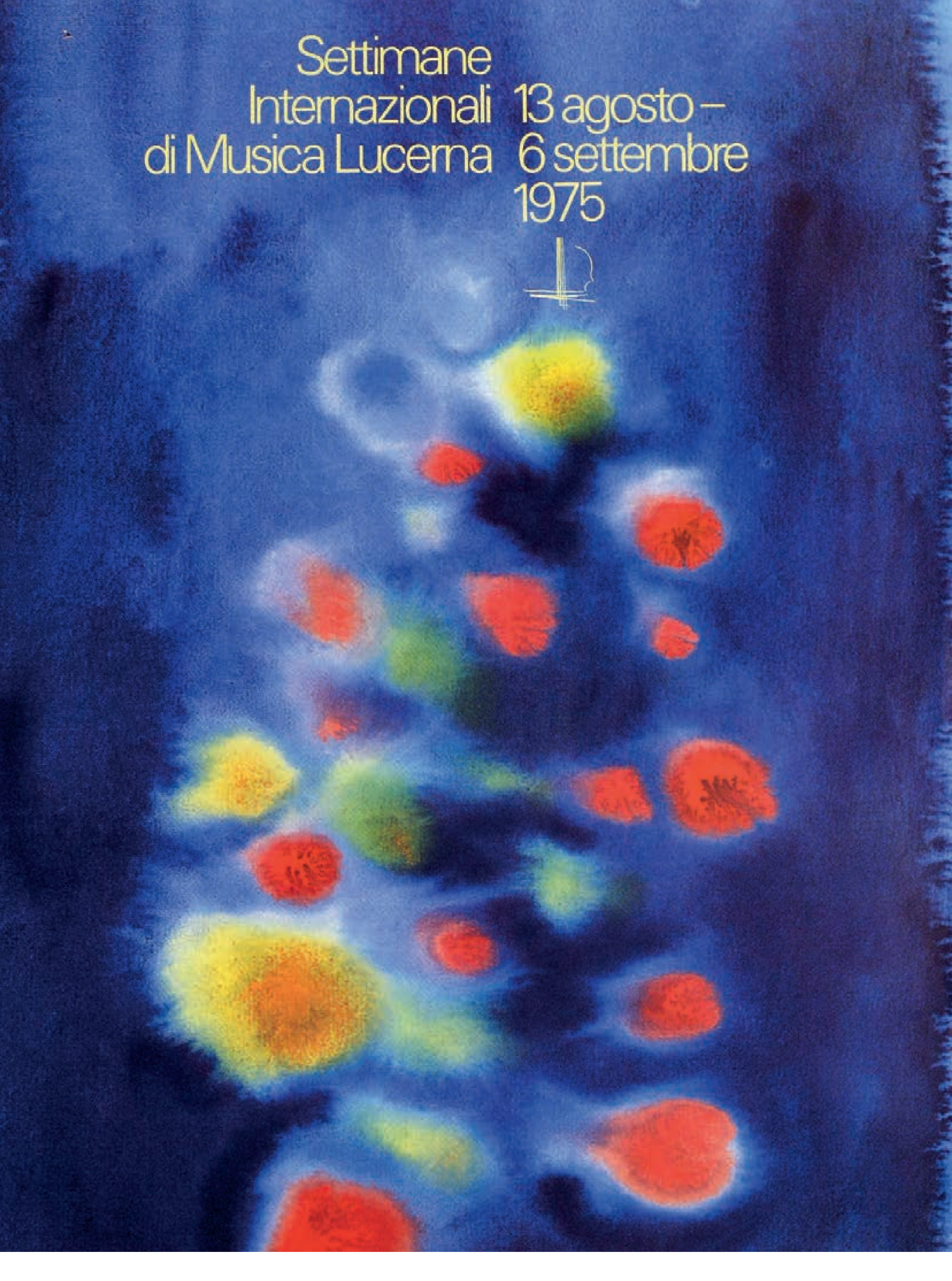
We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

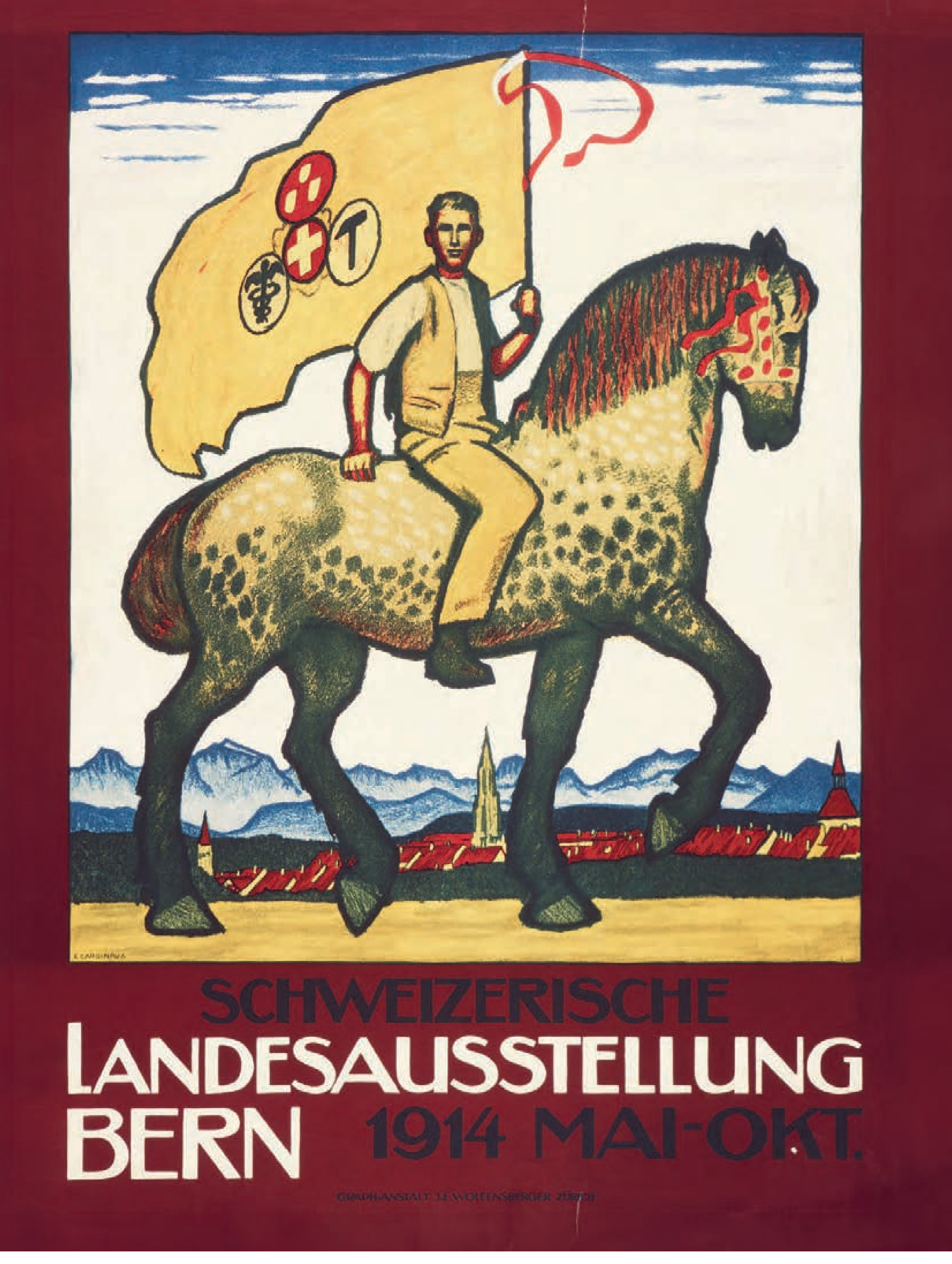
PricewaterhouseCoopers AG

Beat Rütsche	Patrick Wiech
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 27 February 2024



Eugen Bachmann: Musikfestwochen Luzern, 1973



Emil Cardinaux: Landesausstellung, 1914

FINANCIAL STATEMENTS VZ GROUP

CONSOLIDATED INCOME STATEMENT

CHF '000

	Page	2023	2022 restated[1]
Consulting fees	112	37'316	31'269
Management fees	112		
On assets under management		285'690	266'034
Other management fees		31'101	29'408
Banking income from commissions and trading activities	112		
Commission income		23'830	26'552
Commission expenses		(4'483)	(4'029)
Income from trading activities		17'431	22'776
Banking income from interest operations	111		
Interest income		88'738	26'012
Interest expense		(27'071)	(1'669)
Insurance result[2]	112		
Insurance revenue		31'603	18'221
Insurance service expenses		(22'554)	(10'222)
Result from reinsurance contracts		(1'791)	(915)
Insurance finance result		3'440	157
Net impairment (losses)/recoveries on financial assets	101	(7)	(24)
Other revenues	113	599	330
Total revenues		**463'842**	**403'900**
Personnel expenses	113	(170'235)	(156'808)
Other operating expenses	114	(51'595)	(49'148)
Depreciation and amortisation	121, 122	(23'092)	(21'641)
Total expenses		**(244'922)**	**(227'597)**
Operating profit before interests and taxes (EBIT)		**218'920**	**176'303**
Finance expenses		(1'603)	(1'058)
Finance income		679	304
Net finance income	114	**(924)**	**(754)**
Profit before income taxes		**217'996**	**175'549**
Income taxes	115	(30'974)	(24'164)
Net profit		**187'022**	**151'385**
Attributable to:			
Shareholders of VZ Holding Ltd		186'935	151'096
Non-controlling interests		87	289
Undiluted earnings per share (CHF)	116	4.75	3.85
Diluted earnings per share (CHF)	116	4.74	3.85

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts»; reclassifications in banking income. Details on page 71.
2 The insurance result is now reported in accordance with IFRS 17.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CHF '000

	2023	2022 restated[1]
Net profit recognised in the income statement	187'022	151'385
Other comprehensive income, which can be reclassified to the income statement		
Cumulative conversion adjustments	(1'605)	(1'062)
Change in cashflow hedge reserve	35'451	(42'025)
Tax effects	(4'214)	4'993
Total other comprehensive income (net of tax), which can be reclassified to the income statement	**29'632**	**(38'094)**
Other comprehensive income, which cannot be reclassified to the income statement		
Remeasurement of defined benefit obligation	(1'916)	33'577
Tax effects	323	(5'716)
Total other comprehensive income (net of tax), which cannot be reclassified to the income statement	**(1'593)**	**27'861**
Total comprehensive income	**215'061**	**141'152**
Attributable to:		
Shareholders of VZ Holding Ltd	215'257	141'149
Non-controlling interests	(196)	3

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 71.

CONSOLIDATED BALANCE SHEET

CHF '000

	Page	2023	2022 restated[1]
Aktiven			
Cash and cash equivalents	117	1'419'720	1'290'234
Short term investments	117	258'943	172'485
Marketable securities at fair value	117	12'322	1'343
Trade receivables	118	5'552	3'220
Other receivables	118	14'732	18'191
Accrued income and deferred expenses	118	79'418	71'725
Other current assets	119	10'826	7'198
Current assets		**1'801'513**	**1'564'396**
Financial assets	119, 120	4'535'041	4'185'837
Investments in associates	120	420	421
Property and equipment	121, 122	152'793	145'807
Goodwill and other intangible assets	122, 123, 124	40'518	38'139
Deferred tax assets	127, 128	5'423	11'386
Non-current assets		**4'734'195**	**4'381'590**
Total assets		**6'535'708**	**5'945'986**
Liabilities and equity			
Trade payables	125	1'879	2'777
Other current liabilities	125	59'727	90'967
Due to banks	125	48'868	130'444
Due to customers	125	4'835'485	4'431'605
Income tax payables		34'619	30'334
Provisions	128	1'383	1'383
Accrued expenses and deferred income	129	53'414	44'902
Current liabilities		5'035'375	4'732'412
Long-term debts	129	497'638	401'574
Other non-current liabilities	129	73'647	39'487
Deferred tax liabilities	127	2'931	1'550
Non-current liabilities		574'216	442'611
Total liabilities		**5'609'591**	**5'175'023**
Share capital	131	2'000	2'000
Treasury shares	131	(47'643)	(53'629)
Retained earnings	132	781'559	707'705
Net profit		186'935	151'096
Other equity components	132	(3'765)	(44'082)
Equity attributable to shareholders of VZ Holding Ltd		**919'086**	**763'090**
Non-controlling interests		7'031	7'873
Total equity		**926'117**	**770'963**
Total liabilities and equity		**6'535'708**	**5'945'986**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 72.

CONSOLIDATED STATEMENT OF CASH FLOWS

CHF '000

	Page	2023	2022 restated[1]
Cashflow from operating activities			
Net profit		**187'022**	**151'385**
Depreciation and amortisation of fixed assets and intangible assets	121, 122	23'092	21'641
Income tax paid		23'007	(23'294)
Interest paid from net finance income		(47)	(136)
Interest received from net finance income		329	72
Net capital (gains) losses and impairments on financial assets and liabilities		19'752	(23'260)
(Increase)/decrease in dues from short term investments	117	(86'458)	(83'202)
(Increase)/decrease in market value of marketable securities at fair value	117	(10'979)	1'621
(Increase)/decrease in trade receivables	118	(2'322)	(78)
(Increase)/decrease in financial assets	119, 120	(335'162)	(489'167)
(Increase)/decrease in other assets	118, 119	(1'781)	(6'777)
Increase/(decrease) in trade payables	125	(898)	2'012
Increase/(decrease) in other liabilities		(5'921)	72'103
Increase/(decrease) in due to banks	125	(81'576)	(494'398)
Increase/(decrease) in due to customers	125	406'979	560'184
Non cash share-based payment transactions		5'659	7'598
Other non-cash items		25'156	(11'653)
Cashflow from operating activities		**165'852**	**(315'349)**
Cashflow from investing activities			
Purchase of property and equipment	121	(4'425)	(25'043)
Proceeds from sale of property and equipment	121	0	0
Purchase of financial assets	119	(65'031)	(127'790)
Proceeds from financial assets	119	47'247	34'769
Purchase of intangible assets	122	(5'813)	(7'432)
Dividend from associates	120	28	27
Purchase of subsidiaries	166	(2'860)	(2'136)
Cashflow from investing activities		**(30'854)**	**(127'605)**
Cashflow from financing activities			
Purchase of treasury shares	131	(7'909)	(17'444)
Proceeds of treasury shares	131	12'470	1'993
Repayment of long-term debts	129, 130	(190'352)	(24'278)
Proceeds from long-term debts	129, 130	260'365	46'468
Payments of leasing liabilities	129, 130	(7'056)	(6'868)
Dividends paid to shareholders	174	(68'728)	(62'571)
Cashflow from financing activities		**(1'210)**	**(62'700)**
Effect of foreign exchange rate changes		(4'302)	(3'198)
Net increase/(decrease) in cash and cash equivalents		**129'486**	**(508'852)**
Cash and cash equivalents at beginning of the period		**1'290'234**	**1'799'086**
Cash and cash equivalents at the end of the period		**1'419'720**	**1'290'234**
thereof			
Cash at banks and in hand		1'419'720	1'243'982
Short term deposits less than 90 days		0	46'251

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 71.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CHF '000

	Share capital[1]	Treasury shares[1]	Cumulative conversion adjustment[1,3]	Hedge reserve[2,3]	Retained earnings[1]	Equity to shareholders of VZ Holding Ltd[1]	Non-controlling interests	Total equity
As at 1 January 2022 (before IFRS 177)	**2'000**	**(41'472)**	**(1'719)**	**(4'608)**	**741'403**	**695'604**	**4'080**	**699'684**
Effect of adopting IFRS 17[4]					(371)	**(371)**		**(371)**
As at 1 January 202	**2'000**	**(41'472)**	**(1'719)**	**(4'608)**	**741'032**	**695'233**	**4'080**	**699'313**
Net profit[4]					151'096	**151'096**	289	**151'385**
Other comprehensive income			(723)	(37'032)	27'808	**(9'947)**	(286)	**(10'233)**
Total comprehensive income for the period			**(723)**	**(37'032)**	**178'904**	**141'149**	**3**	**141'152**
Participation plans					954	**954**		**954**
Treasury shares[1]		(12'157)			3'349	**(8'808)**		**(8'808)**
Dividends					(61'884)	**(61'884)**	(687)	**(62'571)**
Liability to purchase non-controlling interests					(3'554)	**(3'554)**		**(3'554)**
Change in non-controlling interests						**0**	4'477	**4'477**
As at 31 December 2022	**2'000**	**(53'629)**	**(2'442)**	**(41'640)**	**858'801**	**763'090**	**7'873**	**770'963**
As at 1 January 2023	**2'000**	**(53'629)**	**(2'442)**	**(41'640)**	**858'801**	**763'090**	**7'873**	**770'963**
Net profit					186'935	**186'935**	87	**187'022**
Other comprehensive income			(1'323)	31'237	(1'592)	**28'322**	(283)	**28'039**
Total comprehensive income for the period			**(1'323)**	**31'237**	**185'343**	**215'257**	**(196)**	**215'061**
Participation plans					(510)	**(510)**		**(510)**
Treasury shares[1]		5'986			4'744	**10'730**		**10'730**
Dividends					(68'396)	**(68'396)**	(332)	**(68'728)**
Liability to purchase non-controlling interests					(1'085)	**(1'085)**	(391)	**(1'476)**
Change in non-controlling interests						**0**	77	**77**
As at 31 December 2023	**2'000**	**(47'643)**	**(3'765)**	**(10'403)**	**978'897**	**919'086**	**7'031**	**926'117**

1 Details on page 131.
2 Details on pages 61 and 162.
3 «Currency translation differences» and «Change in cash flow hedge reserves» recognised in the balance sheet item «Other equity components».
4 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 72.

Neo Neo: Jours bleus, Genève, 2021

NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

The Board of Directors approved VZ Holding Ltd's consolidated financial statements on 27 February 2024. They are also subject to approval by the shareholders' general meeting on 8 April 2024.

Corporate information

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

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

Principles

Basis of preparation

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

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

Decisions made by management in the application of IFRS can have a significant impact on the consolidated financial statements while estimates in the annual financial statements can entail significant material adjustment in the following year. Further details are provided in the section entitled «Estimates, assumptions and management's discretionary power» on pages 93 and 94.

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 2023 financial year are listed below:

Relevant standards, interpretations and explanations 2023

Changes Standards		
IFRS 17	Insurance contracts	From 1.1.2023
Changes		
IAS 8	Definition of accounting estimates	From 1.1.2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	From 1.1.2023
IAS 12	Deferred tax related to assets and liabilities	From 1.1.2023
IAS 12	International tax reform – pillar two model (global minimal tax)	From 1.1.2023

With the exception of IFRS 17 «Insurance Contracts», the application of the revised standards and interpretations has no material impact on the 2023 annual financial statements. The effects of the transition to IFRS 17 are presented on page 71.

New standards and interpretations from 2024

The following standards and interpretations come into force on or after January 1, 2024.

IAS 1	Presentation of financial statements	Amendments to the criteria for classifying liabilities as current or non-current.
IFRS 16	Lease liabilities in sale and leaseback	New accounting model for variable payments, requiring the revaluation of sale and leaseback transactions.
IAS 7 and IFRS 7	Amendments to disclosures in the notes	Additional disclosure requirements for supplier finance arrangements.

Introduction IFRS 17 Insurance Contracts

The new standard IFRS 17 «Insurance Contracts» has fundamentally changed the accounting requirements for the recognition, measurement, presentation and disclosure of insurance contracts. It replaces IFRS 4 «Insurance Contracts». VZ Group introduced IFRS 17 on January 1, 2023 and restated the comparative figures for the 2022 financial year.

The introduction of the new standard led to a reduction in VZ Group's equity of TCHF 371 after tax, which was recognized as an adjustment to the opening balance sheet as at 1 January 2022.

In Switzerland, VZ Group writes group life insurance and property/liability insurance. The following table lists VZ Group's insurance companies, their services and the accounting model used in accordance with IFRS 17.

Company	Insurance services	Accounting model applied in accordance with IFRS 17
VZ BVG Rück Ltd	Group life insurance for occupational benefit schemes e	Variable Fee Approach (VFA)
VZ Insurance-Pool Ltd	Non-life insurance, consisting of: • Motor vehicle • building incl. liability • household contents • Personal liability	Premium allocation approach (PAA)

As a policyholder, VZ Group uses reinsurance to reduce its risk positions (passive reinsurance). It has taken out proportional reinsurance contracts for the group life insurance business and non-proportional reinsurance contracts for the non-life insurance business. VZ Group applies the premium allocation approach (PAA) for reinsurance contracts.

Group life insuranc

In the case of group life insurance contracts, policyholders participate in the results of the contracts on the basis of statutory requirements for profit participation ("legal quote"). The "Variable Fee Approach" (VFA) accounting model must be applied to VZ Group's group life insurance contracts because the share of policyholder bonuses accounts for a significant proportion of the insurance benefits.

VZ BVG Rück Ltd did not commence operations until January 1, 2023, which is why the 2022 consolidated financial statements do not yet include any results from these contracts.

Non-life insurance

VZ InsurancePool Ltd is active in the non-life insurance business. The portfolio contains exclusively one-year contracts. Therefore, VZ Group applies the PAA. These accounting policies are similar to those applied until 2022.

Changed presentation of results

The main impact of IFRS 17 is the changed presentation of the results from the insurance business in the income statement. Previously, insurance revenue was classified as part of income and insurance expenses as part of expenses. In accordance with IFRS 17, the result from insurance is now broken down into several items and reported separately under revenues.

The result from insurance is now made up of the following items:

Insurance revenue

Insurance revenue is the amount recognized for the insurance cover provided in the period. It is primarily based on the time since the insurance contracts were concluded and the insurance benefit provided in the reporting period. Reinsurance premiums ceded are no longer deducted from insurance revenue, but are reported separately under the result from reinsurance contracts.

Insurance service expenses

As before, this item includes expenses for insured losses (including operating costs) and the change in technical liabilities. The change in liabilities now also includes the safety margin provided for under IFRS 17 for possible deviations in expected cash flows (risk adjustment). The reinsurers' share of claims expenses, which was previously included in insurance service expenses, is now reported under the result from reinsurance contracts.

Result from reinsurance contracts

The result from held reinsurance contracts comprises premiums paid to reinsurers and benefits received towards claims expenses. Under IFRS 17, these two components are reported as a net amount in the income statement, including changes in the risk adjustment. Previously, premiums to and benefits from reinsurers were netted against revenue and expenses from insurance contracts.

Insurance finance result

This amount comprises the following two components:

Finance result from insurance contracts

Effects from the discounting of insurance liabilities and assets (including those from reinsurance) are allocated to this item. These effects were previously included in expenses related to insurance contracts.

Investment result from insurance

The earnings from the insurance company's investments are recognised as investment result. They were previously included in VZ Group's financial result.

The accounting principles in accordance with IFRS 17 for insurance contracts are summarized on pages 85 to 90.

Restatement of the consolidated income statement and balance sheet 2022

For the introduction of IFRS 17 as at January 1, 2023, the 2022 financial year had to be adjusted to a comparable basis. VZ Group has restated the 2022 financial year using the fully retrospective method. For this purpose, the result as well as the assets and liabilities from the insurance contracts for VZ InsurancePool Ltd were remeasured for 2022.

In addition, the following adjustments unrelated to IFRS 17 were made: The reclassifications of banking income from commission and trading activities to banking income from interest operations in the income statement relate to the change in the reporting of results from financial instruments concluded for the interest differential business. These results were previously reported as part of banking income from commission and trading activities. The presentation as part of banking income from interest rate transactions makes it easier to read the financial statements.
Operating income before interest, taxes, depreciation and amortization (EBITDA) is no longer reported in the income statement because VZ Group no longer uses this interim result as a target figure. The terms "Total operating revenue" and "Total operating expenses" have been replaced by "Total revenue" and "Total expenses".

The adjustments to the consolidated income statement and balance sheet for the 2022 financial year are shown on the following pages.

Effects on equity, profit and cash flow

The reduction in equity by TCHF 371 due to the introduction of IFRS 17 as at January 1, 2022 can be seen in the consolidated statement of changes in equity on page 64. The transition only had an impact on the consolidated statement of comprehensive income for 2022 in that net profit in the income statement increased by TCHF 66 (details on page 71). The introduction of IFRS 17 had no overall impact on cash flow, apart from individual items in the consolidated cash flow statement, which have changed slightly (see page 63).

Restatement of the consolidated income statement[1]

CHF ’000

	2022 restated	Impact of IFRS 17 and reclassifications	2022 before
Consulting fees	31’269		31’269
Management fees	295’442		295’442
Banking income from commissions and trading activities	45’299	(2’273)	47’572
Banking income from interest operations	24’343	2’273	22’070
Insurance result			
Net earned insurance premiums		(17’258)	17’258
Insurance revenue	18’221	18’221	
Insurance services expenses	(10’222)	(10’222)	
Result from reinsurance contracts	(915)	(915)	
Investment result from insurance	(2)	(2)	
Finance result from insurance contracts	159	159	
Net impairment on financial assets	(24)		(24)
Other revenues	330		330
Total revenues	**403’900**	**(10’017)**	**413’917**
Personnel and other operating expenses	(205’956)		(205’956)
Expenses related to insurance contracts		10’095	(10’095)
Depreciation and amortisation	(21’641)		(21’641)
Total expenses	**(227’597)**	**10’095**	**(237’692)**
Operating profit before interests and taxes (EBIT)	**176’303**	**78**	**176’225**
Finance expense	(1’058)	4	(1’062)
Finance income	304		304
Net finance income	**(754)**	**4**	**(758)**
Profit before income taxes	**175’549**	**82**	**175’467**
Income taxes	(24’164)	(16)	(24’148)
Net profit	**151’385**	**66**	**151’319**
Attributable to:			
Shareholders of VZ Holding Ltd	151’096	66	151’030
Non-controlling interests	289		289
Basic earnings per share (CHF)	3.85		3.85
Diluted earnings per share (CHF)	3.85		3.85

1 To improve readability, items not affected by the introduction of IFRS 17 or the reclassifications have been summarised as far as possible..

Restatement of the consolidated balance sheet[1]

CHF '000

	31.12.2022 restated	Impact IFRS 17	31.12.2022 before
Short term assets	1'564'396		1'564'396
Current assets	**1'564'396**		**1'564'396**
Long-term assets	4'370'204		4'370'204
Deferred tax assets	11'386	74	11'312
Non-current assets	**4'381'590**	**74**	**4'381'516**
Total assets	**5'945'986**	**74**	**5'945'912**
Current liabilities	4'732'412		4'732'412
Current liabilities	**4'732'412**		**4'732'412**
Long-term debts	401'574		401'574
Other non-current liabilities	39'487	379	39'108
Deferred tax liabilities	1'550		1'550
Non-current liabilities	**442'611**	**379**	**442'232**
Total liabilities	**5'175'023**	**379**	**5'174'644**
Share capital	2'000		2'000
Treasury shares	(53'629)		(53'629)
Retained earnings	707'705	(371)	708'076
Net profit	151'096	66	151'030
Other equity components	(44'082)		(44'082)
Equity attributable to shareholders of VZ Holding Ltd	**763'090**	**(305)**	**763'395**
Non-controlling interests	7'873		7'873
Total equity	**770'963**	**(305)**	**771'268**
Total liabilities and equity	**5'945'986**	**74**	**5'945'912**

1 To improve readability, items that are not affected by the introduction of IFRS 17 have been summarised as far as possible.

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	
	31.12.2023	31.12.2022	2023	2022
EUR	0.9306	0.9882	0.9717	1.0049
GBP	1.0718	1.1154	1.1173	1.1794
USD	0.8417	0.9250	0.8986	0.9550

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 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)

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 156 to 164).

Financial assets and liabilities

Financial assets are classified and valued according to two criteria:
a) the business model in which the financial asset is held, and
b) the characteristics of the financial asset's contractual cash flow.

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

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

Classification and valuation

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

Based on the analysis of the business model and the characteristics of the contractual cash flows, financial assets are allocated to one of three categories upon initial recognition and subsequently valued at:
- amortised cost in accordance with the effective interest method;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

Amortised Cost
Debt instruments are valued at amortised cost if:
- the objective of the business model is to collect contractual cash flows; and
- the cash flow consists exclusively of capital and interest payments.

Determination of fair value

Fair Value through other comprehensive income (FVOCI)
Debt instruments are measured at fair value through other comprehensive income if the following criteria are met:
- the purpose of such assets is to generate contractual cash flows and to sell the assets; and
- the cash flows consist exclusively of capital and interest payments.

Fair Value through profit and loss (FVTPL)
All other financial instruments are recognised at fair value through profit and loss.
VZ Group applies this valuation principle to the positions «Securities at fair value» (trading portfolio) and «Derivatives for trading purposes». The valuation methods for «Derivatives for hedging purposes» are described in the section «Derivative financial instruments and hedge accounting» on page 79.

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 79.

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

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

Under «bonds», VZ Group only holds liquid interest rate instruments from high-quality debtors that are rated «investment grade» by recognised rating agencies. The 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 mortgages[1].

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

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

The expected credit losses under the general approach for stages 1 and 2 are calculated by multiplying the amount outstanding by the probability of default and an assumed loss rate in the event of a potential default. The probabilities of default are determined using matrices from rating agencies recognised by FINMA 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 items «Trade receivables» (consulting fee receivables), «Other receivables» and «Other current assets», the expected credit losses are calculated on the basis of a matrix with the axes maturity or past due in days and default rate in percent per maturity level. The matrix is based on historical default rates and is continuously adjusted for future-related estimates. Under the simplified approach, the calculation of expected credit losses is based on the aggregate maturity of the financial assets. The default rates used per category are shown in the notes to the balance sheet («trade receivables») on page 118.

The expected impairments under both approaches are reported in the income statement under «Net impairments on 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 97.

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 ad 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 clients 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 clients are recognised as management fees.

Marketable securites

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

Trade receivables and other receivables

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

Financial assets

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

The accounting models for financial assets are shown on page 163. Interest is recognised on an accrual basis using the effective interest method and reported as «Banking income from interest operations».

HypothekenZentrum Ltd grants mortgage-backed residential mortgages to private individuals in Switzerland. As a rule, the mortgage claims are transferred either by silent assignment to VZ Depositary 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 Hypotheken-Zentrum Ltd in the short term. Mortgage claims ceded to other investors are not accounted for in accordance with IFRS. Receivables financed by VZ Depository Bank Ltd or HypothekenZentrum Ltd are shown in the balance sheet.
Details can be found on pages 119 and 120.

Derivative financial instruments

Derivatives and hedge accounting

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

VZ Group uses forward exchange contracts, currency swaps, 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 and currency swaps 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». The cash flows from the currency swaps are recognised in net interest income because these financial instruments are used exclusively for the interest rate differential business.

Hedge Accounting nach IFRS

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

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

VZ Group generates interest income on a substantial portion of its mortgage investments based on the Saron 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 162.

Trade payables and other 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.

Liabilities 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 82).

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 82 for the accounting principles of the rights of use under leases included in «Property and equipment».

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

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

Goodwill and other intangible assets

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

The remaining intangible assets consist of software, investments in business set-up and other intangible assets. «Other intangible assets» include client 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.

Other intangible assets are measured at cost less any necessary amortisation. The costs are amortised on a straight-line basis over the estimated useful life.

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 93.

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 expenses».

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

Leasing liabilities

Leasing liabilities are calculated on the basis of all agreed leasing instalments, discounted over the term of the contracts. The term is determined by the non-cancellable basic term and by extension or termination options in favour of the lessee. An extension is considered in the term if it is reasonably certain that VZ Group will use this option, while a termination is considered if it is intended.
For subsequent valuations, lease liabilities are periodically reduced by the repayment instalments paid. The valuation is adjusted if payments change due to an index or if VZ Group changes its intention to extend or terminate the lease. The adjustment to the new carrying amount is generally made without affecting results by a corresponding adjustment of the capitalised right-of-use asset.

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

VZ Group as lessor

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

Revenue recognition

Revenue is recognised when VZ Group has fulfilled its obligations and it is ensured that no significant cancellations of recognised revenue are necessary. Consulting fees, management fees, banking income from commission and trading activities and revenue from assets denominated in cryptocurrencies are subject to the provisions of IFRS 15 «Revenue from Contracts with Clients». Banking income from interest operations is subject to the provisions of IFRS 9 «Financial Instruments» and the insurance result is subject to the provisions of IFRS 17 «Insurance Contracts».

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. When invoiced in the subsequent period, these services are reclassified to «Trade receivables». In the case of accrued fee income that has not yet been invoiced, the chargeable working hours are estimated. Experience has shown that subsequent corrections to fee income are immaterial.

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.The fees are accrued at the end of each quarter and debited directly to the clients' accounts at the beginning of the following quarter.

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). If the amount of performance-based fees cannot yet be reliably determined, they are not recognised until the exact amount can be estimated. The assessment period is limited to one year.

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.

Assets in cryptocurrencies

VZ clients can 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 VZ banks are accrued on an accrual basis. Interest due in favour to VZ Group is charged to client assets and interests to be paid to clients is credited to client accounts. Interest is recognised using the effective interest method.

Insurance business in accordance with IFRS 17

VZ Group is active in the property/liability insurance and group life insurance business in Switzerland. The following table shows VZ Group's insurance companies with their services and reinsurance ceded::

Company	Insurance services	Reinsurance contracts held
VZ BVG Rück Ltd	Group life insurance within the scope of occupational benefits	Proportional quota shares reinsurance
VZ Insurance-Pool Ltd	Non-life insurance, consisting of: • Motor vehicle • Buildings incl. liability • Household contents • Personal liability	Non-proportional rein-surance

Definition of insurance contrqacts

An insurance contract is defined as a contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if the insured event occurs. The contractually assumed risk is an insurance risk. The definition of insurance risk under IFRS 17 excludes financial risks such as changes in interest rates or exchange rate fluctuations.

VZ Group assesses at its own discretion whether a contract transfers an insurance risk and whether the accepted insurance risk is material. VZ Group's contracts are standardised and limited on classic insurance risks. For these contracts, the insurance risk is categorised as significant. Contracts from the banking and consulting business or from other lines of VZ Group's business do not cover insurance risks or insurance-like risks.

VZ Group takes out reinsurance to mitigate its risk positions. A reinsurance contract transfers a significant risk if it primarily transfers the insurance risk arising from the underlying insurance contracts.

Portfolios and groups of insurance risks

VZ Group manages insurance contracts according to product lines such as motor vehicle or buildings/household contents insurance. The contracts of the individual lines are grouped into portfolios if the insurance risks are similar and the contracts are managed together. Within a portfolio, the contracts are then grouped according to the year in which they were concluded.
The insurance contracts are valued at this aggregation level. If the subsequent valuation shows that the criteria for the original grouping no longer apply, contracts can be reallocated to the appropriate group. Contracts that generate losses in the first valuation are valued separately.

Non-life portfolioss
1. Portfolio: Motor vehicle insurance (liability, comprehensive, passenger accident);
2. Portfolio: Other non-life contracts

Group life portfolio
The group life insurance contracts are summarised in a portfolio because they cover the risks of death and disability in a single contract and these contracts are managed together.

Reinsurance held
The reinsurance contracts held are assessed separately from the issued insurance contracts.

Accounting models

IFRS 17 provides for three accounting models for insurance contracts:
- Building Block Approach (BBA) as a basic, general model
- Variable fee approach (VFA) for contracts with direct profit participation
- Premium allocation approach (PAA) for short-term contracts

The general accounting model of IFRS 17 is based on the present value of future cash flows for groups of contracts, including a risk adjustment and a contract service margin (CSM). The CSM corresponds to the profit not yet realised that is to be recognised in the income statement when the agreed services are rendered in the future. At each reporting date, the cash flows are reassessed on the basis of current assumptions.

The variable fee approach is derived from the general approach and also takes into account the direct profit participation to which policyholders are entitled.

The premium alloaction approach is a simplified valuation model for insurance contracts with terms of up to 12 months. This model is used in particular in the non-life insurance business with short-term contracts.

When recognised in the balance sheet in accordance with IFRS 17, the insurance liabilities incurred are divided into two items:
a) Liability for remaining coverage (LRC), similar to the previous premium accrual
b) Liability for incurred claims (LIC), similar to the previous claims reserve and provision for IBNR.

Applied accounting models

Non-life insurance

VZ Group's non-life insurance contracts fulfil the criteria for the application of the PAA:
- No contract in this portfolio has a coverage period of more than one year or
- When allocating to this group, there is a justified assumption that the liability is measured in practically the same way as with the BBA or VFA.

Liabilities from insurance contracts under the PAA are recognised as follows in the balance sheet: The liability for remaining coverage corresponds to the premiums received minus the premiums already recognised in the income statement. Due to the short-term nature of these liabilities, they are not discounted.

Provisions for outstanding claims are recognised for future payment obligations arising from insurance claims whose amount or payment date has not yet been determined. They include provisions for claims reported on the balance sheet date and claims incurred but not yet reported as well as expenses for claims settlement. The liabilities are calculated using actuarial methods and are based on estimates of the payments to be made for the full settlement of these claims. The liabilities calculated in this way may turn out to be higher than expected, which is why they are increased by a safety margin (risk adjustment). Provisions for outstanding claims are recognised at present value.

According to the PAA approach, the insurance revenue for the reporting period corresponds to the expected premium income allocated to the reporting period. The premium income must correspond to the insurance service provided by VZ Group in the reporting period. Therefore, advance payments for future coverage periods are deducted from the premium income.

Insurance service expenses include
- Expenses for claims and benefits;
- Other incurred, directly attributable expenses for insurance services;
- Changes in provisions for outstanding insurance claims

Group life insurance

The group life insurance business offers insurance cover for pension funds and collective foundations in the area of occupational benefit schemes.

There are contractual relationships between the insurer and a foundation (group life insurance contract) and between the pension fund and the employers that are affiliated to it (affiliation contracts). The relevant contract for the insurer's accounting is the group life insurance contract; the policyholder is the pension fund. If additional employers join the pension fund or terminate affiliation contracts, the insured risks increase or decrease. These changes must be taken into account in the valuation of the insurance contract.

VZ Group's group life insurance contracts are open-ended; no active renewal is required for their continuation. The insurer's cancellation rights and options for price adjustments are limited by regulatory and economic conditions. Additional affiliation contracts and additional insured persons under existing affiliation contracts are not considered new contracts when recognised for the first time.

Due to the statutory minimum distribution quota («legal quota») of the result, the insured pension funds receive a profit participation in addition to the agreed insurance benefits. These cash flows depend on the result of the contract. In accordance with IFRS 17, they are recognised in the valuation of liabilities from the insurance business. If the profit participation reaches a significant level in relation to the insurance benefits, the VFA accounting model is applied. VZ Group uses this model for group life contracts. Jointly managed contracts that have the same risks are summarised into a portfolio.

In this model, the valuation is based on estimated cash flows for premium income and payments of insurance claims, costs for the fulfilment of insurance contracts and a risk-related adjustment in the event that the estimates were too optimistic. These cash flows are estimated over the entire term of the contracts and the estimates are updated on each balance sheet date.

The difference between these assumed and discounted income and expenses over the term of the insurance contracts results in the CSM as the contractual service margin. The CSM thus corresponds to the unrealised profit over the term of the contracts. In subsequent periods, the estimated cash flows are reassessed and revalued at each balance sheet date.

The VFA model includes the profit participation to which policyholders are entitled. For group life insurance contracts, this participation is based on the legal quota, according to which at least 90 percent of the revenue generated from the insurance contract (related to savings, risk and cost) must be allocated to the policyholders.

FINMA prescribes annual operating statements to determine the policyholders' surplus participation. For the VFA model, these participations are included in the estimate over the entire term of the contracts and reduce the CSM. The estimate for the surplus participation is updated on each balance sheet date.

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

Uniform principles and basis of accounting models

Acquisition costs

In accordance with the accounting principles, acquisition costs for non-life insurance contracts are recognised when they are incurred under the PAA option. VZ Group also recognises acquisition costs for group life insurance policies under the VFA in the current period. This is because the acquisition costs incurred in the course of VZ BVG Rück Ltd's business activities essentially relate to the current coverage period.

Financial income from insurance contracts

Effects from the discounting of liabilities and receivables from primary insurance and reinsurance are recognised as financial income or expenses in the income statement.

Recognition and derecognition

Groups of insurance contracts issued are recognised in the balance sheet at the earliest of the following dates:
- Start of the insurance period;
- Due date of the policyholder's first payment or receipt of payment if there is no due date;
- Revaluation, where it becomes apparent that a group of contracts will generate a loss.

Insurance contracts are derecognised when the agreed obligation expires, is fulfilled or cancelled, or when material components are changed. In this case, a new contract with new conditions is recognised.

Reinsurance contracts held for non-life and group life insurance business

The PAA approach is used for VZ Group's reinsurance contracts held.

Reinsurance contracts receivables

Receivables from a group of reinsurance contracts held consist consist at each reporting date of
a) the sum of the premium already paid for the remaining coverage period and
b) the claim to the reinsurers' share of the losses incurred.

Receivables under a) are not discounted.

Measurement

VZ Group generally measures reinsurance contracts held in the same way as insurance contracts it issues. An adjustment is made for the risk that reinsurers do not fulfil their obligations. The valuation of this non-fulfilment risk is based on the reinsurer's credit rating and is updated on each balance sheet date.

Risk adjustment

VZ Group determines the risk adjustment for reinsurance held a as the proportionate reduction of the risk incurred in the business as a primary insurer through reinsurance. The risk adjustment is allocated to the reinsurer, thus increasing the value of the receivables from the reinsurer.

Reinsurance contract receivables

The result from reinsurance is recognised and reported separately from the result from the insurance contracts issued by VZ Group. VZ Group uses the accounting option described in IFRS 17 to recognise income and expenses from a group of reinsurance contracts held as a single amount if they are not insurance-related financial income or expenses.

The expenses for reinsurance benefits consist of the expected reinsurance premium payments for the insurance cover in the reporting period. Cost contributions received from the reinsurer are recognised as a deduction from the reinsurance premiums paid.

Net finance income

Net finance income comprises interest income and expenses, income from investments, gains and losses from foreign exchange and securities transactions, bank charges and credit commissions. Gains and losses from foreign exchange transactions are determined using the current foreign exchange rate. Interest income and expenses are recognised in the income statement when incurred. At VZ Banks, both the «management fees on assets under management» and the «banking income from commissions and trading activities» as well as the «banking income from interest operations» arise from their operating activities. Therefore, these income and expenses of VZ Banks are not reported in VZ Group's finance income, but in its revenue. Since the introduction of IFRS 17 «Insurance Contracts», financial income from VZ Group insurance companies' investments is also recognised in net insurance income. Further details can be found on page 111.

Income taxes

Current income taxes

Income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or most likely to be substantively enacted in the future.
Current income taxes are calculated on the basis of the applicable tax laws in the individual countries and recognised as expenses in the period in which the related profits are made. Assets or liabilities related to current income taxes are reported in the balance sheet as income tax payables and receivables.

Deferred income taxes

Tax effects arising from temporary valuation differences between the carrying amounts of assets and liabilities in the Group balance sheet and their corresponding tax values are recognised as «Deferred tax assets» and «Deferred tax liabilities» in the balance sheet. Deferred tax assets arising from temporary valuation differences and from loss carry-forwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which the effects arising from these differences or loss carry-forwards can be offset. Deferred tax assets and deferred tax liabilities are calculated at the tax rates expected to apply in the period in which the tax assets will be realised or tax liabilities settled.

Treasury shares

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

Share-based payments

Shares

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

Options

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

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

The diluting effect of the outstanding options on the calculation of earnings per share is recognised by adding the outstanding exercisable options from the management participation program to the weighted number of shares. Further information relating to the management participation is shown on pages 148 to 150.

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 151.

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 is based on the salary and the years of insurance up to the valuation date.

Estimates, assumptions and management's discretionary power

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

Impairment/ default risks

VZ Group continuously reviews how the economic development affects the expected losses on receivables from clients and on financial investments and whether the models used need to be adjusted to the development. No adjustments to the models were necessary. The impact on expected credit losses is not material due to VZ Group's client segment and conservative credit rating requirements for financial assets. The impairments are outlined on page 101.

Income taxes

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

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

For the financial years 2014 to 2019, which have not yet been definitively assessed for tax purposes, the cantonal tax authorities continue to have differing assessments as to how profit shares are to be allocated to the relevant cantons. To account for these uncertainties, VZ Group recognised tax deferrals of TCHF 3520 in previous years. No changes were made in 2023 and 2022. The deferrals were determined using weighted scenarios in accordance with the rules of IFRIC 23.

Goodwill

For the impairment of goodwill, it is tested whether the recoverable amount exceeds the carrying amount. The recoverable amount is the higher of fair value less costs to sell and value in use. These values depend heavily on, among other things, the projected cash flows, the long-term growth rate and the discount rate. The key assumptions regarding these factors are set out in the notes to the consolidated financial statements on page 123. Changes in the assumptions can lead to the recognition of an impairment loss in the following year.

Other non-current liabilities – purchase obligations for non-controlling interests	With the purchase of 50.1 percent of Lumin Group Ltd on 17 May 2021, VZ Group entered into an obligation to the minority shareholders to purchase the remaining 49.9 percent in 2026 if the minority shareholders exercise their contractual right. A similar obligation has existed since 2023 towards minority shareholders of Davidson Deem Ltd, of which VZ Group acquired 51 percent of the shares in June 2023. The obligation to purchase the remaining 49 percent will fall due in 2026 if the shareholders exercise their contractual right. The amount of the obligations is estimated for the time of exercise. Details can be found on page 159.
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 115 and 117.
Provisions	The amount recognised as a provision is calculated on the basis of the best estimates and assumptions available on the balance sheet date. The provisions are reviewed on each balance sheet date and adjusted to reflect the current best estimates. For detailed information refer to page 128.
Insurance contract liabilities	In order to value the liabilities from insurance contracts, their components must be estimated. The estimates are explained from page 86 onwards.
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 148 to 150.
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 91.
Revenue accruals	The recognition principles and the composition of revenues are described on pages 83 to 84 and on pages 111 to 113 respectively. Although the principles are applied consistently, discretion may occur when calculating certain revenue accruals. In the case of consulting fee income, this applies in particular to the consulting hours spent but not yet invoiced. Estimates are based on the actual revenues due.

Risk management

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

Organisation of risk management

Board of Directors

VZ Holding Ltd's Board of Directors is responsible for the overall management, supervision and control of risk management. It sets out the general guidelines for the entire group, approves the framework for institution-wide risk management, including the risk policy, risk tolerances and limits, and issues the organisational and business regulations. These principles are reviewed and if necessary updated in the event of changes to legal and regulatory requirements or to general framework conditions. For its own support and relief, the Board of Directors has created the Risk, Sustainability & 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 and Legal & Compliance

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

Risks are assessed on the basis of their probability of occurrence and their financial impact. Based on this analysis, a decision is made as to whether the identified risks should be avoided, transferred, minimised or assumed. Risks assumed by the company itself are consistently monitored.

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 the risk tolerance and risk limits. Compliance with these limits is monitored as part of the regular risk control process. There have been no significant changes to the Group's risk management objectives, policies and processes or risk assessment methods compared to the previous reporting period.

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

Default, market, liquidity and refinancing risks

The default, credit, market, liquidity and refinancing risks of the VZ Group largely result from the interest rate differential business of VZ banks. On the asset side of the balance sheet these include receivables from banks, public bodies, reinsurers 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 bodies, reinsurers, companies and clients. 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, public-law entities, reinsurers 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 76 to 78).

The relevant default risk in VZ Group's insurance business consists of the non-fulfilment of reinsurance contracts by the reinsurer.

Impact of the economy

In order to estimate the expected credit losses as at 31 December 2023, the impact of the economic development on receivables from clients and counterparties of financial assets was analysed. In the model applied to calculate the expected credit losses, the economic situation based on the economic forecasts of the Federal Expert Group for the years 2023 and 2024 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. The assessment of the economic trend on the valuation of mortgage loans is based on an index for the development of residential property prices. As at 31 December 2023, there were no indications of an increase in expected credit losses.

Mortgages

Mortgage loans are the most substantial item in VZ Group's balance sheet. They are spread over a large number of mortgage borrowers and secured by mortgages or, to a lesser extent, by securities. As a result, the risk of default is very low and there have been no defaults to date. For credit losses expected, see page 101. As part of the growth in total assets, mortgage loans were further increased in the 2023 financial year in order 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 101.

Bonds and loans to banks and public-law corporations

The VZ Group's loans to banks and public-law corporations as well as investments in bonds entail default risks. The counterparty risk for VZ Group's loans to banks is at a similar level to the previous year.

Rating table[1] financial instruments and insurance contract receivables

CHF '000

	State guarantee[2]	AAA	AA	A	BBB	No rating	Total
Cash and cash equivalents							
Sight deposits	1'336'884	19'298	20'338	41'623		1'577	1'419'720
Short term investments							
Time deposits	124'254		7'445				131'699
Mortgage pre-financing						889	889
Lombard credits						126'355	126'355
Marketable securities at fair value							
Marketable securities at fair value						101	101
Derivative financial instruments	12'185			6		30	12'221
Trade receivables							
Receivables from clients						4'555	4'555
Insurance contract receivables						997	997
Other receivables and current assets						25'558	25'558
Financial assets							
Time deposits	362'742						362'742
Mortgages						3'707'934	3'707'934
Bonds	183'610	67'213	114'979	12'422			378'224
Other financial assets					20'014	56'044	76'058
Insurance contract receivables				10'083			10'083
Total as at 31.12.2023	**2'019'675**	**86'511**	**142'762**	**64'134**	**20'014**	**3'924'040**	**6'257'136**
Total as at 31.12.2022	**1'783'832**	**88'949**	**162'201**	**68'902**	**6'340**	**3'561'086**	**5'671'310**

1 The relevant ratings are assigned in accordance with the rules of the Basel Committee on Banking Supervision.
2 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		1'993		1'993
Irrevocable residential mortgages granted, promised payments, ÖRK, banks	13'717	9'600	84'201	107'518
Payment obligation regarding depositor protection measures			25'553	25'553
Total unconditional commitments/ payment obligations	**13'717**	**11'593**	**109'754**	**135'064**
Additional funding obligation			1'910	1'910
Total as at 31.12.2023	**13'717**	**11'593**	**111'664**	**136'974**
Total as at 31.12.2022	**29’872**	**11’715**	**19’331**	**60’918**

Domestic and foreign financial instruments and insurance contract receivables

CHF ’000

	Domestic	Foreign countries	Total
Cash and cash equivalents			
Sight deposits	1'367'855	51'865	1'419'720
Short term investments			
Time deposits	131'699		131'699
Mortgage pre-financing	889		889
Lombard credits	126'355		126'355
Marketable securities at fair value			
Marketable securities at fair value	82	19	101
Derivative financial instruments	12'195	26	12'221
Trade receivables			
Receivables from clients	4'061	494	4'555
Insurance contract receivables	997		997
Other receivables and current assets	24'188	1'370	25'558
Financial assets			
Time deposits	362'742		362'742
Mortgages	3'707'934		3'707'934
Bonds	264'461	113'763	378'224
Other financial assets	52'804	23'254	76'058
Insurance contract receivables	5'042	5'041	10'083
Total as at 31.12.2023	**6'061'304**	**195'832**	**6'257'136**
Total as at 31.12.2022	**5’474’374**	**196’936**	**5’671’310**

Loans to clients (mortgages and lombard loans)

CHF '000

	Mortgage collaterals	Other collaterals	Without collaterals	Total
Lombard loans		168'087	11	168'098
Mortgages	3'693'609	14'325		3'707'934
Pre-financing	889			889
Total loans as at 31.12.2023	**3'694'498**	**182'412**	**11**	**3'876'921**
Total loans as at 31.12.2022	**3'373'016**	**155'098**	**0**	**3'528'114**

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. The expected credit losses are listed on page 101.

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.

Reinsurance

In order to reduce the default risk for reinsurance receivables, VZ Group's two insurance companies' reinsurance programmes are spread across several reinsurers. Only reinsurers with a rating of at least A are considered as contractual partners.

Development of expected credit losses in accordance with IFRS 9

CHF '000

	Impairment as at 1.1.2023	Measurement effect in the income statement	Impairment as at 31.12.2023
Assets			
Cash and cash equivalents (A)	(9)	1	(8)
Short-term investments (A)	(10)	2	(8)
Trade receivables (V)[1]	(13)	(7)	(20)
Other current assets (V)	(3)	(3)	(6)
Financial assets (A)[2]	(91)	(2)	(93)
Total	**(126)**	**(9)**	**(135)**

	Impairment as at 1.1.2022	Measurement effect in the income state-ment	Impairment as at 31.12.2022
Assets			
Cash and cash equivalents (A)	(6)	(3)	(9)
Short-term investments (A)	(9)	(1)	(10)
Trade receivables (V)[1]	(12)	(1)	(13)
Other current assets (V)	(4)	1	(3)
Financial assets (A)[2]	(71)	(20)	(91)
Total	**(102)**	**(24)**	**(126)**

(A) = calculation according to the general approach; (V) = calculation according to the simplified approach

1 Including impairments on insurance contract receivables of TCHF 0.4 and from reinsurance contracts of TCHF 0.0
2 Including impairments on reinsurance contract receivables of TCHF 5

Market risks

Market price and liquidity risk

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. Price risks reflect the price fluctuations of tradable assets or derivative financial instruments. Tradable assets and derivative financial instruments that are not traded on a liquid market are additionally exposed to a market liquidity risk. The VZ banks do not engage in proprietary trading. In exceptional cases, it is possible that residual positions are held temporarily in connection with the settlement and allocation of securities due to client transactions. There are price risks on the derivative financial instruments held for hedging purposes, which, however, are largely compensated by the opposite development of the hedged position in the case of an effective hedge. In event of market shifts of +/–10% price risks on securities measured at fair value impact total equity by +/– TCHF 1232 (2022: +/– TCHF 134).

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

Interest rate risk

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

VZ banks' business model entails the interest rate risks customary in banking. On the liabilities side, interest rates on client deposits can be adjusted to market developments at any time. Significant parts of the assets are invested on demand or with residual maturities of up to three months. The average fixed-interest period for residential mortgages is around 0.7 years (2022: 0.7 years), and around 5.2 years for bonds (2022: 5.9 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 2023, the bank held loans from central mortgage institutions in the amount of CHF 417.4 million (31.12.2022: CHF 352.4 million) with an average term of 5.1 years (2022: 5.0 years). Interest rate risks of loans from central mortgage institutions have been hedged using hedge accounting. In order to reduce fluctuations in future interest income from money market mortgages, part of the future interest income has been hedged with interest rate caps. The scope and effectiveness of these hedges are shown on page 162.

Interest rate risks related to equity

CHF Mio.

	31.12.2023	31.12.2022
Parallel shift of the interest rate curve		
by +1,5%	(32,4)	(20,5)
by –1,5%	25,1	20,4

Currency risks

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

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

Entire balance sheet: foreign exchange table

CHF '000

	CHF	EUR	USD	Others	Total
Cash and cash equivalents					
Sight deposits	1'347'140	46'887	13'449	12'244	1'419'720
Short term investments					
Time deposits	114'995	7'445	9'259		131'699
Mortgage pre-financing	889				889
Lombard credits	124'918	1'437			126'355
Marketable securities at fair value					
Marketable securities at fair value	83	18			101
Derivative financial instruments	12'194	27			12'221
Trade receivables					
Receivables from clients	4'062	68		425	4'555
Insurance contract receivables	997				997
Other receivables	13'302	1'428		2	14'732
Accrued income and deferred expenses	75'042	3'660		716	79'418
Other current assets	10'784	35		7	10'826
Financial assets					
Time deposits	362'742				362'742
Mortgages	3'707'934				3'707'934
Bonds	359'415	18'809			378'224
Other financial assets	71'256	209		4'593	76'058
Insurance contract receivables	10'083				10'083
Investments in associates	418			2	420
Property and equipment	147'351	4'455		987	152'793
Goodwill and other intangible assets	16'906	412		23'200	40'518
Deferred tax assets	3'800	1'239		384	5'423
Trade payables	(1'683)	(42)		(154)	(1'879)
Other current liabilities	(57'010)	(2'364)		(353)	(59'727)
Due to banks	(44'409)	(233)	(548)	(3'678)	(48'868)
Due to customers	(4'585'631)	(144'996)	(89'449)	(15'409)	(4'835'485)
Income tax payables	(34'053)	(5)		(561)	(34'619)
Provisions	(1'383)				(1'383)
Accrued expenses and deferred income	(51'816)	(1'089)		(509)	(53'414)
Long-term debts					
Medium-term notes	(148)				(148)
Loans from central mortgage institutions	(417'350)				(417'350)
Time deposits from customers	(28'280)				(28'280)
Long-term leasing liabilities	(47'694)	(3'546)		(620)	(51'860)
Other non-current liabilities					
Residual purchase obligations from acquisitions				(23'882)	(23'882)
Insurance contract liabilities	(34'763)				(34'763)
Other non-current liabilities	(14'816)	(186)			(15'002)
Deferred tax liabilities	(728)			(2'203)	(2'931)
Total as at 31.12.2023	**1'064'547**	**(66'332)**	**(67'289)**	**(4'809)**	**926'117**
Foreign exchange forward contracts		82'530	67'563	12'129	162'221
Total as at 31.12.2023 (hedged)	**1'064'582**	**16'198**	**274**	**7'320**	**1'088'338**
Total as at 31.12.2022 (hedged)	**744'163**	**16'064**	**400**	**10'437**	**771'064**

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

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

CHF '000

Currency	Change in value	Impact on equity 2023	2022
EUR	+/–25%	+/– 4'087	+/– 4'015
USD	+/–25%	+/– 68	+/– 100
GBP	+/–25%	+/– 1'827	+/– 2'474
Other	+/–25%	+/– 3	+/– 135

Liquidity and refinancing risks

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

Responsibility and monitoring

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

Execution

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

Risik mitigation

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

Maturity table for financial instruments and receivables/payables from insurance contracts as at 31.12.2023

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	1'406'944		12'776			1'419'720
Short term investments						
Time deposits		46'254	85'445			131'699
Mortgage pre-financing		889				889
Lombard credits		27'478	98'877			126'355
Marketable securities at fair value						
Marketable securities at fair value	101					101
Derivative financial instruments	12'221					12'221
Trade receivables		4'555				4'555
Insurance contract receivables		997				997
Other receivables and current assets		25'558				25'558
Financial assets						
Time deposits				121'492	241'250	362'742
Mortgages		112'846	447'386	2'908'970	238'732	3'707'934
Bonds		12'018	47'082	140'260	178'864	378'224
Other financial assets		29'957	42	40'818	5'241	76'058
Receivables from insurance contracts				4'507	5'576	10'083
Due to banks	(45'653)	(3'215)				(48'868)
Due to customers	(4'050'372)	(528'885)	(256'228)			(4'835'485)
Long-term debts						
Medium-term notes				(124)	(24)	(148)
Loans from mortgage institutions		(7'970)	(21'730)	(188'137)	(199'513)	(417'350)
Time deposits from customers				(27'980)	(300)	(28'280)
Long-term leasing liabilities				(29'417)	(22'443)	(51'860)
Other non-current liabilities						
Residual purchase obligations from acquisitions				(23'882)		(23'882)
Liabilities from insurance contracts				(19'023)	(15'740)	(34'763)
Interest payments		(3'591)	(5'700)	(11'424)	(9'364)	(30'079)
Total as at 31.12.2023	**(2'676'759)**	**(283'109)**	**395'174**	**2'916'060**	**422'279**	**786'421**

Maturity table for financial instruments and receivables/payables from insurance contracts as at 31.12.2022

CHF '000

	Demand	0 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total[1]
Cash and cash equivalents						
Sight deposits	1'243'983					1'243'983
Fixed-term deposits		46'251				46'251
Short term investments						
Time deposits		27'625	52'813			80'438
Mortgage pre-financing		1'149				1'149
Lombard credits		25'238	65'660			90'898
Marketable securities at fair value						
Marketable securities at fair value	102					102
Derivative financial instruments	1'241					1'241
Trade receivables		3'220				3'220
Other receivables		18'191				18'191
Financial assets						
Time deposits				108'487	267'250	375'737
Mortgages		91'476	374'419	2'650'534	270'517	3'386'946
Bonds		3'503	10'249	150'263	201'650	365'665
Other financial assets		3'636		53'592	261	57'489
Due to banks	(11'442)	(119'002)				(130'444)
Due to customers	(4'219'578)	(165'547)	(46'480)			(4'431'605)
Long-term debts						
Medium-term notes		(100)	(35)	(98)	(50)	(283)
Loans from central mortgage institutions		(16'681)	(6'393)	(156'913)	(172'374)	(352'361)
Time deposits from customers				(5'990)		(5'990)
Long-term leasing liabilities				(24'658)	(18'282)	(42'940)
Other non-current liabilities				(26'070)		(26'070)
Interest payments		(817)	(1'664)	(5'696)	(4'244)	(12'421)
Total as at 31.12.2022	**(2'985'694)**	**(81'858)**	**448'569**	**2'743'451**	**544'728**	**669'196**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts».

Further details and the remaining time to maturity of trade payables and other liabilities can be found on pages 125 and 126.

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

Insurance risks

GVZ Group has two insurance companies operating in the Swiss market. The following table shows the insurance policies offered and the reinsurance contracts..

Company	Insurance services	Reinsurance contracts held
VZ BVG Rück Ltd	Group life insurance within the scope of occupational benefits	Proportional quota shares reinsurance
VZ Insurance-Pool Ltd	Non-life insurance, consisting of: • Motor vehicle • Buildings incl. liability • Household contents • Personal liability	Non-proportional reinsurance

The risks that VZ Group insures in the group life business as part of occupational benefit schemes are limited to the risks of death and disability.

Underwriting risks (also premium and reserve risk) are the risk that the actual cost of claims and benefits may deviate from the expected cost due to chance, error or change. It includes the risk of new claims or premiums and the reserve risk. In order to take these risks into account, additional provisions are recognised in the form of risk adjustments, and risks are transferred to reinsurers. The reinsurance programmes for both insurance companies are designed in a defensive way.

In the area of non-life insurance for private individuals, VZ Group has concluded numerous insurance contracts, and there are no concentration risks. However, there are concentration risks in the area of group life insurance, as VZ Group only works with a few collective foundations.

Concentration risks can also arise in the event of major losses, such as large-scale hailstorms in the area of non-life insurance or high payments as a result of death or long-term disability pensions in the area of life insurance. Defensive reinsurance programmes are in place to reduce concentration risks from individual losses.

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.

Technology and cyber risks

VZ Group's business processes are largely based on information and communication technologies for processing and storing client, personnel and business data, and VZ Group provides its clients with a digital financial portal for managing their finances. This results in technology and cyber risks in terms of confidentiality, data integrity and availability of IT systems.

Technology risk is the risk that technical failures could impair VZ Group's business activities. The secure and stable operation and adaptability of critical IT systems are ensured through appropriate design, maintenance and further development. This ensures that the systems run stably, remain adaptable and are designed to meet requirements. This optimally supports the fulfilment of customer needs, the development of the VZ Group and compliance with legal requirements.

Cyber risks are part of technology risks and include all risks that arise from attacks on the confidentiality, integrity and availability of IT systems as well as possible losses of data or assets. Various risk management tools are implemented to avoid or minimise technology and cyber risks. They are based on national and international standards and forward-looking risk identification. The competence and regular training of the responsible employees, a resilient infrastructure, the promotion of risk awareness and cooperation with specialised partners are further key components of risk minimisation. The measures in the area of technology and cyber risks are embedded in the group-wide risk management system.

Legal and compliance risks

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

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

Reputational risk

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

Capital management

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

Banking regulatory disclosures on capital resources[1]

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 171 to 173. 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.

The data on the following page is unaudited information.

Presentation of eligible capital

CHF '000

	31.12.2023	31.12.2022
Common equity tier 1 capital (net CET1)	**799'216**	**696'792**
Total regulatory capital (net T1)	**799'216**	**696'792**
Total of eligible capital	**799'216**	**696'792**

Presentation of required capital and capital adequacy ratios according to FINMA Circular 2016/1

CHF '000

	Approach used	Capital adequacy requirements 31.12.2023	Capital adequacy requirements 31.12.2022
Credit risk	Int. standardised approach	164'484	148'437
Non-counterparty-related risk	Int. standardised approach	12'560	11'674
Market risk	De-minimis approach	2'143	2'164
Operational risk	Basis indicator	64'600	57'059
Amounts below the deduction threshold		855	1'982
Total of required capital		**244'642**	**221'316**
Common equity tier 1 capital ratio (CET1)[1]		26,2%	25,2%
Tier 1 capital ratio (T1)[2]		26,2%	25,2%
Total eligible capital ratio (T1 & T2)[3]		26,2%	25,2%

1 CET1 capital adequacy target as at 31.12.2023: 8.5 % (31.12.2022: 8.5%)
2 Tier 1 capital adequacy target as at 31.12.2023: 10.1 % (31.12.2022: 10,1 %)
3 Overall capital adequacy target as at 31.12.2023: 12.3 % (31.12.2022: 12,3 %)

Details can be found on page 171 under «Disclosure obligations under supervisory law»

Information to the leverage ratio

CHF mio.

	31.12.2023	31.12.2022
Ratio of eligible equity and of total exposure		
Tier 1 capital	799	697
Leverage ratio exposure	**6'546**	**5'939**
Leverage ratio	**12,2%**	**11,7%**

Required capital resources for insurance companies

CHF '000

	31.12.2023	31.12.2022
Regulatory required capital according to Supervisory Ordinance	18'000	18'000
Existing capital in % of the regulatory requirement	**291%**	**240%**

Notes on the income statement

Revenues

CHF '000

	2023	2022 restated[1]
Consulting fees	**37'316**	**31'269**
Management fees		
Management fees on assets under management	285'690	266'034
Fees for the management of securities portfolios	240'596	224'118
Custody fees	10'873	10'725
Fees for the management of residential property mortgages	34'221	31'191
Other management fees	31'101	29'408
Total management fees	**316'791**	**295'442**
Banking income from commissions and trading activities		
Income from commission business	19'313	22'499
Commission income	23'796	26'528
Commission expenses	(4'483)	(4'029)
Income from trading activities	17'431	22'776
Other banking income	34	24
Total banking income from commissions and trading activities	**36'778**	**45'299**
Banking income from interest operations		
Interest income[1,2]	88'738	26'012
Interest expense[3]	(27'071)	(1'669)
Total banking income from interest operations	**61'667**	**24'343**
Insurance result[1]		
Insurance service result	7'258	7'084
Insurance revenue	31'603	18'221
Insurance service expenses	(22'554)	(10'222)
Result from reinsurance contracts	(1'791)	(915)
Insurance finance result	3'440	157
Investment result from insurance	696	(2)
Finance result from Insurance contracts	2'744	159
Total insurance result	**10'698**	**7'241**
Net impairment (losses)/recoveries on financial assets	**(7)**	**(24)**
Other revenues	**599**	**330**
Total revenues	**463'842**	**403'900**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts» and reclassifications in banking income. Details on page 71.
2 Calculated according to the effective interest rate method. Interest income includes interest income of TCHF 5737 (previous year: TCHF 2273) from foreign exchange swaps for the interest rate differential business.
3 Interest income from liabilities amounts to TCHF 0 (2022: TCHF 2050).
4 Negative interest paid on balances with the Swiss National Bank, the German Federal Bank and other counterparty banks in 2023 TCHF 0 (2022: TCHF 261).

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 83 to 84.

Revenue components

Consulting fees

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.

Insurance service result

CHF '000

	2023 Group life	2023 Non-life	2022 Group life	2022 Non-life
Insurance revenue				
Release of CSM	611			
Change in risk adjustment	(360)			
Insurance service expenses expected	9'081			
Premiums written		23'430		19'401
Net change in unearned premium reserve		(1'159)		(1'180)
Total insurance revenue	**9'332**	**22'271**	**0**	**18'221**
Insurance service expenses	**(9'015)**	**(13'539)**		**(10'222)**
Result from reinsurance contracts	**(594)**	**(1'197)**		**(915)**
Total insurance service result	**(277)**	**7'535**	**0**	**7'084**

The insurance result is explained in detail from page 133 «Insurance business».

Net impairment on financial assets

The calculation of the net impairment on financial assets is described in detail on pages 76 to 78.

Other revenues

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

Personnel expenses

	31.12.2023	31.12.2022
Full time equivalents	1'390,7	1'247,4

CHF '000

	Seite	2023	2022
Salaries		143'763[1]	130'004[2]
Pension costs – defined benefit plan	151-155	7'043	7'340
Pension costs – defined contribution plans		2'445	2'417
Other social security expenses		11'947	10'577
Other personnel expenses[3]		5'037	6'470
Total personnel expenses		**170'235**	**156'808**

1 Including share-based payments of TCHF 6169 and costs for option plans TCHF 1011.
2 Including share-based payments of TCHF 6644 and costs for option plans TCHF 1135.
3 In accordance with the rules of IFRS 17, parts of personnel expenses are allocated directly to insurance service expenses. The decrease in other personnel expenses compared to the previous year is due to this change.

Equal pay

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

In 2021, 2022 and 2023, VZ Group analysed wages again using the same methodology and tool. These analyses also showed no significant, inexplicable wage differences between women and men. These additional analyses were not reviewed by PwC because an external review is only required once.

Other operating expenses

CHF '000

	2023	2022
Office space rent and maintenance	6'739	6'205
Marketing expenses	11'909	11'120
General and administrative expenses[1]	32'947	31'823
Total	**51'595**	**49'148**

1 Of which IT expenses 2023 TCHF 16'692 (2022: TCHF 18'960).

Net finance income

CHF '000

	2023	2022 restated[1]
Interest expense to third parties	(1'185)	(796)
Interest income from third parties	547	185
Result from investments in associates	29	3
Capital losses incl. foreign exchange	(324)	(185)
Capital gains incl. foreign exchange	103	116
Other commission expenses	(94)	(77)
Total	**(924)**	**(754)**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 71.

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, VZ Group's revenues include interest income from the banking and insurance business. For these business lines, the interest income arises from their operating activities and is therefore recognised as part of revenue.

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 43 (2022: TCHF 40) and the share of capital losses amounts to TCHF 0 (2022: 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. The changes in the weighted average expected tax rates are due on the one hand to the tax rate increase in England from 19 percent to 25 percent in 2023 and on the other hand to the different local tax 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

	2023	2022[1]
Current income tax		
Current income tax charge	28'193	26'329
Adjusted for current income tax for previous years	(75)	24
Deferred income tax		
Deferred income tax (see page 127)	2'455	(2'189)
Ajusted for deferred tax expense for previous years	401	
Income tax expense reported reported in the consolidated income statement	**30'974**	**24'164**

CHF '000

	2023	Tax rate	2022[1]	Tax rate
Profit before income taxes	**217'996**		**175'549**	
Expected income tax expense	30'081	13,80%	23'871	13,60%
Adjusted for current income tax for previous years	(75)		24	
Non-deductible expenses	153		201	
Effect of higher tax rates in Germany and UK	414		66	
Effect of change in applicable tax rates on deferred taxes	401		2	
Effective income tax expenses	**30'974**	14,21%	**24'164**	13,76%

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts».

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

	2023	2022[1]
Net profit	186'935	151'096
Weighted average number of shares issued	40'000'000	40'000'000
Less weighted average number of treasury shares	629'878	756'572
Weighted average number of outstanding shares (undiluted)	39'370'122	39'243'428
Dilution effect from option programmes	31'146	27'313
Weighted average number of outstanding shares (diluted)	39'401'268	39'270'741
Undiluted earnings per share (CHF)	4.75	3.85
Diluted earnings per share (CHF)	4.74	3.85

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts».

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

	31.12.2023	31.12.2022
Time deposits more than 3 months	131'699	80'438
Interim financing for mortgages	889	1'149
Lombard loans	126'355	90'898
Total	**258'943**	**172'485**

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 Tage	31–60 Tage	61–90 Tage	> 90 Tage
Expected credit loss rates[1]		0,05%	0,10%	1,00%	2,50%	3,50%
Trade receivables						
as at 31.12.2023	5'552	4'328	325	473	195	231
as at 31.12.2022	3'220	2'313	464	138	67	238

1 The expected credit loss rates were reviewed as at 31 December 2023 and applied unchanged compared to prior year. The expected impairment losses in absolute terms are shown on page 101.

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 31.12.2023	14'732	14'732	0	0	0	0
as at 31.12.2022	18'191	18'191	0	0	0	0

Accrued income and deferred expenses

CHF '000

	31.12.2023	31.12.2022
Prepaid expenses	**2'068**	**1'924**
Consulting fees	3'787	3'631
Management fees	68'300	62'283
Banking income	4'925	3'832
Investment result from insurance	338	0
Other revenues	0	55
Total accrued revenues	**77'350**	**69'801**
Total	**79'418**	**71'725**

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

Other current assets

CHF '000

	31.12.2023	31.12.2022
Short term overdrafts due to securities transactions	10'594	7'004
Other positions	232	194
Total	**10'826**	**7'198**

Financial assets

CHF '000

	31.12.2023	31.12.2022
Loans to related parties	106	104
Loans to employees	716	696
Loans to third parties	4'504	4'518
Time deposits more than 1 year	362'743	375'737
Mortgages (also see following overview)	3'707'934	3'386'946
Bonds (for further details, see the section «Risk management»)	378'224	365'665
Units investment funds	20'014	0
Other financial assets	50'717	52'171
Reinsurance contracts receivables	10'083	0
Total	**4'535'041**	**4'185'837**

Disclosure of the remaining time to maturity/framework agreements[1] of mortgages

CHF '000

	up to 1 year	1 to 3 years	3 to 5 years	over 5 years	Total
31.12.2023					
Interest rate based on Saron	**524'827**	**1'492'777**	**1'166'852**	**32'571**	**3'217'027**
Fixed interest rate	35'357	117'100	132'289	206'161	490'907
Total mortgages	**560'184**	**1'609'877**	**1'299'141**	**238'732**	**3'707'934**
31.12.2022					
Interest rate based on Saron	**429'706**	**980'509**	**1'507'437**	**34'515**	**2'952'167**
Fixed interest rate	36'189	57'692	104'896	236'002	434'779
Total Hypotheken	**465'895**	**1'038'201**	**1'612'333**	**270'517**	**3'386'946**

1 The framework agreements of the Saron mortgages 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 97 to 106 and on page 168.

Investments in associates

CHF '000

	2023	2022
As at 1 January	**421**	**446**
Additions	0	0
Disposals	0	0
Impairment	0	0
Share of profit/(loss)	29	3
Dividend payment	(30)	(27)
Cumulative convertion adjustments	0	(1)
As at 31 December	**420**	**421**

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 Ltd

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

Property and equipment

CHF '000	Buildings and land		Interior fittings		Office furniture and others		Equipment and IT fittings		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Gross values at cost										
Balance as at 1 January	146'436	130'027	36'874	30'323	9'949	9'704	5'615	5'258	198'874	175'312
Change in the scope of consolidation	0	0	0	36	81	14	0	6	81	56
Additions	17'006	22'426	1'950	7'046	1'323	1'693	1'232	1'120	21'511	32'285
Disposals/Removals	0	(5'569)	(806)	(512)	(1'358)	(1'451)	(388)	(750)	(2'552)	(8'282)
Cumulative convertion adjustments	(502)	(448)	(27)	(19)	(14)	(11)	(12)	(19)	(555)	(497)
Balance as at 31 December	**162'940**	**146'436**	**37'991**	**36'874**	**9'981**	**9'949**	**6'447**	**5'615**	**217'359**	**198'874**
Accumulated depreciation and impairment										
Balance as at 1 January	28'924	21'857	14'729	11'856	5'905	5'982	3'509	2'909	53'067	42'604
Change in the scope of consolidation	0	0	0	35	74	11	0	6	74	52
Depreciation	7'635	7'193	3'906	3'354	1'415	1'373	1'278	1'356	14'234	13'276
Impairments	0	0	0	0	0	0	0	0	0	0
Disposals/Removals	0	0	(806)	(512)	(1'358)	(1'451)	(388)	(750)	(2'552)	(2'713)
Cumulative convertion adjustments	(202)	(126)	(22)	(4)	(12)	(10)	(21)	(12)	(257)	(152)
Balance as at 31 December	**36'357**	**28'924**	**17'807**	**14'729**	**6'024**	**5'905**	**4'378**	**3'509**	**64'566**	**53'067**
Net carrying amount										
As at 1 January	117'512	108'170	22'145	18'467	4'044	3'722	2'106	2'349	145'807	132'708
As at 31 December	126'583	117'512	20'184	22'145	3'957	4'044	2'069	2'106	152'793	145'807

Details regarding the rights of use from leases included in property, plant and equipment are provided on page 144.

Impairment losses incurred on property and equipment:

CHF '000	2023	2022
Impairment losses incurred	0	0

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

	2023	2022
Buildings excluding land	35 years	35 years
Land	unlimited	unlimited
Interior fittings	5 to 10 years	5 to 10 years
Office furniture and others	4 to 5 years	4 to 5 years
Equipment and IT fittings	3 to 5 years	3 to 5 years

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

Goodwill and other intangible assets

CHF '000	Goodwill		Software		Business set-up[1]		Other		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Gross values at cost										
Balance as at 1 January	11'414	9'258	38'614	34'836	2'074	2'148	9'575	7'671	61'677	53'913
Change in the scope of consolidation	4'107	3'342	0	0	0	0	2'279	2'498	6'386	5'840
Additions	0	0	5'680	7'341	133	91	0	0	5'813	7'432
Disposals/Removals	0	0	(5'322)	(3'563)	(44)	(69)	0	0	(5'366)	(3'632)
Cumulative conversion adjustments	(613)	(1'186)	(4)	0	(118)	(96)	(408)	(594)	(1'143)	(1'876)
Balance as at 31 December	**14'908**	**11'414**	**38'968**	**38'614**	**2'045**	**2'074**	**11'446**	**9'575**	**67'367**	**61'677**
Accumulated amortisation and impairments										
Balance as at 1 January	0	0	19'754	16'429	1'659	1'485	2'125	1'042	23'538	18'956
Amortisation	0	0	7'430	6'888	165	313	1'263	1'164	8'858	8'365
Impairments	0	0	0	0	0	0	0	0	0	0
Disposals/Removals	0	0	(5'322)	(3'563)	(44)	(69)	0	0	(5'366)	(3'632)
Cumulative conversion adjustments	0	0	0	0	(102)	(70)	(79)	(81)	(181)	(151)
Balance as at 31 December	**0**	**0**	**21'862**	**19'754**	**1'678**	**1'659**	**3'309**	**2'125**	**26'849**	**23'538**
Net carrying amount										
As at 1 January	11'414	9'258	18'860	18'407	415	663	7'450	6'629	38'139	34'957
As at 31 December	14'908	11'414	17'106	18'860	367	415	8'137	7'450	40'518	38'139

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 acquisitions of Lumin Group Ltd in 2023. The value of the acquired client relationships was recognised as Other intangible assets (see page 166).

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

	2023	2022
Software	3 to 5 years	3 to 5 years
Business set-up costs	5 years	5 years

Contractual rights included in other intangible assets are amortised on a straight-line basis over 4 years, capitalised client relationships over 7 to 10 years.

Goodwill impairment testing

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

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

According to this test, the recoverable amount exceeded the carrying amount as at 31 December 2023. 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 2023 financial statements are shown in the following table. The discount rate is directly influenced by the fluctuations in interest rates.

CHF ’000

	Carrying amount 31.12.2023	Carrying amount 31.12.2022	Recoverable amount (Previous year’s values in brackets)		
			Value in use (N) or fair value (FV) less costs to sell	Growth rate after the planning period	Discount rate after tax
Goodwill Lumin	14'908	11’414	N	1.50% (1.58%)	13.58% (13.37%)

Sensitivity

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

If, irrespective of this, the estimated results and other assumptions in the coming financial years differ from the current values due to political or global risks in the financial industry (e.g. uncertainty in the implementation of regulation, the introduction of new legislation or a decline in general economic performance), this could result in an impairment of goodwill in the future. In VZ Group's income statement, this would be recognised as an expense and would reduce profit and equity. This would not affect the Tier 1 equity ratio because goodwill is not counted towards capital in accordance with the Swiss Capital Adequacy Ordinance.

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

CHF '000

	31.12.2023	31.12.2022
Income tax payables	**1'879**	**2'777**
Income tax payables	12'463	9'227
Derivative financial instruments	34'695	71'895
Short term leasing liabilities	6'846	6'382
Others	5'723	3'463
Total other current liabilities	**59'727**	**90'967**
Due to banks	**48'868**	**130'444**
Due to customers	**4'835'485**	**4'431'605**
Total	**4'945'959**	**4'655'793**

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

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

Derivative financial instruments include negative replacement values of interest rate swaps, currency swaps and foreign exchange forward transactions and interest rate caps. Further details can be found on page 162.

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

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

As at 31 December 2023, VZ Group reported CHF 41.0 million (31.12.22: CHF 41.0 million) of unutilised credit limits.

As at 31 December, the structure of liabilities by due date or agreed notice period was as follows:

CHF ’000

	Total	Demand	< 3 months	3–12 months
31.12.2023				
Trade payables	1'879		1'879	
Other current liabilities	59'727	34'695	19'876	5'156
Due to banks	48'868	45'653	3'215	0
Due to customers	4'835'485	4'050'372	528'885	256'228
Total	**4'945'959**	**4'130'720**	**553'855**	**261'384**
thereof				
Leasing liabilities	6'846		1'690	5'156
31.12.2022				
Trade payables	2’777		2’777	
Other current liabilities	90’967	71’895	14’282	4’790
Due to banks	130’444	11’442	119’002	0
Due to customers	4’431’605	4’219’578	165’547	46’480
Total	**4’655’793**	**4’302’915**	**301’608**	**51’270**
thereof				
Leasing liabilities	6’382		1’592	4’790

Deferred tax assets and tax liabilities

CHF '000

	As at 1 January	Recognised in income statement	Recognised in comprehen-sive income	Change in the scope of consolidation	As at 31 December
Deferred income tax assets 2023					
Deferred pension cost	2'550	(33)	323	0	2'840
Derivative financial instruments	5'613	(9)	(4'215)	0	1'389
Leasing liabilities	10'454	(1'027)	(81)	0	9'346
Insurance contract liabilities	74	(576)	0	0	(502)
Others	84	122	0	1	207
Tax loss carry-forwards	1'820	(195)	(59)	0	1'566
Total deferred income tax assets	**20'595**	**(1'718)**	**(4'032)**	**1**	**14'846**
Deferred tax liabilities 2023					
Property and equipment	(9'578)	1'160	92	0	(8'326)
Intangible assets	(425)	(346)	12	(547)	(1'306)
Options incl. social security expenses	(728)	(1'947)	(2)	0	(2'677)
Others	(28)	(5)	(12)	0	(45)
Total deferred tax liabilities	**(10'759)**	**(1'138)**	**90**	**(547)**	**(12'354)**
Deferred (tax liabilities)/tax assets net	**9'836**	**(2'856)**	**(3'942)**	**(546)**	**2'492**
Deferred income tax assets 2022[1]					
Deferred pension cost plan (IAS 19)	8'177	89	(5'716)	0	2'550
Derivative financial instruments	620	0	4'993	0	5'613
Leasing liabilities	11'110	(631)	(94)	69	10'454
Insurance contract liabilities	90	(16)	0	0	74
Others	65	19	0	0	84
Tax loss carry-forwards	2'111	(220)	(71)	0	1'820
Total deferred income tax assets	**22'173**	**(759)**	**(888)**	**69**	**20'595**
Deferred tax liabilities 2022					
Property and equipment	(10'304)	702	93	(69)	(9'578)
Intangible assets	(180)	179	55	(479)	(425)
Options incl. social security expenses	(2'793)	2'058	7	0	(728)
Others	(49)	9	10	2	(28)
Total deferred tax liabilities	**(13'326)**	**2'948**	**165**	**(546)**	**(10'759)**
Deferred (tax liabilities)/tax assets net	**8'847**	**2'189**	**(723)**	**(477)**	**9'836**

CHF '000

	31.12.2023	31.12.2022[1]
Reflected in the balance sheet as follows		
Deferred tax assets	5'423	11'386
Deferred tax liabilities	(2'931)	(1'550)
Deferred tax assets/(tax liabilities) net	**2'492**	**9'836**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts»..

The reported tax assets from losses carried forward amount to TCHF 1566 (2022: TCHF 1820). These tax assets are available for offset against future taxable profits. If it were not possible to use the tax loss carryforwards, tax credits of TCHF 100 would expire within one year and TCHF 386 within 6 to 7 years. Loss carryforwards in the amount of TCHF 1080 do not expire.

Provisions

CHF '000

	2023	2022
As at 1 January	**1'383**	**1'350**
Additions	0	33
Used during the year	0	0
Unused amounts reversed	0	0
Cumulative conversion adjustments	0	0
As at 31 December	**1'383**	**1'383**

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.

Accrued expenses and deferred income

CHF ’000

	31.12.2023	31.12.2022 restated[1]
Personnel expenses	13’231	11’018
Other expenses	4’088	5’166
Expenses of insurance contracts	590	125
Banking expenses[2]	5’184	1’410
Total accrued expenses	23’093	17’719
Prepaid revenues	23'067	20'058
Unearned premiums from insurance contracts	7'254	7'125
Total	**53’414**	**44’902**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 72.
2 These expenses which have not yet been charged constitute expenditure (negative amounts) 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

	31.12.2023	31.12.2022 angepasst[1]
Medium-term notes	148	283
Loans from central mortgage institutions	417'350	352’361
Time deposits from customers	28'280	5’990
Leasing liabilities	51'860	42’940
Total long-term debts (also see following overview)	**497'638**	**401’574**
Deferred pension cost	13'947	12'261
Insurance contract liabilities[2]	34'763	4'546
Residual liabilities from business acquisitions	23'882	20'624
Others	1'055	2'056
Total other non-current liabilities	**73'647**	**39'487**

1 Retrospectively adjusted due to the introduction of IFRS 17 «Insurance Contracts». Details on page 72.
2 The composition of insurance contract liabilities is is shown on page 133.

Deferred pension costs relate to the liabilities attributable to defined benefit pension plans pursuant to IAS 19. Further details can be found on pages 151 to 155.

Disclosure of the residual term to maturity of long-term debts and insurance contract liabilities

CHF '000

	up to 1 year	1 to 3 years	3 to 5 years	over 5 years	Total
31.12.2023					
Medium-term notes			124	24	148
Loans from central mortgage institutions	7'970	21'730	188'137	199'513	417'350
Time deposits from customers		27'980		300	28'280
Leasing liabilities		18'097	11'320	22'443	51'860
Total long-term debts	**7'970**	**67'807**	**199'581**	**222'280**	**497'638**
31.12.2022					
Medium-term notes	135	50	48	50	283
Loans from central mortgage institutions	23'074	46'951	109'962	172'374	352'361
Time deposits from customers		5'990			5'990
Time deposits from banks					0
Leasing liabilities		15'914	8'744	18'282	42'940
Total long-term debts	**23'209**	**68'905**	**118'754**	**190'706**	**401'574**

Additional information on the cash flow statement

The reconciliation in the following table shows which changes in non-current financial liabilities are recognised as «Cash flow from financing activities» in the consolidated cash flow statement..

Changes in non-current financial liabilities

CHF '000

	31.12.2022	Cash flows	Change in the scope of consolidation	Non-cash changes		31.12.2023
				Changes affecting profit or loss	Other[1]	
Non-current financial liabilities without leasing	358'634	70'013		17'131		445'778
Non-current leasing liabilities	42'940	(7'056)		285	15'691	51'860
Total long-term financial liabilities	**401'574**	**62'957**	**0**	**17'416**	**15'691**	**497'638**

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

Share capital and reserves

VZ Holding Ltd's share capital as per 31 December 2023 amounts to CHF 2 million and consists of 40 million registered shares with a nominal value of CHF 0.05 each. All shares are fully paid up. There is a conditional share capital of 800'000 registered shares with a nominal value of CHF 0.05 each to serve option plans for employees and for members of the Board of Directors. The company has not issued any preferential shares and there is no authorised capital.

Major shareholders

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

	as at 31.12.2023 Number of shares at CHF 0.05 nominal value each	in %	as at 31.12.2022 Number of shares at CHF 0.05 nominal value each	in %
Employees and statutory bodies				
Matthias Reinhart (direct and indirect)[1]	24'456'966	61,14	24'441'789	61,10
Members of the Board of Directors[2]	99'007	0,25	596'105	1,49
Other members of the Executive Board[2]	292'528	0,73	772'773	1,93
Employees[3]	1'890'986	4,73	1'426'600	3,57
Other shareholders				
The Capital Group Companies, Inc. (Notification of 24 August 2023)	1'209'563	3,02	–	–
Treasury shares	629'878	1,57	756'572	1,89
Others < 3 %	11'421'072	28,56	12'006'161	30,02
Total	**40'000'000**	**100,0**	**40'000'000**	**100,0**

1 Thereof 7881 shares (0.02 %) are locked-up (31.12.2022: 7242 shares (0.02 %) are locked-up). Matthias Reinhart holds a direct stake of 6.04 % in VZ Holding Ltd. He also holds 100 % of the shares in Madarex AG, which in turn has a 55.1 % stake in VZ Holding Ltd.
2 Without related parties.
3 All shares of employees who are registered in the share register are reported.

Treasury shares

	Number	in '000 CHF
As of 1 January 2022	**621'145**	**41'472**
Purchases	231'935	17'444
Disposals	(96'508)	(5'287)
As of 31 December 2022	**756'572**	**53'629**
As of 1 January 2023	**756'572**	**53'629**
Purchases	94'867	7'909
Disposals	(221'561)	(13'895)
As of 31 December 2023	**629'878**	**47'643**

Reserves

This position includes the retained net profit (retained earnings and free reserves) as well as the reserves that are required by law (legal and statutory reserves). Together with the «net profit» item, the reserves form the retained earnings. VZ Group's legal reserves amount to CHF 25.050 million as at 31 December 2023 (2022: CHF 25.100 million).

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

Other equity components

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

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

In the cash flow hedge reserve, the changes in the fair value of the interest rate caps are recognised as long as the hedge of the interest income on Saron mortgage loans is effective. The mechanism of these hedges is described on page 161.

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.

Information on regions[1]

CHF '000

	Switzerland	Europe w/o Switzerland	Consolidation items	Total
Total revenue	440'018	23'823		463'842
Assets	6'780'439	116'520	(361'251)	6'535'708
Property and equipment, goodwill and other intangible assets	164'302	29'009		193'311

1 Reporting according to the permanent establishment principle

Insurance business

Receivables and liabilities from insurance and reinsurance contracts

CHF '000

	Current	Non-current	Total 31.12.2023	Current	Non-current	Total 31.12.2022
Insurance contracts						
Receivables						
Non-life	204		**204**	160		160
Group life	715		**715**			0
Liabilities						
Non-life	(7'366)	(6'300)	**(13'666)**	(7'250)	(4'545)	(11'795)
Group life	(478)	(28'463)	**(28'941)**			0
Total receivables/liabilities net	**(6'925)**	**(34'763)**	**(41'688)**	**(7'090)**	**(4'545)**	**(11'635)**
Reinsurance contracts						
Receivables						
Non-life			**0**			0
Group life	78	10'078	**10'156**			0
Liabilities						
Non-life			**0**			0
Group life			**0**			0
Total receivables/liabilities net	**78**	**10'078**	**10'156**	**0**	**0**	**0**

Current receivables from insurance/reinsurance contracts are included in «Receivables from clients» and non-current receivables in «Financial assets». Current liabilities from insurance/reinsurance contracts are part of «Accrued expenses and deferred income» and non-current liabilities are allocated to «Other non-current liabilities». The following tables analyse the changes in net liabilities/receivables from insurance/reinsurance contracts during the reporting period.

The following tables analyse the changes in net liabilities from insurance contracts during the reporting period.

Analysis for insurance contracts non-life (PAA)

CHF '000

	Liability remaining coverage	Liability incurred claims		Total
		Present value future cashflows	Risk adjustment	
2023				
Insurance contract receivables	(160)	0	0	(160)
Insurance contract liabilities	7250	4'058	487	11'795
Net amounts as per 1 January	**7'090**	**4'058**	**487**	**11'635**
Insurance revenue	**(22'271)**			**(22'270)**
Incurred claims + other insurance service expenses		11'275	0	11'275
Changes to insurance liabilities		2'128	136	2'264
Insurance service expenses	**0**	**13'403**	**136**	**13'539**
Insurance service result	**(22'271)**	**13'403**	**136**	**(8'732)**
Finance result from insurance contracts		**3**	**2**	**5**
Total amounts recognised in income statements	**(22'271)**	**13'406**	**138**	**(8'727)**
Cashflows				
Premiums received	22'343			22'343
Incurred claims + other insurance service expenses		(11'789)		(17'789)
Total cashflows	**22'343**	**(11'789)**	**0**	**10'554**
Net amounts as per 31 December	**7'162**	**5'675**	**625**	**13'462**
thereof insurance contract receivables	(204)	0	0	(204)
thereof insurance contract liabilities	7'366	5'675	625	13'666
2022				
Insurance contract receivables	(134)	0	0	(134)
Insurance contract liabilities	6'679	3'681	426	10'786
Net amounts as per 1 January	**6'545**	**3'681**	**426**	**10'652**
Insurance revenue	**(18'221)**			**(18'221)**
Incurred claims + other insurance service expenses		9'331		9'331
Changes to insurance liabilities		812	78	890
Insurance service expenses	**0**	**10'143**	**78**	**10'221**
Insurance service result	**(18'221)**	**10'143**	**78**	**(8'000)**
Finance result from insurance contracts		**(142)**	**(17)**	**(159)**
Total amounts recognised in income statements	**(18'221)**	**10'001**	**61**	**(8'159)**
Cashflows				
Premiums received	18'766			18'766
Incurred claims + other insurance service expenses		(9'624)		(9'624)
Total cashflows	**18'766**	**(9'624)**	**0**	**9'142**
Net amounts as per 31 December	**7'090**	**4'058**	**487**	**11'635**
thereof insurance contract receivables	(160)	0	0	(160)
thereof insurance contract liabilities	7'250	4'058	487	11'795

Analysis for reinsurance contracts held non-life (PAA)

CHF ’000

	Receivable remaining coverage	Receivable incurred claims		Total
		Present value future cashflows	Risk adjust-ments	
2023				
Reinsurance contract receivables	0	0	0	0
Reinsurance contract liabilities				0
Net amounts as per 1 January	**0**	**0**	**0**	**0**
Reinsurance premiums	**1'221**			**1'221**
Incurred claims recovered + other expenses recovered	(24)	0	0	(24)
Amounts recoverable from reinsurers	**(24)**	**0**	**0**	**(24)**
Result from reinsurance contracts	**1'197**	**0**	**0**	**1'197**
Finance result from reinsurance contracts		**0**	**0**	**0**
Total amounts recognised in income statements	**1'197**	**0**	**0**	**1'197**
Cashflows				
Premiums paid	(1'221)	0	0	(1'221)
Incurred claims recovered + other expenses recovered	24	0	0	24
Total cashflows	(1'197)	0	0	(1'197)
Net amounts as per 31 December	0	0	0	0
thereof reinsurance contract receivables	0	0	0	0
thereof reinsurance contract liabilities	0	0	0	0
2022				
Reinsurance contract receivables	0	0	0	0
Reinsurance contract liabilities				0
Net amounts as per 1 January	**0**	**0**	**0**	**0**
Reinsurance premiums	**979**			**979**
Incurred claims recovered + other expenses recovered	(64)	0	0	(64)
Amounts recoverable from reinsurers	**(64)**	**0**	**0**	**(64)**
Result from reinsurance contracts	**915**	**0**	**0**	**915**
Finance result from reinsurance contracts		**0**	**0**	**0**
Total amounts recognised in income statements	**915**	**0**	**0**	**915**
Cashflows				
Premiums paid	(979)	0	0	(979)
Incurred claims recovered + other expenses recovered	64	0	0	64
Total cashflows	(915)	0	0	(915)
Net amounts as per 31 December	0	0	0	0
thereof reinsurance contract receivables	0	0	0	0
thereof reinsurance contract liabilities	0	0	0	0

Analysis for insurance contracts group life (VFA)

CHF ’000

	Liability remaining coverage	Liability incurred claims	Total
2023			
Insurance contract receivables	0	0	0
Insurance contract liabilities	0	0	0
Net amounts as per 1 January	**0**	**0**	**0**
Insurance revenue	**(9'332)**		**(9'332)**
Incurred claims + other insurance service expenses	9'015		9'015
Insurance service expenses	**9'015**	**0**	**9'015**
Insurance service result	**(317)**	**0**	**(317)**
Finance result from insurance contracts	**(2'632)**	**0**	**(2'632)**
Total amounts recognised in income statements	**(2'949)**	**0**	**(2'949)**
Cashflows			
Premiums received	40'190		40'190
Incurred claims + other insurance service expenses	(9'015)		(9'015)
Total cashflows	**31'175**	**0**	**31'175**
Net amounts as per 31 December	**28'226**	**0**	**28'226**
thereof insurance contract receivables	(715)	0	(715)
thereof insurance contract liabilities	28'941	0	28'941

Analysis for reinsurance contracts held group life (VFA)

CHF ’000

	Receivable remaining coverage	Receivable incurred claims		Total
		Present value future cashflows	Risk adjustments	
2023				
Reinsurance contract receivables	0	0	0	0
Reinsurance contract liabilities				0
Net amounts as per 1 January	**0**	**0**	**0**	**0**
Reinsurance premiums	**13'829**			**13'829**
Incurred claims recovered + other expenses recovered		(3'147)		(3'147)
Change to receivables		(8'993)	(1'090)	(10'083)
Change risk of insolvency reinsurers		(5)		(5)
Amounts recoverable from reinsurers	**0**	**(12'145)**	**(1'090)**	**(13'235)**
Result from reinsurance contracts	**13'829**	**(12'145)**	**(1'090)**	**594**
Finance result from reinsurance contracts	**0**	**(107)**	**(10)**	**(117)**
Total amounts recognised in income statements	**13'829**	**(12'252)**	**(1'100)**	**477**
Cashflows				
Premiums paid	(13'907)			(13'907)
Incurred claims recovered + other expenses recovered		3'274		3'274
Total cashflows	**(13'907)**	**3'274**	**0**	**(10'633)**
Net amounts as per 31 December	**(78)**	**(8'978)**	**(1'100)**	**(10'156)**
thereof reinsurance contract receivables	(78)	(8'978)	(1'100)	(10'156)
thereof reinsurance contract liabilities	0	0	0	0

Analysis by measurement component for insurance contracts group life (VFA)

CHF ’000

	Present value future cashflows	Risk adjustment	CSM	Total
2023				
Insurance contract receivables	0	0	0	0
Insurance contract liabilities	0	0	0	0
Net amounts as per 1 January	**0**	**0**	**0**	**0**
Changes that relate to current service				
CSM recognised for the services provided			(611)	(611)
Change in risk adjustment		360		360
Experience adjustments	4'098			4'098
Changes that relate to future services				
Effects of contracts initially recognised in the period	(163'902)	67'821	96'081	0
Changes in estimates that adjust CSM	(791)	334	(3'707)	(4'164)
Changes that relate to past service				
Insurance service result				0
Insurance service result	**(160'595)**	**68'515**	**91'763**	**(317)**
Finance result from insurance contracts	**(14'781)**	**7'230**	**4'919**	**(2'632)**
Total amounts recognised in income statements	**(175'376)**	**75'745**	**96'682**	**(2'949)**
Cashflows				
Premiums received	40'190			40'190
Incurred claims + other insurance service expenses	(9'015)			(9'015)
Total cashflows	**31'175**	**0**	**0**	**31'175**
Net amounts as per 31 December	**(144'201)**	**75'745**	**96'682**	**28'226**
thereof insurance contract receivables	(715)	0	0	(715)
thereof insurance contract liabilities	(143'486)	75'745	96'682	28'941

Expected release of the CSM recognised in profit or loss

CHF ’000

	2023
Balance as at 31 December	96'682
Year 1	1'549
Year 2	1'462
Year 3	1'582
Year 4	1'687
Year 5	1'735
6 to 10 years	9'922
11 to 20 years	20'170
> 20 years	58'575

The table shows the expected pattern of recognition of the CSM from existing contracts in the insurance result in future years. The release of the CSM may change due to changes in actuarial and economic assumptions. The future CSM settlement may also include amounts from insurance contracts that will only be concluded in the future and are not included in this table.

Insurance finance result

CHF ’000

	Non-life	Group life	Total
2023			
Interest income from cash	0	1	1
Investment income from financial assets (time deposits)	267	428	695
Total investment result from insurance[1]	**267**	**429**	**696**
Interest expense from discounting	(5)		(5)
Interest income from discounting		2'749	2'749
Total finance result from insurance contracts	**(5)**	**2'749**	**2'744**
Total insurance finance result	**262**	**3'178**	**3'440**
2022			
Interest income from cash	(2)		(2)
Investment income from financial assets (time deposits)	0		0
Total investment result from insurance[1]	**(2)**	**-**	**(2)**
Interest expense from discounting			0
Interest income from discounting	159		159
Total finance result from insurance contracts	**159**	**-**	**159**
Total insurance finance result	**157**	**-**	**157**

1 Investment income from insurance arises from investments recognised at amortised cost.

Fair value of underlying items for profit participation from insurance contracts under the VFA

The policyholder profit participation provided for under the VFA accounting model for the Swiss group life business is based on the result from the savings, risk and cost process as a reference value. If the result in the financial year is positive, policyholders are entitled to a share of at least 90 percent of the revenue. In the 2023 reporting year, the reference value is negative and the fair value is therefore zero.

Information on claims development

The following disclosure of claims development for non-life insurance contracts shows the claims development in 2023 that can be traced back to previous years. Disclosure of more than five previous years of occurrence is omitted.

Claims development in the reporting period from previous years

CHF ’000

	2023[1]
Year of occurrence	
2018	(1)
2019	25
2020	29
2021	220
2022	452
Total	**725**

1 negative figure = increase of insurance service expenses; positive figure = decrease of insurance service expenses

Effects of contracts initially recognised in the period (VFA)

CHF ’000

	2023
Present value of future cashflows	
Incurred claims + other insurance service expenses	(766'924)
Acquisition expenses	(299)
Total	**(767'223)**
Present value of future cashflows (premiums)	931'125
Risk adjustment	(67'821)
CSM	(96'081)
Total	**767'223**

Estimates and assumptions for insurance contracts

The measurement of insurance liabilities is based on estimates and assumptions of both an actuarial and financial nature.

Interest rate for discounting future cash flows

VZ Group discounts cash flows from insurance contracts using interest rates that take into account the nominal currency, the maturity of the cash flows and the liquidity of the market for the transfer of the insurance liability. The yield curves used are based on the yields of Swiss Confederation bonds and premiums for illiquid liabilities and receivables. The interest rate expectation should be observable in liquid markets as far as possible. If there are no observable interest rates, the observable rates are interpolated or extrapolated.

All of the above discounting principles apply equally to business written at own risk and to reinsurance held.

The following table shows the range of interest rates used, including the surcharge for illiquidity risk:

	31.12.2023	31.12.2022	01.01.2022
1 year	1.255% - 1.814%	1.134% - 1.491%	(0.683%)
5 years	0.714% - 1.249%	1.424% - 1.939%	(0.400%)
10 years	0.656% - 1.201%	1.565% - 2.084%	(0.127%)
20 years	1.140%	2.112%	
30 years	1.053%	2.046%	

Estimate of expected cash flows from insurance contracts in general

To estimate future cash flows in connection with the fulfilment of insurance contracts, VZ Group takes into account expected inflation in accordance with the forecasts of the Swiss National Bank.

Estimate of liabilities from non-life insurance contracts

VZ Group estimates the insurance liabilities separately for the two non-life portfolios. The estimates are made on the basis of years of occurrence.

VZ Group uses internal and market data for the valuation of claims incurred in accordance with the best estimate approach. The internal data originates from VZ InsurancePool Ltd's claims experience. This information is used to develop scenarios relating to the latency period of claims, which are used for the projections of the final claims liabilities. Market data includes inflation forecasts, major loss thresholds and frequencies as well as market loss ratios.

Estimate of liabilities from group life insurance contracts

The liabilities for insured losses from death and disability insurance policies are estimated separately. Liabilities for claims incurred result from the contractual agreement and claims provisions calculated according to recognised actuarial methods. Best-estimate, biometric and financial assumptions are used to calculate the claims provision.

VZ Group uses empirical and market data for the best estimate assumptions. Empirical data is mainly derived from information provided by the insured collective foundations. This information is used for scenarios on the latency period of claims, which are used to project the final number and amount of claims. Market data includes inflation forecasts, BVG fundamentals and mortality statistics.

Estimate of the risk adjustment

The risk adjustment compensates the uncertainty regarding the amount and timing of the estimated cash flows resulting from fulfilment of the insurance contract. Only the actual insurance risks in the narrower sense, such as claims experience or cost trends, are taken into account, but not financial risks such as changes in interest rates or investment risks.

VZ Group estimates the risk adjustment separately from all other estimates.

The risk adjustment is calculated separately for non-life insurance and group life insurance and allocated to each group of contracts in accordance with their risk profile. The calculation of the risk adjustment (TCHF 625 as at 31 December 2023, see page 134) for non-life insurance is based on the cost of capital method with a confidence level of 70% and is reviewed annually. Under this method, the risk adjustment is determined using a cost of capital rate on the present value of the projected risk capital required for the insurance risk. The cost of capital rate is reviewed annually and corresponds to the costs of managing the risk capital for the insurance risk required in the event of a run-off of the business activity.

The calculation of the risk adjustment (TCHF 1'100 as at 31 December 2023, see page 136) using the quantile method for group life insurance is based on a value-at-risk model with a confidence level of 60% and is reviewed annually. Assuming a normal distribution, the expected value and standard deviation are determined for the cash flows with actuarial risk.

Onerous contracts

There is an inherent risk that insurance contracts generate losses. VZ Group does not enter into onerous insurance contracts. If there are indications that a group of contracts will generate losses in the remaining coverage period, these contracts are reassessed.

Estimates from half-yearly financial statements

The VZ Group prepares half-yearly interim financial statements. The accounting method chosen in accordance with IFRS stipulates that the estimates used in the first half of the year are adjusted in the following annual financial statements (year-to-date approach). This method applies to all insurance contracts issued and reinsurance contracts held.

Adjustment of estimates

As in the previous year, the methods and assumptions used for the valuation of VZ Group's insurance contracts were not changed in the financial year.

Sensitivity analyses

The following table shows how changes in assumptions regarding actuarial and market-related risk variables could affect the profit 2023 and the equity as per 31 December 2023.

The analysis is based on a change in one assumption, with all other assumptions remaining constant. In practice, this case is unlikely. Changes to several assumptions may be correlated.

Actuarial sensitivities 2023

CHF '000	Impact w/o reinsurance on:		Impact with reinsurance on:	
	Profit	Equity	Profit	Equity
Impact of:				
+10% mortality				
Group life	(494)	(494)	(49)	(49)
+10% Invalidity rate and -10% reactivation rate				
Group life	(186)	(186)	(19)	(19)
+10% claims expenditure				
Non-life	(902)	(902)	(902)	(902)

Market-related sensitivities 2023

CHF '000	Impact w/o reinsurance on:		Impact with reinsurance on:	
	Profit	Equity	Profit	Equity
Impact of:				
+ 0.25% parallel shift of the yield curve				
Non-life	27	27	27	27
Group life	52	52	68	68
- 0.25% parallel shift of the yield curve				
Non-life	(27)	(27)	(27)	(27)
Group life	(71)	(71)	(87)	(87)

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	
	2023	2022	2023	2022	2023	2022
Capitalised right-of-use assets[1]						
As of 1 January	**48'341**	**53'440**	**313**	**366**	**48'654**	**53'806**
Change in the scope of consolidation	0	0	0	0	0	0
Additions	17'048	7'184	38	58	17'086	7'242
Disposals	(672)	(5'568)	0	0	(672)	(5'568)
Depreciation	(6'834)	(6'392)	(125)	(111)	(6'959)	(6'503)
Cumulative conversion adjustments	(301)	(323)	0	0	(301)	(323)
As of 31 December	**57'582**	**48'341**	**226**	**313**	**57'808**	**48'654**

1 Included in the balance sheet item property and equipment.

The following lease expenses were recorded in the income statement:

CHF '000	2023	2022
Interest on lease liabilities[1]	(352)	(309)
Expenses relating to short-term leases[2]	(4'849)	(4'663)
Expenses relating to leases of low-value assets[2]	(149)	(140)
Income from sub-leasing right-of-use assets	99	114
Total	**(5'251)**	**(4'998)**

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 2023 amount to TCHF 12'054 (2022: TCHF 11'671).

Leasing contracts as lessor

VZ Group leases a small part of its office building in Zurich and Aarau to third parties. The rental income of TCHF 172 (2022: TCHF 34) 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

	31.12.2023	31.12.2022
Up to 1 year	151	163
1 to 2 years	0	622
Total	**151**	**785**

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 Vorsorgestiftung 3a, two VZ Anlagestiftungen, Freizügigkeitsstiftung der Zentralschweiz, VZ BVG Sammelstiftung and VZ Dachstiftung für gemeinnützige Zwecke are considered related parties because they also provide benefits for VZ Group employees or the operational management is carried out by related parties of VZ Group. In accordance with IFRS 10, these foundations do not fall into the scope of consolidation, because VZ Group does not control them. In addition, VZ Group holds investments in the associated companies Dufour Capital Ltd and Lumin Insurance Solutions Ltd. 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				
2023	144	349[1]	1'158[2]	2'449
2022	247	298[1]	21'055[2]	35'796
Madarex Ltd, Zug[3]				
2023	212	293	21	49'594
2022	255	35	32	45'430
Madarex Immobilien Ltd, Zug				
2023	8	4'105[4]	0	653
2022	7	4'045[4]	0	6
VZ Foundations, Switzerland				
2023	65'212	4'006	8'048	1'012'189
2022	57'191	438	6'274	879'815
Associates[5]				
2023	0	198	0	152
2022	0	198	0	151

1 Blum & Grob attorneys at law Ltd – represented by Dr. Albrecht Langhart acting in his capacity as a partner – provided legal services worth TCHF 5 (2022: TCHF 9) for VZ Holding Ltd as well as for its Group companies.
2 Loans against securities collateral (lombard loans) to one member of the Executive Board (2022: to one member of the Board of Directors and one member of the Executive Board).
3 In addition, as at 31 December 2023, Madarex Ltd holds receivables vis-à-vis related parties of VZ Group in the amount of TCHF 70'015 (2022: TCHF 58'099) and no liabilities as at 31 December 2023 (2022: zero). Revenues generated out of these receivables amount for TCHF 912 (2022: TCHF 547) whereas expenses account for TCHF 442 (2022: TCHF 75).
4 Expenses for premises rented by VZ Group.
5 Dufour Capital Ltd, Zurich and Lumin Insurance Solutions Ltd, St Albans.

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

Receivables and liabilities

The majority of the invoices outstanding at year-end are unsecured. VZ Group has not issued or received any guarantees in connection with receivables or liabilities of related parties. For the year ending on 31 December 2023, VZ Group did not form any provisions for outstanding amounts owed by related parties (2022: zero). This assessment is carried out at the end of each financial year.

Key management compensation

CHF '000

	2023	2022
Share-based payments	452	375
Total compensation to members of the Board of Directors	**452**	**375**
Fixed basic salary	3'432	3'637
Variable performance-related compensation	3'136	2'647
thereof cash	*630*	*537*
thereof shares	*1'889*	*1'608*
thereof expenses related to options	*617*	*502*
Other	19	38
Total compensation to members of the Executive Board	**6'587**	**6'322**
Total compensation to key management	**7'039**	**6'697**

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 some for additional tasks. The entire compensation of the Board of Directors is paid in shares. Compensation paid to the members of the Group Executive Board consists of a fixed basic salary component settled in cash, a variable performance-related portion, services provided and non-cash benefits categorised as salary. The disclosures required in Listed Companies are set out in the chapter containing the Remuneration Report. The compensation reported in the consolidated financial statements is based on the international financial reporting standards (IFRS), which may differ from the standards. The share portfolios of the Board of Directors and the Executive Board are detailed in the «Compensation Report» (page 52).

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.

	2023	2022
Number of shares allocated to management employees	57’173	47’109
End of lock-up period	23.2.2026	24.2.2025
Number of shares allocated to members of the executive board	21’951	22’505
End of lock-up period	12.4.2026	11.4.2025
Price per share transferred	CHF 73.25	CHF 90.75
Total of shares allocated	**79’124**	**69’614**

For each share obtained, management employees simultaneously receive two free options for an additional share per option. 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 2024, Bonus year 2023 (indicative)	15.95	–
Year of allocation 2023, Bonus year 2022 (actual)	9.71	13.95

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 effective valuated at the time of the allocation. The exercise price for the allocation year 2024 for the 2023 bonus year is CHF 107.10 (year of allocation 2023, bonus year 2022: CHF 80.60).

Option plans

Year of allocation	Valuation date	Remaining maturity	Expiration date	Market value at grant date	Exercise price
2023^{GL}	13.4.2023	5,3 years	12.4.2029	CHF 13.95	CHF 80.60
2023^{KM}	24.2.2023	5,2 years	23.2.2029	CHF 9.71	CHF 80.60
2022^{GL}	13.4.2022	4,3 years	12.4.2028	CHF 7.63	CHF 99.80
2022^{KM}	25.2.2022	4,2 years	24.2.2028	CHF 7.63	CHF 99.80
2021^{GL}	13.4.2021	3,3 years	12.4.2027	CHF 11.35	CHF 85.75
2021^{KM}	25.2.2021	3,2 years	24.2.2027	CHF 8.76	CHF 85.75
2020^{GL}	9.4.2020	2,3 years	8.4.2026	CHF 9.69	CHF 70.65
2020^{KM}	25.2.2020	2,2 years	24.2.2026	CHF 11.63	CHF 70.65
2019^{GL}	10.4.2019	1,3 years	9.4.2025	CHF 19.05	CHF 66.90
2019^{KM}	25.2.2019	1,2 years	24.2.2025	CHF 20.69	CHF 66.90
2018^{GL}	11.4.2018	0,3 years	10.4.2024	CHF 9.01	CHF 82.50
2018^{KM}	23.2.2018	0,2 years	22.2.2024	CHF 20.27	CHF 82.50
2017^{GL}	7.4.2017	0,0 years	6.4.2023	CHF 16.27	CHF 75.25
2017^{KM}	24.2.2017	0,0 years	23.2.2023	CHF 25.70	CHF 75.25

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

Outstanding options

Year of allocation	Allocated options	Outstanding as at 31.12.2022	Exercised options	Forfeited options in the reporting period	Outstanding as at 31.12.2023
2023 GL	43'902				43'902
2023 KM	114'346		306	4'712	109'328
2022 GL	45'010	45'010			45'010
2022 KM	94'218	89'258		4'244	85'014
2021 GL	33'128	33'128			33'128
2021 KM	90'844	81'348	106	2'518	78'724
2020 GL	36'200	36'200	5'360		30'840[1]
2020 KM	95'740	83'090	11'380	530	71'180[1]
2019 GL	44'150	38'830	9'240		29'590[1]
2019 KM	105'960	87'537	36'780	620	50'137[1]
2018 GL	33'220	31'900	18'390		13'510[1]
2018 KM	81'240	59'908	50'788	780	8'340[1]
2017 GL	33'650	12'515	12'515		0[1]
2017 KM	77'130	41'080	2'320	38'760	0[1]
Total	**928'738**	**639'804**	**147'185**	**52'164**	**598'703**

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

1 Options exercisable at balance sheet date.

Outstanding options	31.12.2023	31.12.2022
Weighted average of the remaining maturities	3,4 years	3,1 years
Weighted average exercise price	CHF 82.28	CHF 80.81

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 2023.

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 2023, 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

Plan assets and pension obligation

CHF '000

	Plan assets	Pension obligation	Total
Total as per 1.1.2022	110'758	(155'695)	(44'937)
Current service costs		(7'470)	(7'470)
Net interest (expense) / income	403	(551)	(148)
Plan amendments[1]		278	278
Total cost recognised in personnel expense	**403**	**(7'743)**	**(7'340)**
Actuarial gains / (losses)			
of which changes in financial assumptions		29'099	29'099
of which experience adjustments[2]		17'539	17'539
Actuarial (losses) / gains on plan assets[3]	(13'061)		(13'061)
Total costs recognised in other comprehensive income	**(13'061)**	**46'638**	**33'577**
Employee contributions	4'221	(4'221)	0
Employer contributions	6'439		6'439
Benefits paid or deposited[4]	(1'263)	1'263	0
Total as per 31.12.2022	**107'497**	**(119'758)**	**(12'261)**
Total as per 1.1.2023	107'497	(119'758)	(12'261)
Current service costs		(6'848)	(6'848)
Net interest (expense) / income	2'485	(2'680)	(195)
Total cost recognised in personnel expense	**2'485**	**(9'528)**	**(7'043)**
Actuarial gains / (losses)			
of which changes in financial assumptions		(8'176)	(8'176)
of which experience adjustments[2]		5'642	5'642
Actuarial (losses) / gains on plan assets[3]	617		617
Total costs recognised in other comprehensive income	**617**	**(2'534)**	**(1'917)**
Employee contributions	4'816	(4'816)	0
Employer contributions	7'274		7'274
Benefits paid or deposited[4]	(2'518)	2'518	0
Total as per 31.12.2023	**120'171**	**(134'118)**	**(13'947)**

1 The plan adjustments in 2022 consisted of an increase in savings contributions in the compulsory and non-compulsory salary area for all management employees.

2 Experience adjustments includes changes in the employee and retirees population, changes to the surplus accounts and the overall interest rate.

3 All actuarial gains and losses are based on experience adjustments.

4 This position includes inflows from vested benefits from new employees and voluntary pension fund deposits from insured persons.

Defined benefit pension plan (actuarial assumptions)

	2023	2022
Discount rate (as at 31.12.)	1,50%	2,20%
Future salary increase	2,00%	2,00%
Future pension increases	0,00%	0,00%
Average duration of the pension obligation	7.7	7,3
Actuarial principles	BVG 2020	BVG 2020

Interest and current service cost for 2023 were calculated at a discount rate of 2.20 % (2022: 0.30 %). The discount rate is adjusted at year-end in order to revaluate the pension obligations.

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

CHF ’000

	2023	2022
Discount rate (–0.5 %)	9'869	8’561
Discount rate (+0.5 %)	(8'682)	(7’559)
Future salary increase (–0.5 %)	(1'811)	(1’545)
Future salary increase (+0.5 %)	1'924	1’644

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

Allocation of plan assets

	31.12.2023 in CHF ’000	in %	31.12.2022 in CHF ’000	in %
Cash	721	0,6%	860	0,8%
Equity	52'154	43,4%	44’719	41,6%
Bonds	46'506	38,7%	41’709	38,8%
Real Estate	11'416	9,5%	10’427	9,7%
Other	9'374	7,8%	9’782	9,1%
Total	**120'171**	**100,0%**	**107’497**	**100,0%**

The estimated employer’s contribution to be paid for the pension plans in 2024 amounts to CHF 7.7 million (2023: CHF 6.8 million) and is based on prior-year premiums and expected trends in personal expenses (number of employees, salary development).

Financial instruments

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

Cash, cash equivalents and short term investments
For these financial instruments, the carrying amount on the balance sheet date corresponds to the fair value.

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

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

Following initial recognition, the fair value of financial instruments (level 1) is determined on the basis of listed market prices or prices quoted by traders insofar as the financial instruments are traded on an active market.

The fair value of financial instruments (Level 2) is determined using generally accepted valuation models. These models are based on relevant parameters observable on the market and take into account, among other things, contract specifications, the market price of the underlying instrument and yield curves. The discount rates are based on the current market interest rate and swap curves. For investment funds, the published net asset values are applied.

Level 3 instruments are financial instruments whose fair value is based on a valuation technique that uses at least one significant input parameter, that is neither directly nor indirectly observable on the market. This includes the obligation to acquire the minority interests, which results from the right of sale of the minority of the Lumin Group.

Fair value of financial instruments as at 31.12.2023

CHF '000

	Book value	Fair value	Difference
Assets			
Cash and cash equivalents	1'419'720	1'419'720	0
Short term investments	258'943	258'943	0
Marketable securities at fair value			
Marketable securities at fair value	101	101	0
Derivative financial instruments	12'221	12'221	0
Trade receivables	5'552	5'552	0
Other receivables	14'732	14'732	0
Other current assets	10'826	10'826	0
Financial assets			
Mortgage	3'707'934	3'738'383	30'449
Bonds	378'224	379'603	1'379
Time deposits	362'743	352'759	(9'984)
Units investment fonds	20'014	20'014	0
Other financial assets	66'126	66'286	160
Subtotal	**6'257'136**	**6'279'140**	**22'004**
Liabilities			
Trade payables	1'879	1'879	0
Other current liabilities			
Other current liabilities	25'032	25'032	0
Derivative financial instruments	34'695	34'695	0
Due to banks	48'868	48'868	0
Due to customers	4'835'485	4'835'485	0
Long-term debts			
Medium-term notes	148	146	2
Loans from central mortgage institutions	417'350	413'544	3'806
Time deposits from customers	28'280	28'664	(384)
Leasing liabilities	51'860	51'860	0
Other non-current liabilities[1]	23'882	23'882	0
Subtotal	**5'467'479**	**5'464'055**	**3'424**
Total of divergence			**25'428**

1 Financial instruments included in Other non-current liabilities.

Fair value of financial instruments as at 31.12.2022

CHF '000

	Book value	Fair Value	Difference
Assets			
Cash and cash equivalents	1'290'234	1'290'234	0
Short term investments	172'485	172'485	0
Marketable securities at fair value			
Marketable securities at fair value	102	102	0
Derivative financial instruments	1'241	1'241	0
Trade receivables	3'220	3'220	0
Other receivables	18'191	18'191	0
Other current assets	7'198	7'198	0
Financial assets			
Mortgage	3'386'946	3'389'317	2'371
Bonds	365'665	337'926	(27'739)
Time deposits	375'737	345'752	(29'985)
Other financial assets	57'489	57'316	(173)
Subtotal	**5'678'508**	**5'622'982**	**(55'526)**
Liabilities			
Trade payables	2'777	2'777	0
Other current liabilities			
Other current liabilities	19'072	19'072	0
Derivative financial instruments	71'895	71'895	0
Due to banks	130'444	130'444	0
Due to customers	4'431'605	4'431'605	0
Long-term debts			
Medium-term notes	283	276	7
Loans from central mortgage institutions	352'361	349'794	2'567
Time deposits from customers	5'990	5'850	140
Leasing liabilities	42'940	42'940	0
Other non-current liabilities[1]	21'525	21'525	0
Subtotal	**5'078'892**	**5'076'178**	**2'714**
Total of divergence			**(52'812)**

1 Financial instruments included in Other non-current liabilities.

For the calculation of the fair value of the obligation to purchase these minority interests, the results of Lumin Group and Davidson Deem are estimated separately based on internal business plans. This data is used to determine the present value of the purchase obligation at the time the options are exercised. Parameters that are not directly or indirectly observable on the market are also used, such as the expected growth in assets under management, the development of costs or the discount rate.

If Lumin Group acquires companies, the purchase price is paid in several instalments. As a rule, the first 50 to 60 percent of the purchase price is due upon conclusion of the contract, with the remainder being paid in two equal instalments after one and two years respectively. The remaining amount is linked to the revenue development in the first two years after the purchase. When recognised at the end of the year, the remaining purchase price is adjusted to the revenue to date and the expectation derived therefrom for the remaining period. Changes in residual purchase price obligations from company acquisitions are recognised in profit or loss.

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

Level 3 financial instruments

CHF '000

	Residual liability from acquisitions		Residual liabilities to acquire non-controlling interests Lumin as at	
	2023	2022	2023	2022
Holdings at the beginning of the year	2'494		18'130	15'684
Addition to the scope of consolidation	2'796	2'757	815	
Payments	(1'391)			
Expense recognised in the income statement	120	(51)	787	361
Changes recognised in equity			1'099	3'554
Cumulative conversion adjustments	(140)	(212)	(828)	(1'469)
Total carrying amount at balance sheet date	**3'879**	**2'494**	**20'003**	**18'130**

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 31.12.2023	31.12.2022
Expected growth	+1 percentage point	307	538
Expected growth	–1 percentage point	(307)	(528)
Discount rate	+1 percentage point	(475)	(601)
Discount rate	–1 percentage point	490	626

Valuation methods for financial instruments at fair value

CHF ’000

	Level 1	Level 2	Level 3	Total
as at 31.12.2023				
Assets				
Marketable securities at fair value[1]	78	23		101
Derivative financial instruments[1]		12'221		12'221
Financial assets		20'014		20'014
Liabilities				
Derivative financial instruments[2]		34'695		34'695
Change in market value of hedged loans from central mortgage institutions[3]		5'877		5'877
Liability to acquire non-controlling interests[4]			20'003	20'003
Residual liability from acquisitions[4]			3'879	3'879
as at 31.12.2022				
Assets				
Marketable securities at fair value[1]	76	26		102
Derivative financial instruments[1]		1'241		1'241
Liabilities				
Derivative financial instruments[2]		71'895		71'895
Change in market value of hedged loans from central mortgage institutions[3]		23'007		23'007
Liability to acquire non-controlling interests[4]			18'130	18'130
Verpflichtung Restkaufpreise Unternehmenserwerb[4]			2'494	2'494

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 2023.

Foreign currency risks on balance sheet items

Hedging transactions

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.

Cash flows from currency swaps are recognised in «Banking income from interest operations», because these financial instruments are used exclusively for net interest income. Changes in the fair value of currency swaps are recognised in «Banking income from commission and trading activities».

Interest rate risks on loans from central mortgage institutions

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

Interest income on Saron mortgage loans

VZ Group generates income based on the Saron on a part of its mortgage investments. 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 a fixed interest (premium) from the counterparty on the sale of interest rate caps. As soon as the 3-month Compounded Saron exceeds a defined threshold on certain key dates during the contract term, VZ Group must pay the counterparty an interest amount. These payments are calculated from the difference between the relevant 3-month Compounded Saron and the threshold value.

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

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

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». The payments are included in the banking income from interest business. The interest income from the designated mortgage portfolio is recognised in the same item of the income statement.

CHF '000

	Hedge Accounting	2023	2022
Fair value hedges			
Foreign currency risks on balance sheet items	no		
Positive replacement values of forward exchange transactions as at 31.12.		64	1'241
Negative replacement values of forward exchange transactions as at 31.12.		5'168	1'895
Contract value as of 31.12.		167'347	188'503
Interest rate risks on mortgage bond loans	yes		
Positive replacement values of interest rate swaps as of 31.12.		4'748	0
Negative replacement values of interest rate swaps as of 31.12.		12'031	23'856
Contract value as of 31.12.		329'000	279'000
Bank income from interest operations (income from interest rate swaps)		(3'578)	609
Bank income from commission and trading business (hedging business)		17'363	(25'385)
Bank income from commission and trading (underlying transaction) Change in fair value of mortgage bond loan)		(17'130)	25'031
Cash flow hedges			
Interest income on Saron mortgage loans	yes		
Positive replacement values interest rate caps as at 31.12.		7'409	0
Negative replacement values Interest rate caps as at 31.12.		17'496	46'144
Contract value as of 31.12.		650'000	475'000
Bank income from interest rate business (option premiums interest rate caps)		(3'846)	1'761
Change in cash flow hedge reserves in the statement of comprehensive income (hedging business)		35'451	(42'025)

Categories of financial instruments as at 31.12.2023

CHF '000

	Amortised Cost[1]	FVTPL[2]	FVOCI[3]	Equity[4]	Not classified as financial instrument	Total
Assets						
Cash and cash equivalents	1'419'720					1'419'720
Short term investments	258'943					258'943
Marketable securities at fair value		4'913	7'409			12'322
Trade receivables	5'552					5'552
Other receivables	14'732					14'732
Accrued income					79'418	79'418
Other current assets	10'721				105	10'826
Financial assets	4'515'027	20'014				4'535'041
Investments in associates					420	420
Property and equipment					152'793	152'793
Intangible assets					40'518	40'518
Deferred tax assets					5'423	5'423
Total assets	**6'224'695**	**24'927**	**7'409**	**0**	**278'677**	**6'535'708**
Liabilities						
Trade payables	1'879					1'879
Other current liabilities	25'032	17'199	17'496			59'727
Due to banks	48'868					48'868
Due to customers	4'835'485					4'835'485
Income tax payables					34'619	34'619
Provisions					1'383	1'383
Accrued expenses					53'414	53'414
Long-term debts	174'515	323'123				497'638
Other non-current liabilities		3'879		20'003	49'765	73'647
Deferred tax liabilities					2'931	2'931
Total liabilities	**5'085'779**	**344'201**	**17'496**	**20'003**	**142'112**	**5'609'591**

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 31.12.2022

CHF '000

	Amortised Cost[1]	FVTPL[2]	FVOCI[3]	Equity[4]	Not classified as financial instrument	Total[5]
Assets						
Cash and cash equivalents	1'290'234					1'290'234
Short term investments	172'485					172'485
Marketable securities at fair value		1'343				1'343
Trade receivables	3'220					3'220
Other receivables	18'191					18'191
Accrued income					71'725	71'725
Other current assets	7'198					7'198
Financial assets	4'185'837					4'185'837
Investments in associates					421	421
Property and equipment					145'807	145'807
Intangible assets					38'139	38'139
Deferred tax assets					11'386	11'386
Total assets	**5'677'165**	**1'343**	**0**	**0**	**267'478**	**5'945'986**
Liabilities						
Trade payables	2'777					2'777
Other current liabilities	19'072	25'751	46'144			90'967
Due to banks	130'444					130'444
Due to customers	4'431'605					4'431'605
Income tax payables					30'334	30'334
Provisions					1'383	1'383
Accrued expenses					44'902	44'902
Long-term debts	145'581	255'993				401'574
Other non-current liabilities	901	2'494		18'130	17'962	39'487
Deferred tax liabilities					1'550	1'550
Total liabilities	**4'730'380**	**284'238**	**46'144**	**18'130**	**96'131**	**5'175'023**

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.
5 Retrospectively adjusted due to the introduction of IFRS 17 "Insurance Contracts". Details on page 72.

Scope of consolidation

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

in '000

	Currency	Share capital 31.12.23	Share capital 31.12.22	Equity interest
Subsidiaries (full consolidation)				
Switzerland				
VZ VermögensZentrum Ltd, Zurich	CHF	2'000	2'000	100%
VZ Rechts- und Steuerberatung Ltd, Zurich	CHF	250	250	100%
Früh & Partner Vermögensberatung Ltd, Zurich[1]	CHF	250	250	40%
VZ VersicherungsZentrum Ltd, Zurich	CHF	100	100	100%
VZ InsurancePool Ltd, Zurich	CHF	17'500	17'500	100%
HypothekenZentrum Ltd, Zurich	CHF	250	250	100%
HZ Credit Support Ltd, Zurich	CHF	100	100	100%
HZ Servicing Ltd, Zurich	CHF	100	100	100%
VZ Depotbank Ltd, Zug	CHF	45'000	45'000	100%
VZ Operations Ltd, Zurich	CHF	100	100	100%
VZ Vorsorge Ltd, Zurich	CHF	100	100	100%
VZ BVG Rück Ltd, Zurich	CHF	35'000	25'000	100%
VZ Insurance Services Ltd, Zurich[2]	CHF		100	
VZ Corporate Services Ltd, Zurich	CHF	100	100	100%
Claridenhof Ltd, Zurich	CHF	104	104	100%
Germany				
VZ VermögensZentrum Bank Ltd, Munich	EUR	20'000	20'000	100%
VZ Treuhand GmbH, Munich[3]	EUR		100	
Great Britain				
Lumin Group Ltd, St Albans	GBP	5	5	50,1%
Lumin Wealth Ltd, St Albans	GBP	6	6	50,1%
Lumin Wealth Management Ltd, St Albans	GBP	0,1	0,1	50,1%
Lumin Pensions Services Ltd, St Albans	GBP	0,1	0,1	50,1%
Chamberlain Stean & West Ltd, St Albans[3]	GBP		0,9	
VZ Investment Research Ltd, London	GBP	100	100	100%
Viper Ventures Ltd, St Albans[3]	GBP		0,5	
Nhance Independent Ltd, St Albans	GBP	0,001	0,001	50,1%
Ashridge Financial Management Ltd, St Albans	GBP	10	10	50,1%
Davidson Deem Ltd, St. Albans[4]	GBP	1		25,55%
Big Picture Wealth Management (Holdings) Ltd, St. Albans[4]	GBP	1		50,1%
B.W. (Consultant) Holdings Ltd, St. Albans[4]	GBP	0,1		50,1%
B.W. (Financial Consultants) Ltd, St. Albans[4]	GBP	0,1		50,1%

1 VZ Holding Ltd holds 50.66 percent of Früh & Partner Vermögensberatung Ltd's voting rights (31.12.22: 50.66 percent).
2 VZ Versicherungszentrum AG has acquired VZ Insurance Services AG by absorption merger with retroactive effect from 1 January 2023.
3 VZ Treuhand GmbH, Chamberlain Stean & West Ltd and Viper Ventures Ltd were liquidated in 2023.
4 Lumin Group Ltd acquired the following companies in 2023:
51% of the shares in Davidson Deem Ltd on 16 June 2023
100% of the shares in Big Picture Wealth Mangagement (Holdings) Ltd on 3 July 2023
100% of the shares in B.W. (Consultants) Holdings Ltd and B.W. (Financial Consultants) Ltd on 1 November 2023

Acquisition and sales of subsidiaries

In 2023, Lumin Group Ltd, based in St Albans, England, has acquired shares in the following companies:

Company	Shares	Date of acquisition
Davidson Deem Ltd, St Albans	51%	16 June 2023
The Big Picture Wealth Management (Holdings) Ltd, St Albans	100%	3 July 2023
B.W. (Consultants) Holdings Ltd[1], St Albans	100%	1 November 2023

1 As the parent company, B.W. (Consultants) Holdings Ltd holds 100% of the shares in B.W. (Financial Consultants) Ltd, St Albans.

VZ Holding Ltd holds a stake of 50.1 percent of the voting and capital rights in Lumin Group Limited. Lumin is an Independent Financial Advisor (IFA) offering independent advice on a fee basis. The company was founded in 2010, employs approximately 70 people and operates primarily in the North London area.

The Big Picture Wealth Management (Holdings) Ltd (Big Picture) and B.W. (Consultants) Holdings Ltd (BW Consultant) are active in the same business area as Lumin and will be integrated into Lumin in the medium term. Davidson Deem Ltd expands Lumin's business area to include consulting for private individuals on property financing. The assets and liabilities of the acquired companies were included in VZ Group's consolidated financial statements at the values shown in the table on page 167.

The acquisition costs for the two companies amount to GBP 5.3 million (CHF 6.0 million). Between 50 and 60 percent of these costs were paid in cash at the time of the acquisition. The remaining 40 to 50 percent will be paid in two equal instalments one and two years after the acquisition. The amount of these residual liabilities from acquisitions depend on the revenues in the first two years after the acquisition. The development of the residual liabilities from acquisitions are shown on page 159. As part of the purchase price allocation, the fair value of the client relationships of both acquired companies was determined using the multi-period excess earnings method. These valuations fall into Level 3 of the fair value hierarchy because several non-observable input parameters were used, including the estimated revenues and costs as well as the attrition rate of the acquired client relationships. The client relationships are amortised over 7 to 10 years. With the exception of goodwill (residual) and client relationships, all other assets and liabilities fall into the Level 1 or Level 2 measurement of the fair value hierarchy. The definitions for the fair value measurement in Levels 1 to 3 are provided on page 156. The goodwill resulting from these transactions is primarily due to the growth potential. The impairment test is based on Lumin's results. Goodwill and its amortisation are not deductible for tax purposes.

The management of Davidson Deem holds the remaining 49 percent of the shares. The owners have the right to sell these shares to VZ Group after three years, and VZ Group has the right to buy these shares at the same time. For the purchase of the minority interests, VZ Group recognises a liability in the amount of the estimated purchase price charged to equity. The present value of the estimated obligation as at the acquisition date is around GBP 0.7 million (CHF 0.7 million). Changes in the obligation are recognised in equity. Minority interests continue to be recognised in profit or loss in the income statement and statement of comprehensive income.

Davidson Deem has been included in VZ Group's consolidated financial statements since 16 June, Big Picture since 3 July and BW Consultant since 1 November 2023. As a result, revenue increased by CHF 0.8 million in the 2023 financial year; net profit increased by CHF 0.3 million. If all transactions had taken place on 1 January 2023, revenue would have increased by CHF 2.1 million and net profit by CHF 0.7 million in the financial year. The acquisition-related costs of CHF 0.3 million were recognised directly in the income statement as operating expenses.

CHF '000

	Davidson Deem	Big Picture	BW Consultant	Total
Assets				
Cash & cash equivalents	29	28	221	278
Other assets	6	109	4	119
Current assets	**35**	**137**	**225**	**397**
Other assets	6	0	0	6
Client relationsships	194	896	1'207	2'297
Non-current assets	**200**	**896**	**1'207**	**2'303**
Total assets	**235**	**1'033**	**1'432**	**2'700**
Current liabilities	**20**	**141**	**58**	**219**
Deferred tax liabilities	48	224	302	574
Non-current liabilities	**48**	**224**	**302**	**574**
Total liabilities	**68**	**365**	**360**	**793**
Exchange rate at the time of acquisition GBP/CHF	1.1397	1.1339	1.1172	
Fair value of acquired net assets[1]	**167**	**668**	**1'072**	**1'907**
of which attributable to non-controlling interests of Davidson Deem	(82)			(82)
Goodwill from acquisition				4'152
Purchase price				**5'977**
of which paid at acquisition date				3'138
of wich reconised as residual liability from acquisitions				2'839
Acquired cash & cash equivalents				(278)
Net outflow of cash & cash equivalents				(2'860)

1 In the half-year report as at 30 June 2023, the fair value of the net assets acquired was stated as TCHF 186. At that time, the contractually defined review process for the acquisition balance sheet with the seller of the shares had not yet been completed. The final fair value of the net assets acquired is TCHF 167, which corresponds to a reduction of TCHF 19. The goodwill arising from the acquisition has changed by the same amount.

Pledged assets

CHF '000

	Book value	thereof utilised
31.12.2023		
Cash and cash equivalents	34'613	36'294
Mortgages	592'136	454'572
Bonds	24'139	0
Other financial assets	50	0
Total	**650'938**	**490'866**
31.12.2022		
Cash and cash equivalents	66'411	66'780
Mortgages	478'306	402'948
Bonds	25'189	0
Übrige Finanzanlagen	100	0
Total	**570'006**	**469'728**

Securities financing operations (assets and liabilities)

CHF '000

	31.12.2023	31.12.2022
Carrying amount of obligations from cash deposits in connection with repurchase agreements[1]	0	0
Carrying amount of own securities transferred under repurchase agreements[2]	0	0
thereof with unrestricted right to resell or pledge	0	0

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

	31.12.2023	31.12.2022
Assets under management with management mandates	26'404'368	22'534'948
Other assets under management	13'816'660	10'963'068
Total assets under management (incl. double counts)	**40'221'028**	**33'498'016**
thereof double counts	*5'708'689*	*4'759'833*

Development of the assets under management

CHF '000

	2023	2022
Total assets under management (incl. double counts) As of 1 January	**33'498'016**	**34'402'815**
Net new money[1]	3'820'852	3'439'871
Performance, interest, dividends and changes in foreign exchange rates[1]	1'870'451	(4'586'357)
Other effects[2]	1'031'709	241'687
Total assets under management (incl. double counts) As of 31 December[3]	**40'221'028**	**33'498'016**

1 The figures have been adjusted for double counting.

2 The other effects are based on double counting and include net new money inflow or net money outflow and currency developments. In the 2023 financial year, VZ Group acquired two financial advisor firms with assets under management totalling CHF 184 million. The acquired assets are also recognised under "Other effects". In the previous year, the assets from acquisitions totalled CHF 242 million.

3 The assets under management do not include shares of VZ Holding Ltd that meet the following criteria:
- The shares are held by employees of VZ Group (including qualified participants, related parties, corporate bodies and former employees).
- The shares are held in a separate, fee-free custody account at VZ Depository Bank. Some of them are locked in as part of the management participation programme.
- These shares are not normally traded. The custody account is free of charge.

MIS (Management Information System): Internal view of the assets under management[1]

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

CHF ’000

	2023	2022
Total assets under management (incl. double counts) As of 31 December	**40'221'028**	**33’498’016**
Double counts	(5'708'689)	(4’759’833)
Additional assets (mortgages and other assets)	10'374'370	10’369’450
Assets under management according to the internal approach	**44'886'709**	**39’107’633**
Changes to net new money from assets under management	3'820'852	3’439’871
Changes to net new money from additional assets under management (mortgages and other assets)	546'265	1’161’843
Net new money according to the internal approach	**4'367'117**	**4’601’714**

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

Disclosure obligations under supervisory law[1]

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. Basic regulatory key figures (KM1)

CHF ’000

Row number		31.12.2023	31.12.2022
	Eligible capital		
1	Common Equity Tier (CET1)	799'216	696’792
2	Regulatory capital (T1)	799'216	696’792
3	Total eligible capital	799'216	696’792
	Risk-wighted assets (RWA)		
4	RWA	3'045'522	2’766’445
4a	**Required capital**	243'642	221’316
	Risk-based capital ratios (as percentage of RWA)		
5	CET1-ratio	26.2%	25,2%
6	Regulatory capital ratio	26.2%	25,2%
7	Eligible capital ratio	26.2%	25,2%
	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)	18.2%	17,2%
	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]	1.1%	1,0%
12c	CET1 target according to appendix 8 ERV + countercyclical buffer (Para. 44 and 44a ERV)[2]	8.5%	8,5%
12d	T1 capital target + countercyclical buffer (Para 44 and 44a ERV)[2]	10.1%	10,1%
12e	Total capital target according to appendix 8 ERV + countercyclical buffer (Para. 44 and 44a ERV)[2]	12.3%	12,3%

1 Unaudited information.
2 As of 31.12.2021, the countercyclical buffer was deactivated because of the COVID 19 pandemic.

CHF ’000

Row number		31.12.2023	31.12.2022
	Basel III leverage ratio		
13	Leverage ratio exposure	6'546'424	5'938'629
14	Basel III leverage ratio (regulatory capital as percentage of leverage ratio exposure)	12,2%	11,7%
	Liquidity coverage ratio (LCR)[1]	–	–
	Net stable funding ratio (NSFR)[1]	–	–

1 VZ Group is exempt from the obligation to report the LCR and the NSFR, which came into effect on 1 July 2021, at the level of the financial group. Disclosure at the single entity level is carried out by VZ Depository Bank Ltd.

In contrast to the accounting guidelines (closing date principle), the value date principle is used for securities transactions to determine the capital adequacy requirement and the leverage ratio.

2. Overview of risk-weighted assets (OV1)

CHF ’000

Row number		RWA[1] 31.12.2023	RWA[1] 31.12.2022	Required capital 31.12.2023
1	Credit risk	2'056'051	1’855’459	164'484
20	Market risk	26'788	27’044	2'143
24	Operational risk	794'995	713’234	63'600
25	Items not deducted in application of threshold (risk-weighted with 250 %: minimum capital requirements)[2]	10'694	24’783	855
27	**Total (1 + 20 + 24 + 25)**	**2'888'528**	**2’620’519**	**231'082**
	Non-counterparty related risks	156'995	145’925	12'560
	Total RWA	**3'045'523**	**2’766’445**	**243'642**

1 Risk-weighted assets.
2 Item 25 includes financial investments exceeding 10 % and deferred tax assets due to timing differences.

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 described in the financial report under the section "Risk management" from page 101 onwards.

4. Credit risks: credit quality of assets (CR1)

CHF ’000

Row number		Gross book value of positions in default	not in default	Impairments/ write-offs	Net book value
1	Receivables (except debt instruments)		5'881'299	(106)	5'881'193
2	Debt instruments		398'252	(29)	398'223
3	Off-balance sheet items		151'739		151'739
4	**Total**	**0**	**6'431'290**	**(135)**	**6'431'156**

The definition of defaulted items corresponds to that of impaired receivables: It is unlikely that the debtors of these receivables will fulfil their obligations. Impaired receivables and collateral are valued at liquidation value and their value is adjusted to reflect the debtor's creditworthiness.

5. Credit risks: credit mitigation techniques (CR3)

CHF ’000

	a Positions without collatorals (book value)	c Positions with collaterals (actual collateralised amount)	e & g Positions secured by financial guarantees or credit derivatives (actual collateralised amount)
Receivables (incl. debt instruments)	2'110'331	3'876'066	293'020
Off-balance sheet items	126'429	25'310	
Total	**2'236'760**	**3'901'376**	**293'020**
Thereof defaulted			

6. Interest rate risks (IRRBBA, IRRBBA1, IRRBB1)

VZ Group is exempt from the obligation to prepare the interest rate risk report at the level of the financial group. VZ Depository Bank Ltd. is responsible for disclosure at the level of the individual institution.

7. Operational risks: general information (ORA)

The management of liquidity risks is explained in the Financial Report under «Risk management» in the section «Operational risks» (see page 108).

The basic indicator approach is used to calculate the required capital.

Dividends paid and proposed

Date of the general annual meeting	Date of the dividend payment	Number of ordinary shares	Nominal amount per share in CHF	Dividend per share in CHF	Dividend paid out in TCHF
12.4.2022	20.4.2022	40’000’000	0.05	1.57	61’884[1]
12.4.2023	18.4.2023	40'000'000	0.05	1.74	68'397[1]

Proposed dividend per ordinary shares for approval at the AGM for the year 2023:

8.4.2024	12.4.2024	40’000’000	0.05	2.24	88’189[2]

1 No dividend payments on treasury shares.
2 Status of dividend entitled shares as at 31 December 2023. Therefore, the actual amount paid out is dependent on the number of treasury shares held by VZ Group on the payment date (12 April 2024).

On 18 April 2023, the dividend of CHF 1.47 per share for the 2022 financial year was distributed. The total dividend distribution amounted to TCHF 68’397.

Events after the balance sheet date

No events took place between 31 December 2023 and 27 February 2024 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 27 February 2024, the Board of Directors discussed and approved the consolidated financial statements. They will be submitted to the general meeting of shareholders on 8 April 2024 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 2023, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 60 to 174) give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by 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 10'899'000

We completed full scope audits of five group companies in Switzerland and reviews as well as specified procedures of five group companies in Switzerland. In Germany and the UK, we performed analytical procedures at group level of one company in Germany resp. two companies in the UK and of six further companies in Switzerland. The Group companies at which we performed audit and review procedures, accounted for almost 100% of the Group's profit before tax.

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

Valuation of financial assets (mortgages)

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, 8050 Zürich, Switzerland
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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 10'899'000
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 119 to 120 and page 62 of the consolidated financial statements. The mortgages amount to CHF 3'707'934 thousand as at 31 December 2023, represent about 57% of total assets and are thus the largest asset on the balance sheet. 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 73 to 79 (Summary of key accounting principles) in the notes to 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: • 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 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

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

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

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

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

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards 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 SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the consolidated financial statements.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Beat Rütsche	Patrick Wiech
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 27 February 2024

FINANCIAL STATEMENTS OF VZ HOLDING LTD

INCOME STATEMENT

CHF ’000

	2023	2022
Revenues		
Management fees	17	3
Dividend income	121’163	91’591
Other financial income	6’007	3’868
Total revenues	**127’187**	**95’462**
Expenses		
Premises	16	10
Personnel expenses	1’699	833
Other operating expenses third parties	1'044	332
Other operating expenses VZ Group companies	586	910
Depreciation and amortisation	28	0
Other financial expenses	396	147
Direct income taxes	531	290
Total expenses	**4'300**	**2’522**
Net profit	**122’887**	**92’940**

BALANCE SHEET

CHF '000

	31.12.2023	31.12.2022
Assets		
Cash and cash equivalents	13'204	1
Accounts receivable VZ Group companies	42'291	24'465
Other receivables	43	22
Accrued income	89	3
Current assets	**55'627**	**24'491**
Loans to third parties	4'860	4'873
Loan VZ Group companies	20'200	20'200
Investments in subsidiaries	205'139	195'247
Investments in associates	400	400
Non-current assets	**230'599**	**220'720**
Total assets	**286'226**	**245'211**
Liabilities and equity		
Trade payables	91	0
Liabilities VZ Group companies	16'587	26'572
Other current liabilities	23	29
Income tax payables	541	294
Accrued expenses	640	448
Current liabilities	17'882	27'343
Financial liabilities to VZ companies	10'000	20'000
Non-current liabilities	10'000	20'000
Total liabilities	**27'882**	**47'343**
Share capital	2'000	2'000
Legal reserves	1'000	1'000
Free reserves	80'000	80'000
Treasury shares	(47'643)	(53'629)
Retained earnings	100´100	75´557
Net profit	122'887	92'940
Total equity	**258'344**	**197'868**
Total liabilities and equity	**286'226**	**245'211**

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. The main balance sheet items are recognised as shown below.

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

	31.12.2023	31.12.2022
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 subsidiaries	25'500	35'359
Subordinate loans		
VZ Holding Ltd has granted to VZ InsurancePool Ltd an indefinite subordinate loan	5'000	5'000
Liabilities VZ Group companies		
Short-term financial liabilities to VZ Depository Bank Ltd, Zug	10'000	10'000
Long-term financial liabilities 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

	Owner-ship	Voting interest	Share capital 31.12.23	31.12.22
Switzerland				
VZ VermögensZentrum Ltd, Zurich	100%	100%	2'000	2'000
VZ Rechts- und Steuerberatung Ltd, Zurich	100%	100%	250	250
Früh & Partner Vermögensberatung Ltd, Zurich	40%	50.7%	250	250
VZ VersicherungsZentrum Ltd, Zurich[1]	100%	100%	100	100
VZ Insurance Services Ltd, Zurich[1]				100
HypothekenZentrum Ltd, Zurich	100%	100%	250	250
VZ Depotbank Ltd, Zug	100%	100%	45'000	45'000
VZ Vorsorge Ltd, Zurich	100%	100%	100	100
VZ InsurancePool Ltd, Zurich	100%	100%	17'500	17'500
VZ BVG Rück Ltd, Zurich[2]	100%	100%	35'000	25'000
VZ Corporate Services Ltd, Zurich	100%	100%	100	100
VZ Operations Ltd, Zurich	100%	100%	100	100
Claridenhof Ltd, Zurich	100%	100%	104	104
Germany				
VZ VermögensZentrum Bank Ltd, Munich Registered capital EUR 20’000’000	100%	100%	21’662	21’662
VZ Treuhand GmbH, Munich[3] Registered capital EUR 100’000				108
Great Britain				
Lumin Group Ltd, St Albans Registered capital GBP 5’323	50,1%	50,1%	6	6
VZ Investment Research Ltd, London Registered capital GBP 100’000	100%	100%	119	119

1 VZ Versicherungszentrum AG has acquired VZ Insurance Services AG by absorption merger with retroactive effect from 1 January 2023.
2 Founded on 27 July 2022.
3 VZ Treuhand GmbH was liquidated in 2023..

Investments in associated companies

VZ Holding Ltd holds a 33 percent stake in the asset management company Dufour Capital Ltd, Zurich, for TCHF 400. The company has a share capital of TCHF 150.

Liabilities under occupational benefit schemes

As of 31.12.2023, there were no liabilities under occupational benefit schemes (31.12.2022: 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 2023.

Treasury shares

	Number
Balance as of 1 January 2022	**621'145**
Purchases at average price of CHF 75.21	231'935
Disposals at average price of CHF 89.49	(96'508)
Balance as of 31 December 2022 (at average price of CHF 70.88)	**756'572**
Balance as of 1 January 2023	**756'572**
Purchase at average price of CHF 83.37	94'867
Disposals at average price of CHF 84.13	(221'561)
Balance as of 31 December 2023 (at average price of CHF 75.64)	**629'878**

The shares are sold as part of the management participation plan.

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 13'181 (2022: TCHF 0).

Significant 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 131.

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 40 to 53, including specifically:

- compensation of the Board of Directors
- compensation of the Executive Board
- portfolio of shares and options of the members of the Board of Directors and the Executive Board

Full-time equivalents

In the year under review and the previous year, the annual average number of full-time positions was less than 10.

Events after the balance sheet date

No events took place between 31 December 2023 and 27 February 2024 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 8 April 2024:

CHF ’000

	31.12.2023	31.12.2022
Balance brought forward	100’100	75’557
Net profit for the year	122’887	92’940
Retained earnings at the disposal of the Annual General Meeting	**222’987**	**168’497**
Dividend	(88’189)[1]	(68'397)
Balance to be carried forward	**134’798**	**100'100**
Proposed dividend in CHF (Previous year: actual dividend paid) per registered share with a nominal value of CHF 0.05	**2.24**	**1.74**

1 As at 31 December 2023. The dividend amount is based on the proposal of the Board of Directors to the Annual General Meeting. The actual dividend amount distributed depends on the number of treasury shares not entitled to dividends that are held at the time.

As the legal reserve has reached 50 percent of the share capital, no further allocation will be made.

Following approval by the Annual General Meeting on 8 April 2024, the proposed dividend will be paid out on 12 April 2024 after deduction of 35% withholding tax.

Report of the statutory auditor

to the General Meeting of VZ Holding Ltd

Zug

Report on the audit of the financial statements

Opinion

We have audited the financial statements of VZ Holding Ltd (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 180 to 185) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion

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

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

Our audit approach

Overview

Overall materiality: CHF 6'170'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

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

Impairment testing of investments in subsidiaries

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 6'170'000
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.

Key audit matters

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. 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. If indications of impairment are identified, VZ Holding Ltd tests whether impairment charges are necessary by analysing the available multi-year plans, including an assessment of the current market situation by applying an earnings value method. 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 183 (Shareholdings) in the notes to the financial statements.	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. Where the book value was higher than the available equity, an impairment test based on an analysis of the multi-year plans considering an earnings value method was performed. The analysis consisted of the following: • We compared Management's expectations for revenue growth and long-term growth rates with developments in the industry. • 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 multi-year 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.

Other information

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

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

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

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

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website: http://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 890, we confirm the existence of an internal control system that has been designed, pursuant to the instructions of the Board of Directors, for the preparation of the financial statements.

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	**Patrick Wiech**
Licensed audit expert Auditor in charge	Licensed audit expert

Zürich, 27 February 2024

Anton Reckziegel: Bernisch-Kantonale Industrie- & Gewerbe-Ausstellung Thun, 1899


ERNISCH-KANTONALE
STRIE-&GEWERBE-
USSTELLUNG
schaft, Eidg. Spez. Ausst. Elektricität, Motoren,
llverh. Samariter; Feuerlösch-&Wehrwesen.
THUN
1. Juni 1899 15. Okt.
A. Reckziegel

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HZ Credit Support Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 563 63 33
HZ Servicing Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 563 63 33
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 Innere Güterstrasse 2, 6300 Zug, Phone +41 44 207 24 24 Rue de Lausanne 15, 1201 Geneva, Phone +41 22 595 15 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 BVG Rück Ltd	Gotthardstrasse 6, 8002 Zurich, Phone +41 44 207 27 88
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
Lumin Group Ltd	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 168 of the annual report 2023
Consolidated result	VZ Group's net profit
Core capital ratio	Common equity tier 1 capital ratio (CET1)
Insurance result	Detailed information on page 112 of the annual report 2023
EBIT margin	Earnings before interest and taxes (EBIT) in relation to 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.
Interest income	Banking income from interest operations
Management and platform clients	Clients who use one or more platform services (portfolio management, banking services, mortgages, pension plans or insurances)
Net cash	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 168 of the annual report 2023
Net profit	VZ Group's net profit, including non-controlling interests
Payout ratio	Dividend paid compared to net profit
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: www.vzch.com

Disclaimer

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

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