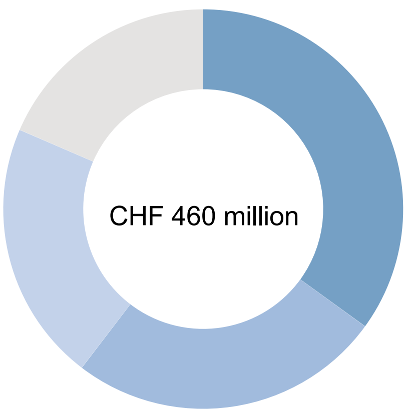
Annual Report
2017

Aduno Group
the smart way to pay

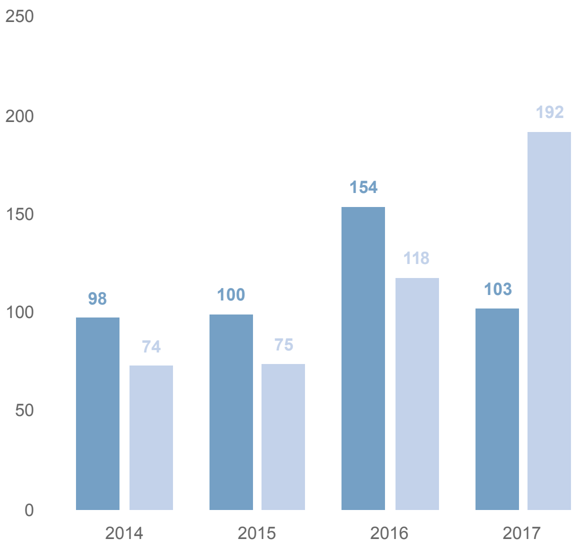
AT A GLANCE

Financial Year		2017	2016 restated	2015 restated	2017/2016
Total revenue	in million CHF	459.6	478.2	362.1	(3.9%)
Results from operating activities	in million CHF	102.8	154.1	100.4	(33.3%)
in % of revenue		22.4%	32.2%	27.7%	
Profit for the period	in million CHF	191.6	118.5	74.6	61.7%
in % of revenue		41.7%	24.8%	20.6%	
Total assets	in million CHF	2,212	2,292	2,207	(3.5%)
Total equity	in million CHF	806.9	642.7	543.2	25.5%
in % of total assets		36.5%	28.0%	24.6%	
Profit per share	in CHF	7,667	4,743	2,996	61.7%
Number of issued card	in 1,000	1,488	1,425	1,369	4.4%
Processed volume from issued cards	in billion CHF	9.0	8.3	7.8	8.9%
Consumer Finance portfolio	in million CHF	1,339	1,251	1,265	7.0%
Number of employees (end of year)	in FTE	717	819	756	(12.4%)

Distribution of revenue 2017 by source



Operating result and net profit from 2014 to 2017
[in CHF million]



EDITORIAL

Ladies and Gentlemen,

As we look back over financial year 2017, a number of events and developments deserve special mention.

Firstly, we at the Aduno Group made some important strategic changes. Following the sale of the Acquiring and Terminals operation, the Aduno Group's focus in its Payment division is now on the Issuing business. In this segment we again achieved gratifying growth in 2017 and we continue to see a great deal of potential here, in part because of our expertise in digital payment solutions. In addition, the Aduno Group acquired a majority stake in Contovista AG and thereby boosted its position in finance management and analytics. Here as elsewhere, by combining our abilities we can create added value for our customers.

The ongoing digital transformation of the Aduno Group is also worthy of mention. This was driven further forward and various digital services were introduced. Considerable resources were invested in preparing for and putting in place these digital initiatives. You will find more information on these matters in this Annual Report.

On 20 December 2017 the Board of Directors, on the basis of the results of an investigation by law firm Baumgartner Mächler, lodged a criminal complaint against two former members of the Aduno Group governing bodies for suspected criminal mismanagement. The resulting criminal proceedings of Canton Zurich public prosecutor's office III elicited a great deal of media interest and are still under way. Presumption of innocence applies. The proceedings do not affect any of the current management.

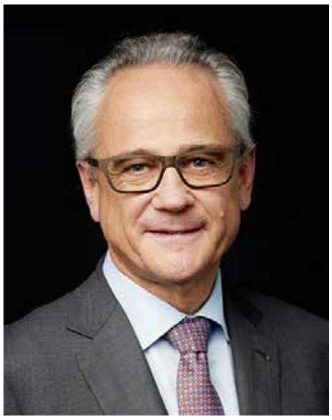
We are pleased to be able to report that the Aduno Group continued on a successful financial path. We took advantage of the positive economic environment in the financial year 2017 to achieve solid sales and record net income.

The current economic backdrop and healthy prospects in this regard make us optimistic for the future. The conditions are right for a good 2018 for the Aduno Group. This year the main strategic focus will continue to be placed on the digital transformation. Among other things we will expand the digital service ViseccaOne and will offer our customers other analytics services.

In 2017 our employees once again showed great commitment to the Aduno Group and thereby made possible a pleasing set of annual financial statements. We would like to thank them for this on behalf of the Board of Directors and the Executive Board. We would also like to thank our customers for their trust and their support. We continue to count on them.

Pascal Niquille
Chairman of the Board of Directors

Martin Huldi
Chief Executive Officer



Pascal Niquille
Chairman of the Board of Directors

Martin Huldi
Chief Executive Officer

Martin Huldi, CEO
Conrad Auerbach, CFO

INTERVIEW WITH CEO/CFO

In mid-2017, the Aduno Group sold its Acquiring and Terminal business to SIX Payment Services Ltd. Why did you decide on this step?

Martin Huldi: Consolidation has been taking place in this area of business for several years. In the near future, there will probably only be large acquirers of European dimensions left. Aduno SA as a purely Swiss player was too small to be able to play a role in the long term.

Conrad Auerbach: In addition, despite continual efforts to optimise the business, the earnings from acquiring did not meet our expectations. From a financial point of view, the timing was favourable for a sale. So you might say it was both a strategic and an opportunistic step.

What does the sale mean for the future strategic course of the Aduno Group?

Huldi: It means that in the Payment division, the Aduno Group will focus on the area in which it can generate the best returns, drive forward innovations and create most value, and that is the issuing of cards. That, together with the Consumer Finance division, is our main area of business. We still see huge potential here and we will further expand issuing.

Auerbach: It also means moving away from parts of the strategy in previous years of bringing together consumers on one side and merchants on the other. This is firstly, because the synergies that we had hoped to achieve by bringing together the two worlds did not materialise as desired, and secondly, because we no longer wished to make the capital investment needed to realise this strategy, given the consolidation referred to at the outset.

“In both divisions we are driving forward with digitisation.”

The financial result for 2017 is once again very positive. What were the reasons for this pleasing performance?

Auerbach: The market environment provided a strong tailwind. The Aduno Group is currently living in the best of all worlds: the economy is doing well, consumer spending is strong, tourism is flourishing, interest rates are low and the currencies are trading to our advantage. This is a very favourable constellation for us.

Huldi: In addition, there is the trend away from cash and towards cards. We are seeing cards being used not just as a means of payment while travelling and in e-commerce but increasingly as a day-to-day means of payment as well. The Aduno Group recorded a rise in the number of cards in circulation by over 4 per cent and transaction volumes were up by almost 9 per cent. That drives our turnover and is also, of course, good for the earnings we achieve in this business. Volumes in the Consumer Finance business likewise increased significantly in 2017 as a result of the targeted expansion of sales channels.

At the beginning of August, the domestic interchange fee was further reduced to 0.44 per cent. How did you succeed in absorbing this reduction?

Auerbach: Through a mixture of various factors. The main factor by far was the sharp growth in volumes. We also implemented cost reduction programmes, and not just starting last year. For instance, we cut back our project portfolio. Finally, we increased certain charges slightly, which also had a stabilising effect.

In the past, the Aduno Group has offered prepaid cards and credit cards. With the launch of new products in the shape of Debit Mastercard® and Mastercard® Flex, the Group is entering a new area of business. What are the reasons for this?

Huldi: In other European countries we are seeing a trend towards convergence of the two payment methods debit and credit. So you can decide whether a payment is charged immediately to your bank account or whether you will instead get a monthly statement as with a credit card. Customers want this freedom – as would seem to be indicated by the fact that around 180 million Debit Mastercard® cards are currently used in Europe. As an allround solution provider in Payment, we want to offer our customers this freedom as well, and will therefore launch in mid-February with the first of our partner banks.

What other benefits do these new products bring for customers?

Huldi: We are confident that the range of functions offered by these products will meet many customer needs. Debit Mastercard® and Mastercard® Flex are suitable for contactless payments, for e-commerce and for mobile payments. Thanks to the ability to digitally encrypt information on what is called a “token”, you can load the card not just onto a smartphone but also onto wearables such as the Fitbit and Garmin activity trackers. In short, it makes life even easier and even more secure for customers.

The expansion of digital payment solutions was a general focus of attention in 2017. Where did the priorities lie?

Auerbach: We significantly enhanced our VisecaOne app. In future it will be possible to use specific services directly through the app, such as requesting a new PIN or blocking cards. The app allows us to get closer and closer to the customer by way of digitisation, so that they have more autonomy at any time of the day or night. Another pleasing development in this connection is that we have significantly reduced risk costs. Identifying fraud has always been one of our strong points and that is true now to an even greater extent.

Huldi: VisecaOne has made outstanding progress. We now have more than 700,000 registered customers. Most of them use the app actively, some of them every day. As a further change, we have integrated the rewards programme surprize into the app. Customers can now select and obtain surprize rewards directly on their smartphone, which has led to a clear increase in use.

Let's stay with digitisation. Open APIs (application programming interfaces) are a topical subject in the context of fintech. What is the Aduno Group's take on this trend and where do you see opportunities?

Huldi: The Aduno Group seeks to be at the forefront when it comes to APIs. That is crucial for us. API is not just a future technology and a platform for Open Banking, it also makes it a lot easier to work with banks and customers. APIs open up almost unlimited options for shaping processes between banks and the Aduno Group, and doing so in an entirely secure and straightforward way.

Auerbach: APIs also help us on the time axis when rolling out new services on the market. With APIs, the Aduno Group can connect its services up to the bank much more quickly. That can be seen, for instance, with VisecaOne, which now works through an API. So we are not just talking about API, we are also implementing specific projects.

How satisfied are you with the Consumer Finance division?

Huldi: Very satisfied! We grew significantly in both areas of the business, personal credit and leasing, new volumes were very good and the credit portfolio also increased. After some difficult years previously because of the reduction in the maximum interest rate and other regulatory interventions, this is particularly pleasing. Less pleasing is the general margin trend because of pressure on terms.

Auerbach: As well as success in the marketplace, it is therefore also important from the CFO's point of view that things are right on the cost side. At some point, the happy times of very low interest rates will come to an end and costs will rise. Whether we will then be able to raise prices as well is questionable at least. If we want to maintain our margins, the cost base needs to be prepared accordingly. In 2017, we achieved considerable progress in reducing our cost base and launched additional initiatives that will bear fruit in 2018 and 2019.

What sort of measures were they specifically on the cost side?

Auerbach: We are driving forward the digitisation and automation of our processes as well as the streamlining of our set-up. The objective is to handle increasing volumes while keeping the use of resources constant.

So in Consumer Finance, too, it is about making use of the benefits of digitisation?

Huldi: Exactly. We are working on making the credit approval process quicker, simpler and more efficient. In 2017, cashgate launched an entirely digital credit agreement involving video identification and a digital signature. The advantage for the customer is that their application can be processed a lot more quickly, while the benefit for us is that the internal processes are simpler, leaner and likewise faster.

The world of work is also being changed fundamentally for employees by digitisation. What effect is that having at the Aduno Group?

Huldi: Digitisation will indeed bring huge change to the world of work. Other skills will be called for, such as flexibility, autonomy and managing yourself. Work will be more mobile, less tied to a location, and new forms of collaboration will arise. As an employer, we have a responsibility to prepare our employees for these changes and to assist them through this process.

Auerbach: With that in mind, the Aduno Group has launched a project called “the smart way to work”. This is made up of three areas in which we would like to offer state-of-the-art solutions for future working. Firstly, the premises and the infrastructure in the building, and, secondly, the people, i.e. the forms that collaboration takes and the requirements placed on employees. The third area we are currently focusing on is the technical infrastructure, such as computers, telephones and video con-ferencing systems as well as digital collaboration platforms.

Not all employees are likely to welcome these changes. For some it may also lead to stress. What value does the Aduno Group place on health in the workplace?

Huldi: Digitisation is a factor, but the Aduno Group had a very challenging year overall – including in terms of the high volume of business and the number of projects. We could not cope with this without effective and motivated employees. Accordingly, we place a great deal of importance on the health of our staff. The Aduno Group has an occupational health management system that we are further developing on the basis of the high standards of the Gesundheitsförderung Schweiz foundation, which promotes good health in Switzerland.

Auerbach: We are committed to ensuring that a healthy lifestyle is part of the corporate culture of the Aduno Group to a still greater extent, and are carrying out measures within the company as well as outside it. In 2017, for example, 350 of our employees took part in the Virgin Pulse Global Challenge for the first time. This involved us exercising for 100 days in 50 teams and devoting ourselves, with great success, to healthy eating, healthy sleep and adequate physical activity.

Continuing with employees, the Aduno Group carried out a study on equality of pay between men and women in 2017. What were the results?

Auerbach: Very good, if not quite perfect. The pay difference not attributable to objective factors is less than 2 per cent. This result is very gratifying, as the sector average is 9.9 per cent. The experts from the universities of Zurich and St. Gallen who conducted the study were pleasantly surprised. We ourselves were not surprised as we expected it, having worked towards it. And in the coming months we will be working on closing the gap completely.

What are the priorities for the Aduno Group in the current year?

Huldi: The strengthening of Payment in all its aspects has priority. In February 2018, we will launch Debit Mastercard® with our first partner bank. As the year progresses, it will be joined by other banks. A further focal point is making Payment services for our banks more flexible. The aim is to offer them more choice with regard to the scope of the service and pricing. Another initiative in 2018 is concerned with the digitisation of back-office processes, in particular in Consumer Finance but also in the areas of finance and human resources.

Auerbach: Completing the sale of the Acquiring and Terminal business is likewise a high priority this year. The core task in this connection is separating the IT. At present our IT provides services not just for the Aduno Group but also for the Acquiring business that been transferred to SIX. We need to separate these processes and progressively transfer them. That is a highly sensitive project that needs to proceed with all due care.

How do you expect the company to perform this year?

Auerbach: We are optimistic for 2018. As long as the environment remains as it is, there is no reason why it should not be another strong year. We are ready and our customers are too, it seems.

Huldi: The Aduno Group is well positioned strategically. The trends in the sector, including at international level, are going in our direction and we will be able to benefit from that. The new services – Debit Mastercard® is a representative example, enabling payments both via a smartphone and with wearables – will generate additional growth. In this context we are well equipped for 2018.

ADUNO GROUP –
THE SMART WAY TO PAY

The Aduno Group is the Swiss specialist for cashless payments, personal credits and leasing. Its proven expertise in payment processes and data analysis and its ability to innovate enable it to create added value for customers, partners and shareholders. The Group's strategy paves the way for profitable growth.

True to its vision of being "the smart way to pay", the Aduno Group offers its customers in Switzerland secure and easy cashless payments as well as private financing. The Aduno Group provides various products and services along the value chain of cashless payments, all from a single source: whether it be card issuing, personal credit, leasing or the provision of guarantee deposits.

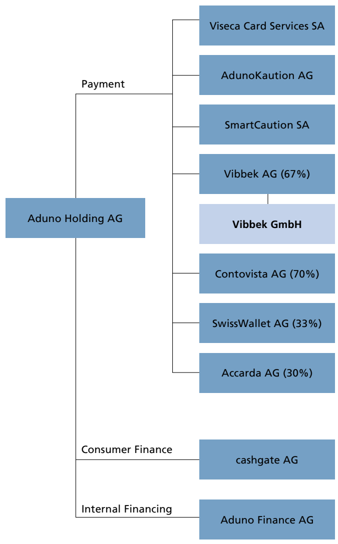
Payment business

At the heart of the Payment division is the issuing business of Viseca Card Services SA. With around 1.5 million cards, Viseca is one of the largest issuers of payment cards (debit, credit and prepaid cards) in Switzerland. A multiplicity of partner banks and companies is testimony to Viseca's reliability, trustworthiness and expertise. The Payment division also encompasses AdunoKaution AG and SmartCaution SA, operating in the guarantee deposit business, a majority interest in Vibbek AG, which specialises in software development for card payments, a majority stake in Contovista AG, specialising in finance management and analytics, and interests in Accarda AG, which issues customer cards and implements card-based customer loyalty programmes, and SwissWallet AG, which develops digital payment solutions.

Consumer Finance business

The Consumer Finance division comprises the personal credit and leasing business of cashgate AG. Operating through around 1,500 partner branches and just as many partner garages, cashgate offers proximity to the customer. These points of sale, together with the company's virtual profile, constitute the country's densest distribution network for personal credit and leasing.

Structure of the Aduno Group



Success factors drive future growth

Based on market trends and its own strengths, the Aduno Group has determined the success factors that will drive its future growth. Through its proven expertise in payment processes and its ability to innovate in mastering technological interfaces, the Aduno Group seeks to be at the forefront of those benefiting from the sharp upward trend in digital payments. In doing so it will make the most of its know-how in data analysis in combination with the interplay of payments, finance management and analytics as well as consumer finance. The intelligent utilisation of data – taking account of stringent data protection requirements – enables it to create added value for customers, banks and other partners. Customers receive more and better services and greater security. Banks and partners can use the data they have available to offer individualised services in the digital and mobile channels.

The strategy for profitable growth

Based on its success factors, the Aduno Group has defined its strategy for profitable growth. The strategy comprises three interrelated stages of development that will not be implemented in chronological order but instead synchronised with one another:

– **Strengthen the core: Strengthen the core business.**
  The Aduno Group enjoys a stable foundation with its core business. The card business, the personal credit and leasing business, finance management solutions and analytics as well as deposit guarantees achieve solid organic growth and deliver a steady stream of income. The Aduno Group will further strengthen its core business in a systematic manner, for example by promoting online channels, increasing its distribution collaboration with partner banks and carrying out measures to align processes and guidelines with bank standards.

– **Extend the core: Extend the core business on the basis of the core competencies.**
  At the second level, the Aduno Group is launching new products and services to expand its existing Payment and Consumer Finance business. In addition, the market penetration rate will be increased, and new markets and customer groups will be tapped. This will be done by, for example, expanding card penetration among partner banks with Debit Mastercard® and Mastercard® Flex or taking on additional credit portfolios in the Consumer Finance business.

– **Beyond the core: Develop the core business into the future and establish new core competencies.**
  At the third level, the Aduno Group will continuously develop new digital services and business models for consumers, banks and partners – based on its core business as well as its core competencies: payment, consumer finance and data analytics. Examples of this are VisecaOne and Viseca Masterpass, which make paying for online purchases more secure, quicker and easier, and the virtual branch network with a chat facility and a digital agreement procedure.

PAYMENT BUSINESS MAINTAINS ITS HIGH RATE OF GROWTH

The Payment division, repositioned through the sale of the Acquiring business, made good progress in 2017. The number of issued cards increased to around 1.5 million. The range of digital services was further expanded. With the acquisition of a majority interest in Contovista, the Aduno Group is focusing on finance management solutions and analytics.

In 2017, the Aduno Group repositioned the Payment division. The Acquiring and Terminals business, responsible for the acceptance and processing of electronic payments at merchants, was sold to SIX Payment Services Ltd. In future, the cards business of the Aduno Group will be focused on Viseca's issuing operation. The Group's Payment division also encompasses the guarantee deposit business. as well as Contovista's finance management solutions and analytics.

Viseca enters the debit card business

Viseca is one of the largest issuers of payment cards in Switzerland. Its private and corporate customers benefit from a broad range of products and services. Viseca continued the volume growth enjoyed in the past few years in the reporting year and increased the number of issued cards by around 63,000 to a total of 1.49 million. Transaction turnover exceeded the CHF 9 billion mark for the first time.

In the 2017 financial year, the Aduno Group, working with several cantonal banks, put the conditions in place for launching the Debit Mastercard® and Mastercard® Flex in Switzerland. This means that the Aduno Group is entering the debit card business, allowing it to tap new customer groups and turnover potential. These modern debit cards combine the well-established advantages offered by traditional debit bank cards with the additional, contemporary and future-proof functions of a credit card: online shopping, acceptance around the world, security and full control of expenditure. During the payment process in a shop or on the Internet, customers can easily choose between credit card or debit card payment. The Debit Mastercard® is also equipped with a contactless function and is suitable for paying with a smartphone.

Issuing drives digitisation strategy forwards

The key focus of Issuing in the past financial year lay on pushing ahead with digital payment projects. One success story is the digital service VisecaOne: the VisecaOne app is one of Switzerland’s three most popular apps in the iOS App Store, Finance category. It has been downloaded more than 700,000 times and has 250,000 active users a month. VisecaOne is the digital interface to the cashless payment means offered by Viseca. With VisecaOne, customers can access and check an overview of their payment cards via a smartphone or computer. Using the VisecaOne app, they can approve e-commerce payments simply and securely on a smartphone, check card transactions in real time and subscribe to push notifications. Another encouraging development in this connection is that losses from fraud in 2017 were lower than they have ever been in the history of the Aduno Group.

The expansion of Viseca Masterpass, the digital wallet for online purchases, was likewise successful. This online payment solution, developed in collaboration with Mastercard, was activated at additional shareholder banks. At present, more than 700,000 Viseca customers have registered for the Masterpass and can use it to make payments conveniently, quickly and securely in over 300,000 online shops worldwide.

The rewards programme surprize that is popular with cardholders and merchants also did well in 2017. Well-known brands were added to the partner network. This gives cardholders an even larger selection of attractive rewards.

Paying with a fitness tracker

In the near future, digital payment solutions will be established that are based on the tokenisation standards of the international card networks. This means that card details are encrypted on a “token” – a digital substitute for the physical card – so that it can be used instead of the card for contactless purchases in shops, in apps or on the Internet.

In 2017, the Aduno Group made preparations for providing its customers with such token-based digital payment solutions for new devices and applications such as smartphones, wearables and IoT (Internet of Things). In the first quarter of 2018, for example, payments using the Fitbit and Garmin smartwatches will be introduced onto the market.

Majority interest acquired in Contovista

At the beginning of August 2017, the Aduno Group increased its stake in the Swiss fintech start-up Contovista AG to 70 per cent. Nine cantonal banks now use the personal finance management solution offered by Contovista. The provision of analytics services for banks is being expanded in a collaborative effort. In this way, the Aduno Group can offer its partner banks valuable support in the digitisation of their business. With this solution, banks can extend the important digital customer interface with value added services and thereby create an attractive customer experience for personal and business customers. For example, bank customers can be given the option of importing their credit card transactions into their e-banking solution, where they can check them and create clear graphic overviews.

Furthermore, the Aduno Group in conjunction with Contovista can assist the banks in predictive analytics and smart data applications. Banks can thus use the data they have available to offer individualised services in digital and mobile banking.

Performance of the guarantee deposit business

For the guarantee deposit business, 2017 was a year of transition. Following the Aduno Group's acquisition in 2016 of SmartCaution, which mainly operates in the Geneva area, the focus in the year under review was on new products that will be progressively introduced from 2018.

CONSUMER FINANCE BUSINESS DRIVES FORWARD WITH DIGITISATION

The Consumer Finance division implemented several digital initiatives in 2017. The most important change is an entirely digital credit agreement that customers can conclude easily and securely on their computer or smartphone. In the Leasing segment, new strategic partnerships made for encouraging growth.

In the market for personal credit and leasing, a clear trend can be discerned towards digitisation and new digital services. That is not least a reaction to a market environment that remains highly competitive, spurring providers to differentiate their services and to improve their operational efficiency.

An active role is being played in shaping this digital transformation by cashgate. Today cashgate is accessed both through partners – such as banks, other intermediaries and car dealers – or directly through the branches, and increasingly online via the website or using a smartphone. Irrespective of the channel used, cashgate can offer customers its services in the areas where there is demand.

cashgate launches digital credit agreement

At the end of 2017, cashgate launched an entirely digital credit agreement. By means of video identification and a digital signature, customers can conclude an agreement straightforwardly online. The credit process is completely digital – covering both the application from the customer and the credit check and processing by cashgate.

The updated cashgate website also offers a number of new digital services for customers in the same way as a physical branch. For instance, customers can use advisory services or ask questions via chat and video chat facilities, use a simplified procedure to increase their current credit, book appointments online and notify changes of address.

New strategic partnerships in leasing

In the leasing segment, cashgate introduced new collaboration models in the year under review, which made possible acquisition of additional strategic partners, including an innovative car manufacturer. The stock vehicle financing arrangement for dealers introduced in the previous year fared well. This means that garage operators and importers can finance their stock of vehicles through cashgate. Thanks to these new collaboration models, cashgate posted very encouraging growth in new business and its existing portfolio, and significantly extended its market share in leasing.

ADUNO GROUP RECORDS AN IMPRESSIVE PERFORMANCE IN 2017

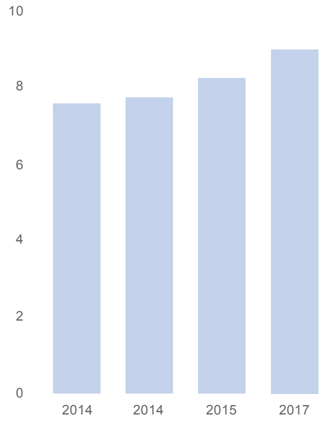
The Aduno Group is reporting encouraging results again for the financial year 2017. The healthy economic environment and the ongoing substitution of cash by card payments increased turnover in the card business. The personal credit and leasing business showed impressive growth. The Aduno Group made use of the low level of interest rates to issue two bonds, thereby further optimising its capital structure.

In 2017 the Swiss economy continued on the growth trajectory of the previous year. Although, according to the Swiss State Secretariat for Economic Affairs (SECO), the growth in gross domestic product was only a moderate 1.0 per cent overall owing to a weak first half, the economy picked up considerably from the third quarter. In addition, the upturn became broader-based with most services sectors sharing in the growth in addition to industry. In these circumstances, the mood of Swiss consumers also brightened.

Swiss credit card issuers benefited from the positive consumer sentiment. According to statistics from the Swiss National Bank, the number of credit cards issued rose by 3.7 per cent in 2017 and the amount purchased with credit cards in Switzerland rose by as much as 11.4 per cent. This shows that credit cards are not only becoming ever more widespread, they are also being used more. The trend towards contactless payments continues. While the number of debit cards overall remained steady, the number of debit cards with the contactless function rose by 87.5 per cent year on year to 5.3 million. At the end of December 2017 there were 6.2 million credit cards with the contactless function in circulation. This corresponds to an increase of 7.9 per cent.

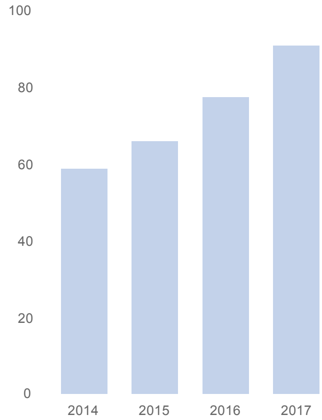
After contracting for several years, the market for personal credit grew in 2017. According to internal estimates, the rate of growth was 2.1 per cent. The market for leasing financing presented a similar picture: after deducting the volume for captive (producer-owned) leasing firms, the growth in the “free” part of the leasing market was 2.8 per cent. However, in view of the ongoing consolidation among small independent garages and the entry of new financing providers in the non-captives segment, the market remains challenging.

Payment turnover
[in CHF billion]



Issuing credit

Card transactions
[in million transactions]



Issuing credit

Card business drives turnover growth

In financial year 2017 the Aduno Group recorded turnover of CHF 459.6 million. Although this represents a decline of 3.9 per cent compared to the previous year, sales in 2016 included substantial extraordinary income from the sale of Visa Europe Ltd. in which the Aduno Group was a member institution. Excluding this special effect, sales in fiscal 2017 were CHF 32.6 million or 7.6 per cent higher than in the previous year. This was mainly attributable to the Payment division. The Consumer Finance segment generated sales of CHF 94.6 million, 1.7 per cent less than in the previous year. The central financing unit contributed the remaining sales of CHF 104.9 million.

Commission income accounted for 35 per cent of total revenue, annual fees, especially for cards, 25 per cent, interest income 21 per cent and other income 19 per cent. Commission income was significantly above the level in the previous year, which is a notable achievement in the context of another reduction in the interchange fee from 0.70 to 0.44 per cent from 1 August 2017. The increase is attributable in the main to higher transaction volumes and to a lesser extent to price adjustments, for example for ATM withdrawals. The income from annual fees also rose again thanks to a higher number of cards held. The fall in interest income reflects the reduction of the maximum permissible interest rate in personal credit business to 10 per cent, which in 2017 had a full year's effect for the first time.

Net income significantly higher than last year

The operating result for the 2017 financial year was CHF 102.8 million. The significant year-on-year decline is also largely attributable to the non-recurring extraordinary income from the sale of Visa Europe in 2016. There was a further special effect in personnel expenses: In 2016 this was reduced by the expenses for the employees of the Aduno SA's Acquiring business that was sold. However, those employees performing central services such as IT or call centre services were transferred back to the Aduno Group in the year under review. Accordingly, personnel expenses for 2017 are based on a different personnel basis and cannot be compared with the previous year. Excluding all non-recurring effects, there was a slight increase at the level of operating income.

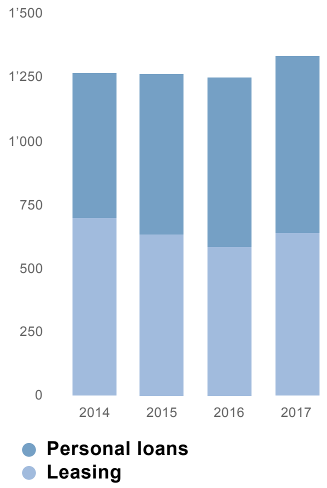
The net profit from discontinued operations of CHF 116.3 million is mainly comprised of the proceeds from the sale of the Acquiring and Terminal business. Reported net profit amounted to CHF 191.6 million, compared with CHF 118.5 million in the previous year.

Equity base further strengthened

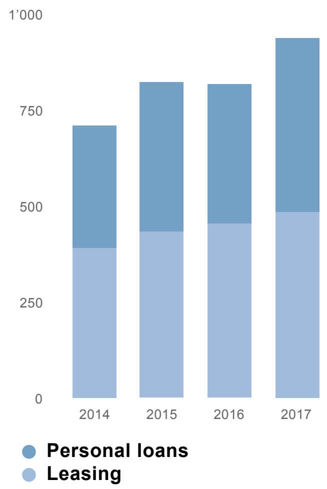
Total assets amounted to CHF 2,212 million as at 31 December 2017, compared with CHF 2,292 million at the end of 2016. Equity was CHF 807 million compared to CHF 643 million at the end of 2016. At 36.5 per cent, the equity ratio is again significantly higher than in the previous year (28.0 per cent). That provides a solid basis for the Group's future growth.

The headcount of the Aduno Group decreased to 717 employees (full-time equivalents) at the end of 2017. This is due to the sale of the Acquiring and Terminal business.

Consumer Finance portfolio
[in CHF million]



Consumer Finance new business
[in CHF million]



Sharp growth in the Payment division

In the year under review the Payment division increased transaction turnover in Viseca's issuing business by 8.9 per cent to CHF 9,027 million, exceeding the CHF 9 billion mark for the first time. The highest level of growth was recorded in the distance selling business at 14.7 per cent. Other growth drivers among the most important sectors were the sales business (+9.5 per cent), the hotel industry (+9.7 per cent) and transport companies (+10.1 per cent).

A 53 per cent share of transaction turnover was generated in Switzerland, and 47 per cent abroad. Growth outside Switzerland was somewhat higher, not least because the euro appreciated against the Swiss franc by around 5 per cent year-on-year. With ongoing substitution of cash by card payments, the average turnover per card increased significantly. There was also a significant rise in the proportion of the total transaction volume accounted for by contactless transactions, from 19 per cent in the previous year to 29 per cent. Card holdings also recorded further strong growth in 2017. This was due both to the continued success of the distribution work with partner banks and to a lower number of card cancellations compared to the previous year. As a result the total number of card holdings rose by 4.4 per cent to a total of 1.49 million cards.

In the rental deposit business of AdunoKaution and SmartCaution the total number of deposit guarantee agreements increased by 5.5 per cent compared to the previous year. SmartCaution registered a very good level of new business thanks to a special offer campaign in spring.

Consumer Finance sees growth in new business

The Consumer Finance division picked up speed in 2017: New business increased by 14.8 per cent to CHF 943 million and the total loan portfolio increased by 7.0 per cent to CHF 1,339 million.

In personal credit business, the growth in new volume was 6.5 per cent and the increase in the total credit volume was 5.1 per cent. This considerable level of growth was achieved both in indirect business and in direct and branch business.

New sales in leasing rose by 25.1 per cent after falling in the previous year. Overall volumes rose by 9.2 per cent compared to 2016. This was attributable among other things to the new leasing model with an attractive interest rate, to the stock vehicle financing for dealers introduced in the previous year and to collaboration with an innovative car manufacturer. Thanks to its significant growth cashgate extended its market share in the non-captive segment of the leasing market.

Financing: two bonds for CHF 200 million placed

The Aduno Group took advantage of the favourable environment on the capital market to issue a new floating-rate bond at the end of January 2017, with a floor of 0.00% and a cap of 0.05%. Despite a volume of CHF 100 million the issue was heavily oversubscribed and had to be cut short, which underlines the trust that the capital market places in the Aduno Group. Given this very positive level of demand, in April the Aduno Group brought another zero bond for CHF 100 million to the market. It was the first SME without an international rating to achieve a private placement of a bond with a negative yield.

Investigation of former executive bodies of the Aduno Group

On 14 November 2017, the Board of Directors of the Aduno Group commissioned Baumgartner Mächler, a law firm specialising in commercial criminal law, to clarify and provide a legal assessment of the facts surrounding individual acquisitions with regard to conflicts of interest of the executive bodies, employees and representatives of the Aduno Group.

On the basis of the results of the investigation, the Board of Directors commissioned Baumgartner Mächler on 4 December 2017 to draw up a criminal complaint against former executive bodies of the Aduno Group for suspected criminal mismanagement. The accused persons no longer work for the company. Criminal charges were submitted to the Public Prosecutor's Office of the Canton of Zurich on 20 December 2017. The Aduno Group is participating in the criminal proceedings as an aggrieved party in order to protect the rights of the company.

The Board of Directors has thus acted quickly and decisively. The criminal complaint led to a preliminary investigation by the Public Prosecutor's Office and then to the formal opening of criminal proceedings. The Public Prosecutor's Office officially announced the proceedings on 28 February 2018.

Among the accused are the former Chairman of the Board of Directors, Dr Pierin Vincenz, and the former CEO and Board member Beat Stocker. The presumption of innocence applies to all accused persons. The criminal investigation is neither directed toward the current members of the Board of Directors nor persons of the Aduno Group responsible for the operating business.

On 12 March, the Public Prosecutor's Office of the Canton of Zurich issued an order obliging the parties to maintain silence with regard to the contents of the proceedings. For this reason, the Aduno Group will not comment on the details of the criminal investigation.

GROUP STRUCTURE

The Aduno Group is committed to clear and transparent information processes and the protection of the interests of its shareholders and investors.

Introduction

This chapter describes the management and control principles applied at the top level of the Aduno Group in accordance with the guidelines concerning information on corporate governance of the SIX Swiss Exchange (corporate governance guidelines). Where no information is provided on a specific section of the SIX guidelines, this issue is not relevant for or does not apply to the Aduno Group.

Group structure

As the holding company, Aduno Holding AG, with its registered office in Zurich, directly or indirectly owns all companies that belong to the Aduno Group. The scope of consolidation includes non-listed companies only. The Group structure with the business segments and legal entities is described on the right. All the companies included in the scope of consolidation are listed in the financial report.

The operating management structure is reflected in the organisational chart on the right side.

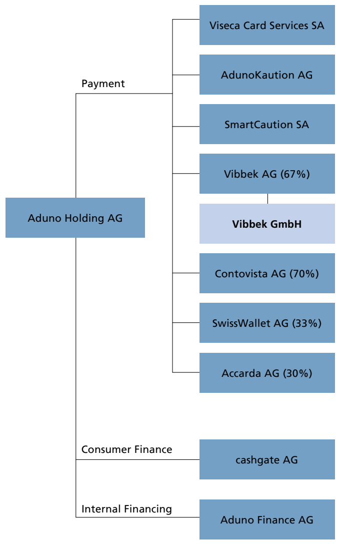
Major shareholders

The following shareholders held more than three per cent of the company as at 31 December 2017.

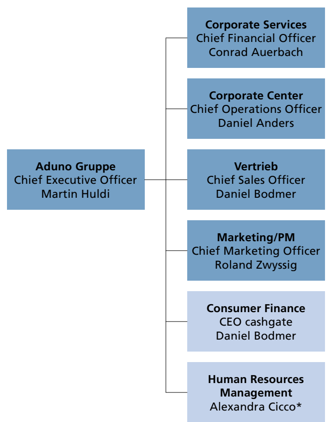
Shareholder	Number of shares	Shareholding
Raiffeisen Group	6,382	25.5%
Zürcher Kantonalbank	3,679	14.7%
Entris Banking AG	3,500	14.0%
Migros Bank AG	1,750	7.0%
Banque Cantonale Vaudoise	1,201	4.8%
Berner Kantonalbank	918	3.7%
EFG Bank AG	893	3.6%
Basellandschaftliche Kantonalbank	771	3.1%

There is a shareholders' agreement binding on all shareholders. The contracting parties include all Swiss Cantonal Banks, Bank Cler AG, Raiffeisen Switzerland Cooperative, Entris Banking AG, EFG Bank AG and Migros Bank AG. The agreement was last renewed in 2010 for another ten years.

Group structure



Operating management structure



* Expanded Executive Board

CAPITAL STRUCTURE

The share capital of Aduno Holding amounted to CHF 25 million on 31 December 2017. It is divided into 25,000 registered shares with restricted transferability and a par value of CHF 1,000 each. There is no authorised or contingent capital.

Changes in equity

Changes in equity over the past three years are shown below (values as at 31 December every year):

in 1,000 CHF	2017	2016	2015
Equity			
Share capital	25,000	25,000	25,000
Capital reserve	94,101	94,101	94,101
Retained earnings	682,884	524,359	424,537
Shareholders' equity in the company	**801,985**	**643,460**	**543,638**
Non-controlling interests	4,867	(724)	(454)
Total Equity	**806,852**	**642,735**	**543,184**

Shares and participation certificates

The share capital of Aduno Holding amounted to CHF 25 million on 31 December 2017, divided into 25,000 fully paid-in registered shares with restricted transferability with a par value of CHF 1,000 each. All shares are fully eligible for dividends for the 2017 financial year. There are no participation certificates.

Restriction of transferability

The transfer of shares is restricted in accordance with the bylaws and requires the approval of the Board of Directors, who can refuse approval for the grounds listed in the bylaws. The shareholders are bound by a shareholders' agreement, according to which the transfer of the company's shares is subject to restrictions. All parties to the shareholders' agreement have a right of first refusal to the shares of a shareholder wishing to sell its shares. Any shares remaining after the right of first refusal has not been exercised or not been exercised in full may be transferred to a third party. In addition, all parties to the shareholders' agreement have a pre-emptive right to buy shares vis-à-vis any third-party buyer. Finally, in the case of specific events as described in the shareholders' agreement, every shareholder has a right to purchase the shares of a shareholder having to sell its shares.

No exceptions were approved in the reporting year.

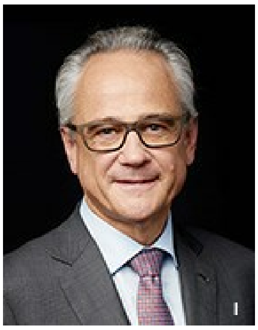
There is no percentage clause. The registration of nominees is not generally excluded. However, the Board of Directors can refuse to give its approval if the buyer does not explicitly declare that it has acquired the shares in its own name and on its own behalf.

The transferability restrictions pursuant to bylaws can be cancelled by an amendment to the bylaws approved by the Annual General Meeting.

BOARD OF DIRECTORS

The Board of Directors of Aduno Holding consists of seven members. Their CVs are based on information available to the Group. Only major mandates are listed.

I. Pascal Niquille
Swiss citizen



Pascal Niquille became a member of the Board of Directors in 2015 and has been Chairman of the Board of Directors of Aduno Holding AG since 2017. He obtained a degree in law (lic. iur.) from the University of St. Gallen before working for UBS in various functions, both in Switzerland and abroad. He has been Chief Executive Officer of Zuger Kantonalbank since 2009. In addition, he is a member of the Executive Committee of the Association of Swiss Cantonal Banks, a member of the Board of Directors of Pfandbriefzentrale der schweizerischen Kantonalbanken AG and a member of the Board of Directors of Zug Chamber of Commerce.

II. Michael Auer
Swiss citizen

Michael Auer was appointed a member of the Board of Directors at the 2017 Annual General Meeting. He has been a member of the Executive Board of Raiffeisen Schweiz since 2008 and Head of Private and Investment Clients since 2015. As well as his activities on behalf of the Aduno Group, he is Chairman of the Board of Directors of the Raiffeisen Pension Fund and Employer Foundation and of Raiffeisen Immo AG, a member of the Board of Directors of Notenstein La Roche Privatbank AG, Säntis Schwebebahn AG and Twint AG, and Chairman of the Executive Board of Unico Banking Forum. Michael Auer studied business administration at the University of St. Gallen.

III. Ewald Burgener
Swiss citizen

Ewald Burgener has been a member of the Board of Directors since 2013. As a member of the Executive Board of Valiant Bank, he is responsible, as the Chief Financial Officer, for finance and infrastructure. He previously held the same position with RBA-Holding AG and Entris Banking AG. Before being promoted to CFO, he held various managerial positions at RBA between 2002 and 2009. From 1996 to 2002, he worked as an auditor in the Financial Services organisational unit at Ernst & Young. As well as his activities on behalf of the Aduno Group, he is a member of the Board of Directors of Triba Partnerbank AG, of Pfandbriefbank schweizerischer Hypothekarinstitute AG and of Entris Holding AG and subsidiaries. Ewald Burgener studied economics at the University of Berne and holds a lic.rer.pol. degree. He has been a Swiss certified auditor since 1999.

IV. Rudolf Dudler
Swiss citizen

Rudolf Dudler has been a member of the Board of Directors since 1999 and represents EFG Bank AG. He worked at BSI SA between 1999 and 2016 as Chief Financial Officer and a member of the Executive Board. As well as his activities on behalf of the Aduno Group, he is Chairman of the Board of Directors of EFG Art Collection SA (Luxembourg/Switzerland), Chemholding SA and R.S.D. Trust AG. Rudolf Dudler is a Swiss certified accountant and financial controller.

V. Christian Meixenberger
Swiss citizen

Christian Meixenberger has been a member of the Board of Directors since 2014. He has been managing Division Services as a member of the Executive Board of Banque Cantonale Vaudoise since 2017. He worked at Freiburger Kantonalbank from 1997 to 2016, where he was most recently a member of management and responsible for the Service Centre area. Previously, he worked for Credit Suisse in Geneva for three years, where he headed the Organisation, IT and HR Logistics departments. From 1987 to 1993 he worked at Centre Suisse d'Electronique et de Microtechnique SA in Neuchâtel as engineer and deputy head of the department for computer-supported development. Christian Meixenberger graduated from the University of Neuchâtel with a master's degree in physics and electrical engineering, and he has an MBA from the Business School in Lausanne.

VI. Dr Harald Nedwed
Swiss citizen

Dr Harald Nedwed has been a member of the Board of Directors since 2007 and the Chief Executive Officer of Migros Bank AG since 2003. As well as his activities on behalf of the Aduno Group and Migros Bank AG, he is a member of the Board of Directors of Pfandbriefbank schweizerischer Hypothekarinstitute AG and a member of the Board of Trustees of the Migros Pension Fund Investment Foundation, the Migros Bank Pension Foundation and the Migros Bank Vested Benefits Foundation. Harald Nedwed studied economics and business administration at the University of Basel, where he was also awarded his doctorate.

VII. Daniel Previdoli
Swiss citizen

Daniel Previdoli has been a member of the Board of Directors since 2015. He has been a member of Zürcher Kantonalbank's Executive Board since 2007 and Head of its Products, Services & Direct Banking business unit since 2014. Prior to this, he worked for 11 years at UBS and held various functions at Credit Suisse both in Switzerland and abroad between 1987 and 1996. As well as his activities on behalf of the Aduno Group, he is Chairman of the Board of Directors of Swisscanto Fund Management Company Ltd., a member of the Boards of Directors of Swisscanto Holding Ltd., Homegate AG and Twint AG. Daniel Previdoli has a degree in economics and social sciences (lic. rer. pol.) from the University of Fribourg.

Election and term of office

In accordance with the principle of re-electing the entire Board of Directors, the members of the Board of Directors are usually elected at the Annual General Meeting for a term of three years. Re-election is possible. The term of office ends on the date of the Annual General Meeting held in the final year of the Board members' term of office. New members continue the term of office of their predecessors. The current term of office runs until the Annual General Meeting in 2020.

Internal organisation

The Board of Directors is the highest management body of the company and also supervises and monitors the Executive Board. It issues guidelines on the business policy and regularly receives information on the course of business. The Board of Directors delegates the management of operations in its entirety to the Executive Board, unless a ruling to the contrary exists under the law, the company's bylaws or the organisational regulations.

The tasks of the Board of Directors include the following in particular:

Strategy and organisation
- Establishment of the basic principles of the business strategy;
- Approval of basic organisational structures within the Group;
- Establishment of business units, acquisition and sale of companies and parts of companies as well as investments, company foundations and liquidations;
- Approval of new business activities, development of new products and expansion into new markets where this affects the business strategy or changes the risk profile;
- Appointment and dismissal of internal audit.

Finance and investments
- Structure and principles of accounting and approval of financial plans;
- Approval of budget and investments;
- Principles of obtaining outside capital (e.g. master loan agreements, bonds).

Employees
- Adoption of the fundamentals of the personnel policy and the salary policy of the Aduno Group;
- Appointment and dismissal of the Chief Executive Officer of the Aduno Group and other members of the Executive Board.

Risk management and compliance
- Establishment of the basic principles of the risk policy;
- Establishment of the basic principles of risk management and the compliance organisation;
- Establishment of risk capacity, risk appetite and global risk limits;
- Receipt and discussion of reports prepared by Group Risk Management and by Legal & Compliance;
- Adoption of rules for handling conflicts of interests and implementation of measures for handling conflicts of interests that cannot be avoided.

The Board of Directors may pass resolutions on all matters that are not reserved for or were not transferred to the Annual General Meeting or another governing body of the company in accordance with the law, the bylaws or the organisational regulations. The Board of Directors may appoint individual committees and delegate specific tasks and responsibilities to these committees. The activities of the committees are governed by regulations that must be approved by the Board of Directors.

Information and reports

Every member of the Board of Directors may – subject to conflicts of interest – request information on all matters concerning the company. The Executive Board must inform the Board of Directors about the general course of business and any events particularly relevant to the business. The members of the Board of Directors must be informed of any extraordinary events without delay.

Members of the Board of Directors who wish to receive information must submit a request to the Chairman of the Board of Directors.

Committees

The Board of Directors has set up an Audit & Risk Committee and a Nomination & Compensation Committee. The Board of Directors determines the composition of these committees. The committees meet regularly, prepare meeting minutes, prepare recommendations for the attention of the regular Board meetings, and have the power to take certain decisions themselves. The relevant chairmen of the committees determine the agendas for committee meetings. Before every meeting, the committee members receive documents to help them prepare for the topics listed on the agenda.

Audit & Risk Committee

The Audit & Risk Committee (ARC) consists of three members of the Board of Directors. The current committee members are Ewald Burgener, Pascal Niquille and Daniel Previdoli, with Ewald Burgener acting as chairman. In the 2017 financial year, the committee met two times. Meetings are attended in an advisory capacity by the Chief Executive Officer, the Chief Financial Officer and the internal audit unit, and the meeting to discuss the annual financial statements is also attended in an advisory capacity by the external auditors.

The ARC supports the Board of Directors in examining and evaluating the appropriateness of the company's risk management, in supervising the internal audit unit, the external auditors and the internal control system, and in reviewing the annual financial statements. The ARC also assesses the performance of the external auditors and their fees and makes sure that they are independent. In addition, the ARC supports the Board of Directors in supervising the risk management and the compliance with regulatory provisions regarding risk management.

Nomination & Compensation Committee

The Nomination & Compensation Committee (NCC) consists of four members of the Board of Directors. The current committee members are Michael Auer, Rudolf Dudler, Dr Harald Nedwed and Pascal Niquille (chairman). Meetings are also attended in an advisory capacity by the Chief Executive Officer and the Head of Human Resources of the Aduno Group. The committee met two times in the 2017 financial year. The NCC establishes, among other things, the personnel policy and salary policy of the Aduno Group, the annual payroll and annual bonuses (incl. long-term incentives) of the Aduno Group and the individual remuneration for the Chief Executive Officer and the other members of the Executive Board.

There are no other Board committees.

Information and control tools vis-à-vis the Executive Board

The Aduno Group has a comprehensive management information system (MIS). Monthly, quarterly, semi-annual and annual financial statements are prepared for the Group and the results per business segment are discussed in the management report. All figures are analysed and commented against the budget and the prior year's figures and, if available, the forecast. The budget is drawn up once a year for the next financial year and is based on a previously approved three-year plan. At the meetings of the Board of Directors, the board is informed of the status of budget compliance and any deviations from the forecast by the Chief Executive Officer and any measures required are discussed.

EXECUTIVE BOARD AND EXPANDED EXECUTIVE BOARD

I. Martin Huldi
Swiss citizen, born in 1962

Martin Huldi has been the Chief Executive Officer of the Aduno Group since 2011. Previously, he was a member of the Executive Board of the Thurgau Cantonal Bank from 1998, and held various managerial positions with the Thurgau Cantonal Bank and Schweizerischer Bankverein in Switzerland and abroad. As part of his activities for the Aduno Group, Martin Huldi is the Chairman of the Boards of Directors of Aduno Finance AG, AdunoKaution AG, SmartCaution SA, cashgate AG, Contovista AG and Vibbek AG as well as a member of the Boards of Directors of Accarda AG and SwissWallet AG. After obtaining his qualification as a Swiss certified banker, Martin Huldi attended various executive management training courses in Switzerland, England and the US.

II. Conrad Auerbach
Swiss citizen, born in 1963

Conrad Auerbach has been the Chief Financial Officer of the Aduno Group since 2006. Before joining the Aduno Group, he served as CFO and head of infrastructure at IBM Switzerland from 2002 to 2006, and since 1994 he held various positions with IBM Switzerland and IBM EMEA. He is a member of the Boards of Directors of Aduno Finance AG, AdunoKaution AG, SmartCaution SA, cashgate AG and Accarda AG. Conrad Auerbach was awarded a degree in business administration from the University of St. Gallen.

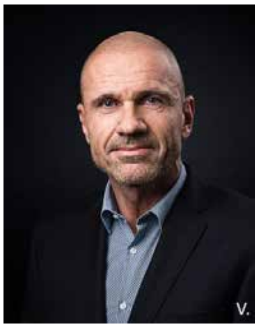
III. Daniel Anders
Swiss citizen, born in 1970

Daniel Anders has been the Chief Operations Officer of the Aduno Group since 2010. Previously, Daniel Anders served as Chief Executive Officer of the Corporate Center of the Aduno Group from 2004 to 2009 and as Chief Technology Officer of Viseca Card Services SA. Before moving to Viseca, he was the head of strategic development of electronic channels and economic organiser and project manager at the Zürcher Kantonalbank. He is a member of the Boards of Directors of cashgate AG, Contovista AG and Vibbek AG. After qualifying as an engineer, Daniel Anders also obtained an executive master of business administration degree from the Zurich University of Applied Sciences.

IV. Daniel Bodmer

Swiss citizen, born in 1964

Daniel Bodmer has been Chief Sales Officer of the Aduno Group since 2013 as well as Chief Executive Officer of cashgate AG since 2017, serving in a dual role. Before joining the Aduno Group, he was a member of the Executive Board and head of sales and marketing at ALSO Schweiz AG from 2007 to 2013. Previously, he worked for many years in the telecommunications industry as managing director and head of sales, as well as in the IT industry as head of marketing and sales. He is a member of the Board of Directors of AdunoKaution AG and SmartCaution SA. Daniel Bodmer obtained his degree in economics from the University of Zurich and also did an Advanced Management Program at INSEAD in Fontainebleau.



V. Roland Zwyssig

Swiss citizen, born in 1966

Roland Zwyssig has been Chief Marketing Officer of the Aduno Group since 2010. Prior to that, he held various posts at Viseca Card Services SA between 2002 and 2009, as Chief Executive Officer, Chief Operating Officer, Head Strategic Projects and Head Business Management. Before joining Viseca, he held a number of positions in the credit card business with several companies. Roland Zwyssig is a member of the Board of Directors of Aduno Finance AG and Contovista AG as well as Vice-Chairman of the Swiss Payment Association. After obtaining his qualification as a Swiss certified merchant, Roland Zwyssig attended various management, sales and business administration courses.

Expanded Executive Board

VI. Alexandra Cicco

Swiss and Italian citizen, born in 1971

Alexandra Cicco has been Head Human Resources Management of the Aduno Group since 2017. She joined the Aduno Group in 2015 as Deputy Head Human Resources Management and Senior Human Resources Manager. Prior to that, she worked for various international companies, including as Head Human Resources at Skandia/Old Mutual Group and Head of Resource Management at Credit Suisse. After becoming a Swiss certified merchant, Alexandra Cicco qualified as a HR specialist and attended various coaching and HR strategy courses.

Remuneration

The remuneration of the members of the Executive Board comprises a fixed basic salary, a variable bonus and a long-term incentive. The basic salary is agreed in the employment contract. The bonus is applied for by the Chief Executive Officer in accordance with the Aduno Group’s staff manual and approved by the NCC. The allocation to the long-term incentive programme is applied for by the Chief Executive Officer and approved by the NCC.

CO-DETERMINATION RIGHTS OF SHAREHOLDERS

Restrictions on voting rights and proxies

Every share entitles the holder to one vote. Shareholders can be represented at the Annual General Meeting by a person with a written power of attorney, who does not have to be a shareholder.

Statutory quorum

The following resolutions of the Annual General Meeting must be passed with at least two-thirds of the votes represented and the absolute majority of the par value of the shares represented:

1. The cases governed by Art. 704 para. 1 of the Swiss Code of Obligations;
2. The conversion of registered shares into bearer shares;
3. The cancellation or dilution of the transferability restrictions applying to the registered shares;
4. The liquidation of the company.

Invitation to the Annual General Meeting and agenda

The Annual General Meeting is convened by the Board of Directors, or if necessary by the auditors. The Annual General Meeting is held annually within six months after the close of the financial year. Extraordinary General Meetings are called as often as required, in particular in the cases prescribed by law. The Board of Directors must call Extraordinary General Meetings within four weeks if requested to do so by shareholders who together represent at least ten per cent of the share capital. The invitation must be in writing and must contain the items on the agenda and the proposals.

The invitation to the Annual General Meeting must be issued at least 20 days before the date of the meeting by publication in the Swiss Official Gazette of Commerce or by letter to the shareholders. The invitation to the meeting must include the items on the agenda and the proposals of the Board of Directors. No resolutions may be passed on matters that have not been notified in this manner, subject to the provisions on a meeting of all shareholders, except for a motion to convene an Extraordinary General Meeting or a motion to carry out a special audit.

If no objection is raised, the owners or representatives of all shares may hold an Annual General Meeting without complying with the rules regarding notice of the meeting (meeting of all shareholders). Such a meeting may discuss and pass valid resolutions on all matters within the power of the Annual General Meeting, provided that the owners or representatives of all shares are present.

Entry in the share register

The Board of Directors maintains a share register in which the names and addresses of the owners and beneficiaries of registered shares are recorded. As far as the company is concerned, only those whose names are entered in the share register are deemed to be shareholders or beneficiaries.

AUDITORS

KPMG Zurich has been company auditor since Aduno Holding AG was founded. The competent lead auditor has been carrying out this function since the 2014 financial year.

The fees of the Group auditor KPMG for services related to the audit of the annual financial statements of Aduno Holding AG and its subsidiaries and the consolidated financial statements of the Aduno Group amounted to CHF 0.9 million in the 2017 financial year. The Aduno Group also posted CHF 0.11 million for other advisory services provided by KPMG in the 2017 financial year. Of this, CHF 0.1 million concerned tax consultancy and CHF 0.01 million was paid for other services.

The Audit & Risk Committee of the Board of Directors evaluates the performance, fees and independence of the external auditors and Group auditors every year and submits a proposal to the Board of Directors on which external auditors should be proposed for election to the Annual General Meeting. Every year, the Audit & Risk Committee also monitors the scope of the external audit, the audit plans and relevant procedures, and discusses the audit results with the external auditors.

INFORMATION POLICY

The online annual report contains information on the full financial year just ended. The access is enclosed with the invitation to the Annual General Meeting. The Aduno Group prepares its corporate governance report based on with the corporate governance guidelines of the SIX Swiss Exchange. The Aduno Group prepares an interim online report on the half-year financial statements, which is sent to all shareholders entered in the share register and published at the latest on 31 August of the reporting year.

During the course of the year, the Aduno Group issues media releases concerning important events that affect its business operations. The Aduno Group also reserves the right to publish and send out additional letters to shareholders to inform them of important events.

More information on the Aduno Group and its services can be found on the website www.aduno-gruppe.ch as well as the websites of the individual Group companies.

Financial Report
2017

Consolidated Financial Statements Aduno Group

Annual Financial Statement Aduno Holding AG

Consolidated income statement

In 1,000 CHF	Note	2017	2016 restated 1)
Commission income	4	160,909	144,355
Annual fees		116,668	112,973
Interest income	5	96,802	99,886
Other income	6	85,214	120,949
Total revenue		**459,593**	**478,163**
Processing and service expenses	7	56,696	52,487
Distribution, advertising and promotion expenses	8	98,405	96,475
Interest expenses	5	19,431	22,539
Impairment losses from Payment and Consumer Finance	11	14,701	13,214
Personnel expenses	9	95,400	82,512
Other expenses 2)	10	56,291	36,355
Depreciation	19	4,028	4,525
Amortisation	20	11,849	16,004
Total expenses		**356,801**	**324,112**
Results from operating activities		**102,791**	**154,051**
Income from associates	21	7,386	3,393
Profit from continuing operations before income tax		**110,177**	**157,444**
Income tax expenses 2)	12	34,813	41,058
Profit from continuing operations		**75,364**	**116,385**
Profit from discontinued operations	35	116,267	2,109
Profit for the period		**191,631**	**118,493**
Profit attributable to:			
Owners of the Company		191,684	118,564
Non-controlling interests		(54)	(71)

1) In 2017 the legal entity Aduno SA was sold, consequently the Acquiring and Terminal business is classified as discontinued operations according to IFRS 5. The prior-year figures in the consolidated income statement and in the corresponding notes have been restated accordingly.

2) To provide better comparability and accurate presentation, the accrual booked under “Other expenses” in 2016 to reflect an expected agreement with the tax authorities regarding transfer pricing has been reclassified in the tax result. See note 12.

In 1,000 CHF	Note	2017	2016 restated 1)
Earnings per share			
Basic earnings per share (in CHF)	13	7,667.37	4,742.57
Diluted earnings per share (in CHF)	13	7,667.37	4,742.57
From continuing operations			
Basic earnings per share (in CHF)	13	3,016.69	4,658.27
Diluted earnings per share (in CHF)	13	3,016.69	4,658.27
From discontinued operations			
Basic earnings per share (in CHF)	13	4,650.68	84.35
Diluted earnings per share (in CHF)	13	4,650.68	84.35

Consolidated statement of comprehensive income

In 1,000 CHF	Note	2017	2016
Profit for the period as per the consolidated income statement		**191,631**	**118,493**
Other comprehensive income / (loss)			
Items that will not be reclassified to the income statement			
Remeasurement of employee benefit obligations	29	2,381	(2,917)
Income tax relating to items not reclassified	12	(511)	661
Total items that will not be reclassified to the income statement, net of tax		**1,870**	**(2,256)**
Items that may be reclassified subsequently to the income statement			
Currency translation differences of foreign Group companies		11	(2)
Net unrealised gains / (losses) on financial investments available for sale	22	7,399	1,452
Net realised (gains) / losses on financial investments available for sale		(1,369)	0
Effective portion of changes in fair value of IRS cash flow hedges	17/31	283	1,764
Income tax relating to items that may be reclassified	12/17/31	(1,360)	(505)
Total items that may be reclassified subsequently to the income statement, net of tax		**4,964**	**2,709**
Other comprehensive income		**6,834**	**453**
Total comprehensive income for the period *		**198,465**	**118,946**
thereof attributable to:			
Owners of the Company		198,526	119,057
Non-controlling interests		(61)	(111)

* The results of the discontinued operations, which are part ot the comprehensive income, are disclosed in note 35.

Consolidated statement of financial position

In 1,000 CHF	Note	31/12/2017	31/12/2016
Assets			
Cash and cash equivalents	14	22,146	41,489
Receivables from business unit Payment, net	15	450,867	544,902
Short-term receivables from business unit Consumer Finance, net	15	465,238	458,856
Inventories	16	2,540	4,031
Other receivables	17	14,090	89,573
Prepaid expenses	18	52,129	39,218
Total current assets		**1,007,010**	**1,178,068**
Long-term receivables from business unit Payment, net	15	4,685	4,311
Long-term receivables from business unit Consumer Finance, net	15	891,144	810,662
Property and equipment	19	11,202	26,897
Goodwill	20	128,434	136,043
Other intangible assets	20	85,341	64,762
Investments in associates	21	43,815	45,022
Financial investments available for sale	22	26,131	18,732
Deferred tax assets	12	13,937	7,556
Total non-current assets		**1,204,688**	**1,113,985**
Total assets		**2,211,698**	**2,292,053**

In 1,000 CHF	Note	31/12/2017	31/12/2016
Liabilities			
Payables to counterparties	23	163,901	286,898
Other trade payables	24	7,144	10,407
Short-term interest-bearing liabilities	27	592,275	848,253
Other payables	25	16,285	19,489
Provisions	28	126	170
Accrued expenses and deferred income [1)]	26	115,736	105,865
Current tax payable [1)]		79,543	46,207
Total current liabilities		**975,010**	**1,317,288**
Long-term interest-bearing liabilities	27	374,614	275,678
Provisions	28	9,659	1,688
Employee benefit obligations	29	37,651	42,548
Deferred tax liabilities	12	7,911	12,116
Total non-current liabilities		**429,835**	**332,030**
Total liabilities		**1,404,846**	**1,649,318**
Equity			
Share capital	31	25,000	25,000
Share premium		94,101	94,101
Reserves		682,884	524,359
Equity attributable to the owners of the Company		**801,985**	**643,460**
Non-controlling interests		4,867	(724)
Total equity		**806,852**	**642,735**
Total equity and liabilities		**2,211,698**	**2,292,053**

1) To provide better comparability and accurate presentation, tax liabilities have been restated to include reclassification of the accrual that was booked to reflect an expected agreement with the tax authorities regarding transfer pricing in 2016. See note 12.

Consolidated statement of changes in equity

For the year ended 31 December 2017

In 1,000 CHF	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Derivative on own equity	Financial investments available for sale	Retained earnings	Total*	Non-controlling interests	Total equity
Balance at 1 January 2017		25,000	94,101	(8)	(306)	0	1,146	523,526	643,460	(724)	642,735
Profit for the period		0	0	0	0	0	0	191,684	191,684	(54)	191,631
Unrealised gains / (losses) on financial investments available for sale, net of tax		0	0	0	0	0	5,779	0	5,779	0	5,779
Realised (gains) / losses on financial investments available for sale, net of tax		0	0	0	0	0	(1,082)	0	(1,082)	0	(1,082)
Foreign currency translation differences		0	0	8	0	0	0	0	8	4	11
Effective portion of changes in fair value of cash flow hedges, net of tax	17/31	0	0	0	256	0	0	0	256	0	256
Remeasurement of employee benefit obligations, net of tax	29	0	0	0	0	0	0	1,881	1,881	(11)	1,870
Total other comprehensive income		0	0	8	256	0	4,697	1,881	6,841	(8)	6,834
Total comprehensive income for the period **		**0**	**0**	**8**	**256**	**0**	**4,697**	**193,565**	**198,526**	**(61)**	**198,465**
Transaction with non-controlling interests		0	0	0	0	0	0	0	0	5,653	5,653
Dividends to shareholders	31	0	0	0	0	0	0	(40,000)	(40,000)	0	(40,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**0**	**(40,000)**	**(40,000)**	**5,653**	**(34,347)**
Balance at 31 December 2017		**25,000**	**94,101**	**(0)**	**(51)**	**0**	**5,843**	**677,092**	**801,986**	**4,867**	**806,852**

* Total equity attributable to owner of the Company

** The share of discontinued operations on other comprehensive income is disclosed in note 35.

For the year ended 31 December 2016

In 1,000 CHF	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Derivative on own equity	Financial investments available for sale	Retained earnings***	Total*	Non-controlling interests	Total equity
Balance at 1 January 2016		25,000	94,101	(7)	(1,870)	(116)	0	426,530	543,638	(454)	543,184
								0			
Profit for the period		0	0	0	0	0	0	118,564	118,564	(71)	118,493
Unrealised gains / (losses) on financial investments available for sale, net of tax		0	0	0	0	0	1,146	0	1,146	0	1,146
Foreign currency translation differences		0	0	(1)	0	0	0	0	(1)	(1)	(2)
Effective portion of changes in fair value of cash flow hedges, net of tax	17/31	0	0	0	1,564	0	0	0	1,564	0	1,564
Remeasurement of employee benefit obligations, net of tax	29	0	0	0	0	0	0	(2,217)	(2,217)	(39)	(2,256)
Total other comprehensive income		0	0	(1)	1,564	0	1,146	(2,217)	492	(40)	452
Total comprehensive income for the period **		**0**	**0**	**(1)**	**1,564**	**0**	**1,146**	**116,348**	**119,057**	**(111)**	**118,945**
Transaction with non-controlling interests		0	0	0	0	116	0	649	765	(158)	607
Dividends to shareholders	31	0	0	0	0	0	0	(20,000)	(20,000)	0	(20,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**116**	**0**	**(19,351)**	**(19,235)**	**(158)**	**(19,393)**
Balance at 31 December 2016		**25,000**	**94,101**	**(8)**	**(306)**	**0**	**1,146**	**523,526**	**643,460**	**(724)**	**642,735**

* Total equity attributable to owner of the Company

** The share of discontinued operations on other comprehensive income is dscolosed in note 35.

*** To improve the disclosure of changes in equity in 2017, the effect of employee obligations has been included in retained earnings; prior-year figures have been reprepsented accordingly.

Consolidated statement of cash flows

For the year ended 31 December

In 1,000 CHF	Note	2017	2016
Cash flows from operating activities			
Profit for the period		191,631	118,493
Adjustments for non-cash items:			
Interest income		(96,807)	(99,918)
Interest expenses		19,479	22,643
Income tax expenses [1)]	12	35,563	43,390
Depreciation	19	4,522	5,983
Amortisation	20	15,080	21,176
Losses on disposals of property and equipment and intangible assets	10	1,441	0
Income from associates	21	(7,386)	(3,393)
Gain on sale of discontinued operations		(134,747)	0
Changes in			
(Increase) / decrease in receivables from business unit Payment, net		(43,193)	(113,436)
(Increase) / decrease in receivables from business unit Consumer Finance, net		(85,283)	9,794
(Increase) / decrease in inventories	16	(792)	(11)
(Increase) / decrease in other trade receivables and other receivables		74,884	7,522
(Increase) / decrease in prepaid expenses		(17,661)	(1,429)
Increase / (decrease) in payables to counterparties	23	20,165	59,731
Increase / (decrease) in other trade payables		(851)	(2,190)
Increase / (decrease) in other payables		(394)	(3,188)
Increase / (decrease) in accrued expenses and deferred income [1)]		(7,877)	10,291
Increase / (decrease) in provisions		6,649	509
Increase / (decrease) in employee benefit obligations charged to the income statement		(2,582)	66
(Increase) / decrease in financial investments available for sale	22	(6,428)	(17,280)
Foreign exchange and other financial items		119	182
Interest received		95,226	98,319
Interest paid		(17,885)	(20,769)
Income tax paid		(8,754)	(5,344)
Net cash from / (used in) operating activities		**34,120**	**131,140**

In 1,000 CHF	Note	2017	2016
Acquisition of property and equipment	19	(5,157)	(6,820)
Disposals of property and equipment		7,094	464
Acquisition of other intangible assets	20	(22,249)	(21,085)
Disposals of other intangible assets		8,436	384
Acquisition of subsidiaries, net of cash acquired	3	(23,031)	(5,025)
Disposals of subsidiaries, net of cash disposed	35	177,105	0
Acquisition of investments in associates	21	0	(3,620)
Dividends received from associates	21	1,500	1,500
Net cash from / (used in) investing activities		**143,697**	**(34,202)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities	27	692,881	399,446
Repayment of interest-bearing liabilities	27	(849,922)	(524,715)
Dividends paid	31	(40,000)	(20,000)
Net cash from / (used in) financing activities		**(197,041)**	**(145,269)**
Net increase in cash and cash equivalents		(19,224)	(48,331)
Cash and cash equivalents at 1 January		41,489	90,002
Effect of exchange rate fluctuations on cash held		(119)	(182)
Cash and cash equivalents at 31 December	**14**	**22,146**	**41,489**

1) To provide better comparability and accurate presentation, tax liabilities have been restated to include reclassification of the accrual that was booked to reflect an expected agreement with the tax authorities in 2016. See note 12.

Notes to the consolidated financial statements

1. Significant accounting policies

Aduno Holding AG (Aduno Holding or Company) is a company domiciled in Zurich (Switzerland). The consolidated financial statements of the Company for the year ended 31 December 2017 comprise Aduno Holding and its subsidiaries (together referred to as the Group).

Aduno Holding and its subsidiaries offer financial services in the business field of cashless payment solutions and consumer finance services.

The subsidiary Viseca Card Services SA (Viseca) operates services for cashless payments. Viseca issues credit cards (card issuing) under the brand of the card schemes (schemes) Mastercard and Visa to private and business consumers for Swiss retail banks, several co-branding partners and on its own account, and operates all relevant customer service activities. The subsidiary cashgate AG (cashgate) offers consumer finance facilities to private and corporate customers in the Swiss marketplace. The subsidiary Aduno Finance AG (Aduno Finance) acts as centralised treasury operator. The subsidiaries Vibbek AG as well as Vibbek GmbH are developing software solutions for card terminals. The subsidiary AdunoKaution AG (AdunoKaution) and the subsidiary SmartCaution SA (SmartCaution) offer rental guarantees to their customers and the subsidiary Contovista AG (Contovista) is developing software for Finance Management as well as Analystics and distributing it to banks.

The consolidated financial statements were approved by the Board of Directors on 19 April 2018 and will be submitted for final approval by the general meeting on 29 May 2018.

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. The consolidated financial statements are presented in Swiss francs, which is the Company's functional currency. All financial information presented in Swiss francs has been rounded to the nearest thousand, except when otherwise indicated. As a result, rounding differences may appear.

The consolidated financial statements are prepared on the historical cost basis, except for derivative financial instruments that are stated at their fair value. Methods to determine fair values are further discussed in Note 32 “Financial risk management”.

Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests, even if the results in the non-controlling interests have a deficit balance.

Fair value measurements

The basis for the measurement of assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (exit price) between market participants at the measurement date.

Use of estimates and judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the 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. 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 estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the following notes:

- Note 12 – Income tax expenses
- Note 15 – Receivables from Payment business and Consumer Finance (e.g. recoverability)
- Note 20 – Goodwill and other intangible assets (e.g. measurement of recoverable amounts of CGUs)
- Note 30 – Contingent liabilities (e.g. counterparty credit risk of internet transactions)

Change in accounting estimate
The group has reassessed the amortisation period for other intangible assets and estimates the general useful life of software prospectively to five years (until 2016 the general amortisation period was three years).

Consolidation of subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

For each business combination, the Group elects to measure any non-controlling interests in the acquiree at acquisition date at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Investments in associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments in associates are accounted for using the equity method and are recognised initially at cost.

The Group's share of the net income or loss of the associates is reflected in profit or loss.

Eliminations
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency using the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation of monetary items are recognised in profit and loss. Foreign currency effects on non-monetary items are recognised according to the fair value changes.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into CHF using exchange rates at year end. The income and expenses of foreign operations are translated to CHF using average exchange rates.

The following significant exchange rates applied:

CHF	Average 2017	Average 2016	Year end 2017	Year end 2016
EUR 1	1.1269	1.1017	1.1808	1.0866
USD 1	0.9926	0.9988	0.9883	1.0309
GBP 1	1.2884	1.3297	1.3298	1.2658

Revenue
Revenue comprises commission income, annual fee income, interest income and other income. Commission income and other income are recognised transaction-based as they occur. Annual fees are recognised on a straight-line basis over the duration of the service commitment and deferred accordingly. The commission income consists of transaction-based charges billed to customers of all business segments. Interest income includes interest earned from short-term loans granted to credit cardholders, long-term consumer credit loans granted to private customers, and leasing facilities to private and corporate clients. Interest income is recognised using the effective interest method.

Processing and service expenses
Processing and service expenses comprise transaction-based interchange expenses to card issuers, processing expenses to services partners, card schemes expenses for the usage of the worldwide card scheme environment, and other operational service expenses. Processing and service expenses are recognised as occurred.

Distribution, advertising and promotion expenses
The Group offers a variety of reward programmes to its customers in its Payment business. These programmes are partly run by third parties, in which case the incurred loyalty costs are directly accounted as expenses.

The Group offers a loyalty programme where customers collect points based on card spending, which are accounted in designated loyalty point accounts. Customers can spend their points by converting them into gifts, annual fee rebates as well as to rebate vouchers within the programme. The estimated upcoming expenses increase the accrued expenses. In addition, the Group offers a yearly fee rebate based on the volume of transactions of the customer. According to IFRIC 13, the estimated upcoming expenses are accounted as a reduction of the underlying income, and increase the accrued expenses.

The amount allocated to the annual fee rebates is recognised when the rebates are redeemed in the following year and, thus, the Company has fulfilled its obligation.

Financial expenses
Interest expenses consist of the refinancing expenses to finance the interest income-generating businesses, losses on derivative financial instruments that are recognised in profit or loss, bank charges and expenses for bank guarantees. Interest expenses are recognised using the effective interest method.

Impairment losses from Payment business and Consumer Finance
Impairment losses from the Payment business contain losses arising from bad debts, fraud and chargebacks. Impairment losses in the Consumer Finance business represent mainly the build-up of accruals for incurred but not reported losses.

Other expenses
Other expenses are recognised as they are incurred. The expenses are recognised on an accrual basis.

Depreciation and amortisation
Depreciation and amortisation comprises the depreciation of property and equipment and the amortisation of intangible assets. Depreciation and amortisation are recognised in profit or loss following the depreciation and amortisation policy outlined in the respective section for property and equipment or other intangible assets.

Income tax expenses
Income tax expenses comprise current and deferred income tax. Income tax expenses are recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Earnings per share
The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares.

As there are neither convertible bonds nor options or other potential shares outstanding, there is no dilutive impact for the shares.

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses. The results of the business activities are regularly reviewed by the Group’s chief operating decision maker to decide on resources to be allocated to the segments and assess their performance, for which separate financial information is available.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, postal and bank accounts, and fixed-term deposits with an original maturity of less than 90 days from the date of acquisition. They are stated at amortised cost, which equals the nominal value.

Receivables Payment business / receivables Consumer Finance
Receivables from cardholders, from merchant activities, from Consumer Finance customers and from others are stated at their amortised cost using the effective interest method less impairment losses.

The allowance accounts in respect of receivables are used to record impairment losses unless the Group is satisfied or unless no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against the receivable directly.

When assets are leased out under a finance lease, the present value of the future lease payments is recognised as a receivable. Future interest receivables from the financial lease are not considered in the receivables.

Derivative financial instruments, including hedge accounting
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does hold or issue derivative financial instruments either for hedge accounting or for economic hedging without applying hedge accounting.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Currency swaps used by the Group do not qualify for hedge accounting; therefore they are accounted for as trading instruments.

The Group designates interest rate swaps as hedging instruments in a hedge of the variability in the interest payments related to variable interest-bearing financial liabilities (cash flow hedge).

The effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss in the same line item as the underlying transaction.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income remains there until the forecast transaction affects profit or loss.

Financial investments available for sale
Security positions which are not held for trading purposes are reported as debt and equity securities available for sale and are measured at fair value. Unrealised gains and losses are recognised in other comprehensive income and reported in other components of equity until the security is sold or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in other components of equity is recognised in the income statement in other income.

Equity securities are deemed impaired if there has been a significant or prolonged decline of fair value below the initial cost. A debt instrument is deemed impaired if the creditworthiness of the issuer significantly deteriorates or if there are other indications that an event has a negative impact on the future estimated cash flows related to the debt instrument, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected.

Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and selling expenses.

Property and equipment
Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives are as follows:

	2017	2016
Furniture	5–10 years	5–10 years
IT & office equipment	3–5 years	3–5 years
Cars	4–5 years	4–5 years
Leasehold improvement	shorter of the useful life or the lease term	shorter of the useful life or the lease term
Buildings	25 years	25 years
Terminals	3 years	3 years

Useful lives and residual values are reviewed annually at the balance sheet date and any adjustments are recognised in profit or loss. Gains or losses arising from the disposal of items of property and equipment are recognised in profit or loss.

Goodwill
The Group measures goodwill at the acquisition date as the excess of the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed and the sum of the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is tested for impairment annually at the level of the cash-generating unit.

Other intangible assets
Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Intangible assets consist of capitalised software costs, capitalised licences and client relationships, all of which have finite lives. The following intangible assets are amortised on a straight-line basis over their estimated useful lives:

	2017	2016
Software	generally 5 years specific software 2 to 10 years according to the useful life	generally 3 years specific software 2 to 10 years according to the useful life
Licences	3 years	3 years

Client relationships are amortised according to an average customer lifetime depending on the underlying business. The current recognised client relationships are amortised for 10–15 years, using the digital digressive method according to their useful life.

Amortisation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate.

Capitalised software includes external costs incurred when externally developing or purchasing computer software for internal use. The expenditure capitalised includes mainly external development and consultancy costs that are directly attributable to the external development of implementing and customising software.

Expenditures on internally generated goodwill and brands are recognised in profit or loss as incurred.

Impairment
The recoverable amounts of non-current assets are reviewed for impairment at least once a year. If there is any indication of impairment (triggering event), an impairment test is performed. Goodwill is tested for impairment on an annual basis. If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, an impairment loss is recognised in profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Payables
Payables to counterparties, other trade payables and other payables are stated at amortised cost.

Interest-bearing liabilities
They are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Leasehold restoration provisions
In accordance with the lease agreement and applicable constructive requirements / legal obligation, a provision for leasehold restoration in respect of reinstatement of the original condition of the premises is made when the Group enters into a contractual agreement. A related payment is recognised when the obligation event to restore the premises to the specified condition occurs. The expenses are recorded over the lifetime of the lease agreement.

Employee benefits
The post-employment plans qualify as defined benefit plans. The Group’s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan asset is deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past services or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

Dividends are recognised as a liability at the date they are declared.

New and revised standards and interpretations newly adopted by the Group
The Group applied the following new and revised accounting standards and interpretations for the first time:

– Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
– Disclosure Initiative (Amendments to IAS 7)

Except additional disclosure (Amendments to IAS 7) the above-mentioned standards had no or no significant impact on the financial statements.

New and revised standards and interpretations
The following new and revised standards and interpretations have been issued, but are not yet effective and have not been applied early in these consolidated financial statements. Their impact on the consolidated financial statements of the Group has not yet been systematically analysed. The table reflects a first assessment conducted by the Group's management and the expected effects.

		Effective date	Planned application by the Group
IFRS 9 Financial Instruments		1 January 2018	Reporting year 2018
IFRS 15 Revenue from Contracts with Customers		1 January 2018	Reporting year 2018
IFRS 16 Leases		1 January 2019	Reporting year 2019
IFRIC 23 Uncertainty over Income Tax Treatments	*	1 January 2019	Reporting year 2019
Revisions and amendments of Standards and Interpretations			
Amendments to IAS 19, Employee Benefits	*	1 January 2019	Reporting year 2019
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	*	1 January 2019	Reporting year 2019

* No or no significant impacts are expected on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments (effective 1 January 2018)
In July 2014 the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group adopts the new standard on the required effective date and will not restate comparative information. During 2017 the Group performed a detailed assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018. Overall, there is no significant impact on the statement of financial position and equity of the Group, except for the effect of applying the impairment requirements of IFRS 9. The Group will recognise an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

(a) Classification and measurement
The Group is not affected by a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It will continue measuring at fair value all financial assets currently held at fair value. Equity shares currently held as available for sale with gains and losses recorded in other comprehensive income (OCI) are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI. Therefore the application of IFRS 9 will not have a significant impact.

Receivables from business unit Payment, receivables from business unit Consumer Finance, as well as other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment
The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL), either on a 12-month or lifetime basis rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group will apply the simplified approach and record lifetime expected losses on trade receivables.

The Group has defined new impairment models for the credit card, consumer loans and leasing portfolios. The models are based on a collective assessment and the relevant input factors are probability of default, exposure at default and loss given default. The respective input factors are determined on the basis both of empirical data and forward-looking information. In general, comparable models are used for the credit card, consumer loan and leasing portfolios, while taking into account the different features and characteristics of the individual portfolios.

The approach for determining a significant increase in credit risk considers both quantitative factors (e.g. past due information) as well as qualitative indicators (e.g. individual assessment of the customer's ability to meet its obligations). The resulting expected credit loss will mainly be driven by receivables in Stage 3 and the respective assumptions on the expected future cash flows (recoveries).

Based on the assessments undertaken to date, the Group expects a total increases in loss allowances of CHF 1.0 million up to CHF 3.0 million, which reflects a decrease in the financial instruments as well as in retained earnings.

(c) Hedge accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on the Group’s financial statements.

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
In May 2014 the IASB issued the new standard which specifies how and when revenue is recognised. IFRS 15 replaces several other IFRS standards and interpretations that currently govern revenue recognition under IFRS, and provides a single, principles-based five-step model to be applied to all contracts with customers. The five-step cover: identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when (or as) the Group satisfies a performance obligation. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures. The application of the new standard has no material impact except for additional disclosures.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substandce of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of ’low-value’ assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting of IFRS 16 is expected to be unchanged from today’s accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

In 2018 the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

2. Segment reporting

For reporting and managerial purposes, management has divided the Group’s business into four segments. The external segment reporting is based on the internal reporting to the chief operating decision maker, who is responsible for allocating resources, and assesses the financial performance of the business. The Executive Board has been identified as the chief operating decision maker, as it is responsible for the operational management of the entire Group and reviews the management reporting of each business segment on a monthly basis. The Executive Board consists of the Group’s Chief Executive Officer (CEO) as well as Chief Officers for Finance (CFO), Sales (CSO), Marketing (CMO) and Operations (COO).

Payment
The business unit Payment provides services for cashless payments via credit, debit and customer cards to private and corporate customers, and runs the relevant transaction and customer services relating to the business. The major part of the business is run through the brands of Mastercard and Visa.

The business unit Payment is operated through Viseca as well as through Accarda AG (Accarda), Vibbek AG, Vibbek GmbH, AdunoKaution, SmartCaution and the newly acquired Contovista. The major revenue streams in the business result from interchange fees and commissions, annual fees for cards and services, income from card transactions in foreign currency and interest income. Until its sale in 2017, Aduno SA was part of the business unit Payment. The Acquiring and Terminal business is therefore classified as discontinued operations and the prior-year figures have been restated accordingly.

Consumer Finance
The business unit Consumer Finance sells and operates leasing contracts and credit facilities for consumer goods to private and corporate clients. The business unit Consumer Finance is operated by cashgate. The major income streams are interest income, commission income and fees for chargeable services.

Internal Financing
As the central treasury centre of the Group (Aduno Finance), Internal Financing provides financial services to the other members of the Group. The treasury services include the treatment of payments, the handling of foreign exchange transactions as well as the management of the Group’s brand assets. The major income streams result from foreign currency transactions and interest income.

Corporate Functions
The business unit Corporate Functions contains intercompany consolidation items as well as the financial result of Aduno Holding.

Segments’ assets and liabilities
The assets and liabilities, revenue and expenses are measured in accordance with the relevant IFRS Standards.

Information about major customers
There is no major customer in any of the business segments whose revenues amount to 10% or more of the segment’s revenues (2016: none).

The following table presents certain information regarding the operating segments, based on management’s evaluation and internal reporting structure, at 31 December 2017 and 2016 and for each of the years ended.

	Payment		Consumer Finance		Internal Financing		Total operating segments		Functions/ Consolidation		Consolidated	
In 1,000 CHF	**2017**	2016 restated	**2017**	2016	**2017**	2016	**2017**	2016 restated	**2017**	2016 restated	**2017**	2016 restated
Commission income	142,132	127,753	0	0	18,777	16,602	160,909	144,355	0	0	160,909	144,355
Annual fees	116,668	112,973	0	0	0	0	116,668	112,973	0	0	116,668	112,973
Interest income	12,156	12,631	85,799	88,406	26,500	27,711	124,455	128,748	(27,654)	(28,862)	96,802	99,886
Other income	42,436	85,320	8,798	7,797	59,598	54,089	110,832	147,206	(25,618)	(26,258)	85,214	120,949
Total revenue	**313,392**	**338,678**	**94,597**	**96,203**	**104,875**	**98,402**	**512,864**	**533,283**	**(53,272)**	**(55,120)**	**459,593**	**478,163**
Processing and service expenses	55,373	51,219	1,323	1,270	0	0	56,696	52,489	0	(2)	56,696	52,487
Distribution, advertising and promotion expenses	89,943	86,942	18,069	19,292	1	1	108,012	106,235	(9,607)	(9,760)	98,405	96,475
Interest expenses	11,115	11,684	15,720	16,702	26,786	30,093	53,622	58,479	(34,191)	(35,940)	19,431	22,539
Impairment losses	2,702	2,321	11,999	10,893	0	0	14,701	13,214	0	0	14,701	13,214
Personnel expenses	76,510	63,663	18,112	18,150	778	699	95,400	82,512	0	0	95,400	82,512
Other expenses [1)]	61,342	40,543	12,869	12,440	4,857	4,245	79,068	57,228	(22,776)	(20,873)	56,291	36,355
Depreciation	2,656	2,720	528	625	71	408	3,255	3,752	773	773	4,028	4,525
Amortisation	6,753	4,272	3,894	4,416	1,198	7,189	11,845	15,877	3	127	11,849	16,004
Total expenses	**306,394**	**263,364**	**82,515**	**83,788**	**33,691**	**42,636**	**422,600**	**389,788**	**(65,799)**	**(65,676)**	**356,801**	**324,112**
Profit from continuing operations before income tax	**6,998**	**75,313**	**12,082**	**12,416**	**71,185**	**55,766**	**90,265**	**143,495**	**12,527**	**10,556**	**102,791**	**154,051**
Income from associates	7,386	3,393	0	0	0	0	7,386	3,393	0	0	7,386	3,393
Profit before income tax	**14,383**	**78,706**	**12,082**	**12,416**	**71,185**	**55,766**	**97,650**	**146,888**	**12,527**	**10,556**	**110,177**	**157,444**
Income tax expenses [1)]	22,801	32,366	2,554	2,623	7,804	6,066	33,158	41,055	1,655	3	34,813	41,058
Profit / (loss) from continuing operations	**(8,418)**	**46,340**	**9,529**	**9,793**	**63,381**	**49,700**	**64,492**	**105,833**	**10,872**	**10,553**	**75,364**	**116,385**
Profit / (loss) from discontinued operations	120,482	9,058	0	0	0	0	120,482	9,058	(4,215)	(6,950)	116,267	2,109
Profit for the period	**112,065**	**55,398**	**9,529**	**9,793**	**63,381**	**49,700**	**184,974**	**114,891**	**6,656**	**3,603**	**191,631**	**118,493**

1) To provide better comparability and accurate presentation, the accrual booked under "Other expenses" in 2016 to reflect an expected agreement with the tax authorities regarding transfer pricing has been reclassified in the tax result. See note 12.

3. Change in scope of consolidation

Acquisition of Contovista AG
Effective 1 August 2017 Aduno Holding purchased an additional 55.7% of the shares of Contovista in Schlieren, canton of Zurich. Together with the holding of 14.3%, Aduno Holding now has a stake of 70% in Contovista. The company develops software for Finance Management as well as Analytics and distributes it to banks. The purchase price for the 55.7% was CHF 27.3 million, which was paid in full in cash. The revaluation of the existing 14.3% resulted in a valuation gain of CHF 4.0 million. The revaluation gain is recorded in “Income from associates”.

The following purchase price allocation is final. Goodwill of CHF 21.1 million has been identified and is allocated to the cash-generating unit Payment Issuing. The increased stake in Contovista strengthens the Group’s relationship to its shareholder banks, will pave the way for future business models within the Group and will increase revenue from exisiting customers.

In 1,000 CHF	Recognised values on acquisition fair value
Cash and cash equivalents	4,269
Other receivables and other assets	560
Prepaid expenses and accrued income	7
Property and equipment	42
Intangible assets	20,278
Total assets	**25,156**
Other trade payables	128
Accrued expenses and deferred income	245
Provisions	1,618
Employee benefit obligations	66
Deferred tax liabilities	4,258
Total liabilities	**6,315**
Net identifiable assets and liabilities	**18,841**
Contribution for the existing 14.3% holding at fair value	7,009
Considerations transferred	27,300
Non-controlling interest	5,653
Goodwill arising from acquisition	**21,120**
Considerations paid in cash	27,300
Cash acquired	4,269
Net cash outflow	**23,031**

Included in the Group’s revenues for 2017 are CHF 1.9 million arising from the additional business from Contovista. A profit of CHF 0.1 million is included in the profit for the year. If the acquisition of Contovista had occurred on 1 January 2017, the Group’s consolidated revenue would have been CHF 460.9 million and its consolidated profit from continuing operations CHF 75.2 million. The acquisition incurred acquisition costs for the Group of CHF 0.1 million, which are included in the profit and loss statement under “Other expenses”.

Acquisition of SmartCaution SA
As per 1 July 2016 Aduno Holding AG purchased 100% of the shares of SmartCaution in Geneva, canton of Geneva. The company’s field of activity is to provide rental guarantees to its customers and is integrated in the Group’s Payment segment. The purchase price was set to CHF 9.0 million of which 7.0 million have been paid in cash. The remaining CHF 2.0 million is a contingent purchase price consideration.

The following purchase price allocation is final. A goodwill of CHF 1.9 million has been identified and is allocated to the cash generating unit Payment Issuing. This transaction strengthens the rental guarantee portfolio of the Group in the western part of Switzerland and creates synergy effects.

In 1,000 CHF	Recognised values on acquisition fair value
Cash and cash equivalents	1,975
Other receivables and other assets	96
Prepaid expenses and accrued income	200
Property and equipment	21
Intangible assets	7,738
Total assets	**10,031**
Other trade payables	7
Accrued expense and deferred income	938
Provisions	51
Employee benefit obligations	125
Deferred tax liabilities	1,824
Total liabilities	**2,945**
Net identifiable assets and liabilities	**7,086**
Considerations transferred	9,000
Goodwill arising from acquisition	**1,914**
Considerations paid in cash	7,000
Cash acquired	1,975
Net cash outflow	**5,025**

Included in the Group's revenues for the year 2016 are CHF 1.0 million arising from the additional business from SmartCaution. A loss of CHF 0.1 million is included in the profit for the year. If the acquisition of SmartCaution had occurred on 1 January 2016, the Group's consolidated revenue would have been CHF 583.9 million and its consolidated profit after tax of CHF 118.1 million would have arisen (both based on continuing and discontinuing operations). The acquisition incurred acquisition costs for the Group of CHF 0.1 million, which are included in the profit and loss statement under "Other expenses".

4. Commission income

In 1,000 CHF	2017	2016 restated
Interchange revenue	77,002	74,760
Currency exchange commissions	59,849	47,181
Other commission revenue	24,058	22,414
Commission income	**160,909**	**144,355**

5. Interest income and interest expenses

In 1,000 CHF	2017	2016 restated
Interest income	96,802	99,886
Interest expenses	(19,431)	(22,539)
Interest income, net	**77,370**	**77,347**

Interest income contains income from the Group's Consumer Finance activities and also from credit lines granted to clients in the Payment business.

In the Payment business, credit cardholders are eligible to convert their debit on the credit card into a consumer credit for which the Group then charges interest for the period of the short-term loan.

Interest expenses are the refinancing expenses to finance the open credit lines of the Payment and Consumer Finance businesses.

6. Other income

In 1,000 CHF	2017	2016 restated
Foreign exchange gains or losses, net	48,805	43,374
Income from services	26,549	23,556
Other income	9,860	54,020
Other income	**85,214**	**120,949**

Foreign exchange gains and losses arise on transactions which are not settled in Swiss francs. Customers in the Group’s Payment business are billed based on a typical exchange rate close to spot rates, whereas the Group is billed near the interbank rate (interbank rate plus Group’s credit spread).

As a former member of Visa Europe Ltd., the business unit Payment benefited in 2016 from selling Visa Europe Ltd. to Visa Inc. The Group received contributions at a total value of CHF 71.7 million, including preferential Visa Inc. shares at a value of CHF 17.3 million as at transaction date, as well as an entitlement to a deferred cash payment of CHF 4.3 million. The contribution of CHF 71.7 million has been recorded as “Other income”, of which CHF 20.5 million has been allocated to Aduno SA and is therefore disclosed as part of discontinued operations.

7. Processing and service expenses

In 1,000 CHF	2017	2016 restated
Cards processing expenses	32,462	28,386
Service expenses	24,227	24,079
Material expenses	7	22
Processing and service expenses	**56,696**	**52,487**

8. Distribution, advertising and promotion expenses

In 1,000 CHF	2017	2016 restated
Acquisition expenses	73,556	68,367
Rewards and redemption expenses	7,150	10,712
Advertising and promotion expenses	17,571	17,254
Costs for distribution	128	142
Distribution, advertising and promotion expenses	**98,405**	**96,475**

9. Personnel expenses

In 1,000 CHF	2017	2016 restated
Wages and salaries	73,700	65,930
Social security contributions	7,810	6,940
Expenses related to defined benefit plans	3,556	4,145
Other personnel expenses	10,333	5,498
Personnel expenses	**95,400**	**82,512**

10. Other expenses

In 1,000 CHF	2017	2016 restated
Audit and professional services	20,689	11,020
IT expenses	16,650	12,979
Telephone and postage	1,551	970
Premises expenses	7,339	6,312
Travel and representation	746	637
Loss on sale of property and equipment and intangible assets	1,441	0
Other administration expenses [1)]	7,876	4,439
Other expenses	**56,291**	**36,355**

1) To provide better comparability and accurate presentation, the accrual booked under "Other expenses" in 2016 to reflect an expected agreement with the tax authorities regarding transfer pricing has been reclassified in the tax result. See note 12.

11. Impairment losses from Payment and Consumer Finance

In 1,000 CHF	2017	2016 restated
Impairment losses on commission income	2,702	2,321
Impairment losses on interest income	11,999	10,893
Impairment losses	**14,701**	**13,214**

The impairment losses on commission income are attributable to losses arising from bad debts, fraud and chargebacks in the Payment business, whereas the impairment losses on interest income mainly represent incurred but not reported losses in the Consumer Finance business.

12. Income tax expenses

Expenses recognised in consolidated income statement

In 1,000 CHF	2017	2016 restated
Current income tax expenses 1)	33,358	40,490
Deferred tax expenses (+) / income (–) 1)	1,456	568
Total income tax expenses	**34,813**	**41,058**

1) To provide better comparability and accurate presentation, the accrual booked under "Other expenses" in 2016 to reflect an expected agreement with the tax authorities regarding transfer pricing has been reclassified in the tax result.

Average applicable tax rate

The Group calculated an average applicable income tax rate of 14.9% in 2017 and 16.2% in 2016, which represents the weighted average income tax rate calculated on the basis of the Group's operating subsidiaries in Switzerland.

Reconciliation of effective tax rate

The average effective income tax rate for 2017 was 31.6% and 26.1% for 2016. It was derived as shown in the following table.

In 1,000 CHF	2017	2016 restated
Profit before income tax	110,177	157,444
Income tax expenses at the average applicable tax rate 1)	16,416	25,506
Changes in estimates related to prior years 1)	23,734	18,000
Income tax expenses related to transfer price adjustements 1)	7,330	3,487
Effect from non-taxable income	(285)	(335)
Tax effect on income at different rates	(12,382)	(5,600)
Effective income tax expenses	**34,813**	**41,058**

1) To provide better comparability and accurate presentation, the accrual booked under "Other expenses" in 2016 to reflect an expected agreement with the tax authorities regarding transfer pricing has been reclassified in the tax result.

In 2011, the Aduno Group transferred the areas of cash management, payment transactions, financing, foreign currency management and brand management to the newly incorporated Aduno Finance AG, which is headquartered in Nidwalden, with offices in Freienbach (Schwyz).

During the ordinary tax inspections for 2011 and 2012, the cantonal tax authorities in Zurich questioned the transfer prices applied. At the end of the 2016 financial year, the Aduno Group was still working under the assumption that an agreement with the Zurich tax authorities would be reached, and it accrued a total of CHF 21.5 million under "Other expenses".

This agreement proved to be unrealistic. Following this, in March 2018, the Aduno Group lodged an appeal with the Zurich tax appeals court. The time horizon for a definitive settlement has therefore lengthened materially.

Due to the reassessment, in 2017, the Aduno Group recognised additional tax provisions amounting to CHF 23.7 million for financial years 2011 to 2016, and CHF 7.3 million for the 2017 financial year. To provide better comparability and accurate presentation, the accrual booked in 2016 was also reclassified in the tax result.

Deferred tax assets and liabilities
The following table shows in which lines of the Group's balance sheet tax assets and liabilities were recognised on temporary differences between the tax base and IFRS carrying amounts.

			2017			2016
In 1,000 CHF	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Receivables	2,180	(6,422)	(4,242)	2,064	(6,188)	(4,124)
Prepaid expenses	305	(2,135)	(1,830)	141	(2,742)	(2,601)
Property and equipment	0	(344)	(344)	0	(370)	(370)
Intangible assets	1,790	(6,920)	(5,130)	2,671	(23,373)	(20,702)
Financial investments available for sale	0	(2,390)	(2,390)	0	(295)	(295)
Interest-bearing liabilities	148	(8)	140	25	(28)	(3)
Accrued expenses and deferred income	7,306	(1,312)	5,994	7,961	3,780	11,741
Provisions	63	(83)	(20)	67	(106)	(39)
Employee benefit obligations	10,163	0	10,163	8,867	0	8,867
Tax value of loss carry-forwards recognised	3,686	0	3,686	2,964	0	2,964
Tax assets / (liabilities)	**25,641**	**(19,614)**	**6,026**	**24,761**	**(29,321)**	**(4,560)**
Set-off of tax	(11,704)	11,704	0	(17,205)	17,205	0
Net tax assets / (liabilities)	**13,937**	**(7,911)**	**6,026**	**7,556**	**(12,116)**	**(4,560)**

Temporary differences of associates, on which no deferred income taxes were recognised as at 31 December 2017, amounted to CHF 22.7 million (2016: CHF 20.9 million).

Tax loss carry-forwards
The Group had total tax loss carry-forwards of CHF 15.8 million as at 31 December 2017 (2016: CHF 14.1 million). There are no unrecognised tax losses carry-forwards.

Income taxes directly recognised in other comprehensive income
A decrease in employee benefit obligations of CHF 2.4 million was recognised in other comprehensive income in 2017 (2016: increase of CHF 2.9 million). The Group recognised CHF 0.5 million of deferred tax liabilities in other comprehensive income (2016: CHF 0.7 million of deferred tax assets).

A positive change in fair value of financial investments available for sale of CHF 7.4 million was recognised in other comprehensive income in 2017 (2016: CHF 1.5 million). The Group recognised CHF 1.6 million of deferred tax liabilities in other comprehensive income (2016: CHF 0.3 million). A gain of 1.4 million was recycled to profit or loss (2016: none). The Group recognised CHF 0.3 million of deferred tax income.

A positive change in fair value of cash flow hedges of CHF 0.3 million was recognised as a reduction in liability in 2017 (2016: positive change of CHF 1.8 million). The Group recognised deferred tax liabilities of less than CHF 0.1 million in other comprehensive income (2016: tax liabilities of CHF 0.2 million).

Movement in deferred tax assets and liabilities during the year

In 1,000 CHF	Balance at 31.12.2016	Recognised in income statement	Recognised in other comprehensive Income	Change in scope of consolidation	Balance at 31.12.2017
Receivables	(4,124)	(130)	(27)	39	(4,242)
Prepaid expenses	(2,601)	771	0	0	(1,830)
Property and equipment	(370)	23	0	2	(344)
Intangible assets	(20,702)	549	0	15,023	(5,130)
Financial investments available for sale	(295)	0	(1,333)	(763)	(2,390)
Interest-bearing liabilities	(3)	142	0	0	140
Accrued expenses and deferred income	11,741	(5,794)	0	47	5,994
Provisions	(39)	37	0	(17)	(20)
Employee benefit obligations	8,867	2,224	(511)	(418)	10,163
Tax value of loss carry-forwards recognised	2,964	721	0	0	3,686
Tax assets / (liabilities)	**(4,560)**	**(1,456)**	**(1,871)**	**13,914**	**6,026**

In 1,000 CHF	Balance at 31.12.2015	Recognised in income statement restated	Recognised in other comprehensive Income	Change in scope of consolidation restated	Balance at 31.12.2016
Receivables	(4,191)	224	(210)	54	(4,124)
Prepaid expenses	(2,338)	(263)	0	0	(2,601)
Property and equipment	(351)	(36)	0	17	(370)
Intangible assets	(19,203)	(927)	0	(572)	(20,702)
Financial investments available for sale	0	0	(295)	0	(295)
Interest-bearing liabilities	177	(180)	0	0	(3)
Accrued expenses and deferred income	8,195	3,209	0	337	11,741
Provisions	49	(105)	0	17	(39)
Employee benefit obligations	8,211	(2,273)	661	2,268	8,867
Tax value of loss carry-forwards recognised	3,181	(217)	0	0	2,964
Tax assets / (liabilities)	**(6,269)**	**(568)**	**156**	**2,120**	**(4,560)**

13. Earnings per share

In 1,000 CHF	2017	2016 restated
Profit attributable to owners of the company	191,684	118,564
Profit from continuing operations attributable to owners of the company	75,417	116,457
Profit from discontinued operation attributable to owners of the company	116,267	2,109
Issued ordinary shares at 1 January	25,000	25,000
Weighted average number of ordinary shares at 31 December	**25,000**	**25,000**
Earnings per share in CHF	7,667.37	4,742.57
Earnings per share in CHF, from continuing operations	3,016.69	4,658.27
Earnings per share in CHF, from discontinued operation	4,650.68	84.35

Diluted earnings per share
There are neither convertible bonds nor options or other potential shares outstanding and therefore there is no dilutive impact on earnings.

14. Cash and cash equivalents

In 1,000 CHF	2017	2016
Cash	16	12
Post bank	11,428	113
Bank	10,702	41,364
Cash and cash equivalents	**22,146**	**41,489**

Cash and cash equivalents are mainly held in CHF, EUR and USD. The percentage of these currencies of the total cash and cash equivalents held is shown in the table below.

In 1,000 CHF	2017	2016
CHF	93.2%	97.4%
EUR	3.8%	0.9%
USD	2.9%	0.0%
Other	0.1%	1.7%
Total	**100.0%**	**100.0%**

15. Receivables from Payment business and Consumer Finance

In 1,000 CHF	2017	2016
Receivables from cardholders	446,987	452,704
Receivables from card schemes	0	85,439
Receivables from debt collection	3,744	3,604
Receivables for which fraud is assumed	216	223
Other receivables from business unit Payment	5,801	8,163
Allowances for doubtful debts	(1,195)	(921)
Total receivables from business unit Payment	**455,552**	**549,213**

In 1,000 CHF	2017	2016
Short-term receivables from business unit Consumer Finance	474,714	467,674
Short-term allowances for doubtful debts	(9,477)	(8,818)
Short-term receivables from business unit Consumer Finance	**465,238**	**458,856**
Long-term receivables from business unit Consumer Finance	909,425	826,625
Long-term allowances for doubtful debts	(18,281)	(15,963)
Long-term receivables from business unit Consumer Finance	**891,144**	**810,662**
Total receivables from business unit Consumer Finance	**1,356,382**	**1,269,519**

The sold Aduno SA had mainly receivables form card schemes and other receivables from the Payment business.

The aging of the receivables contained in the balance sheet that are not individually impaired as at the reporting date is as follows:

In 1,000 CHF	Gross amount 2017	Allowance 2017	Gross Amount 2016	Allowance 2016
Receivables from cardholders				
Not past due	443,927	0	449,127	0
Past due 1–30 days	2,017	0	2,561	0
Past due 31–60 days	723	0	619	0
Past due 61–90 days	260	0	279	0
Past due for more than 90 days	61	0	117	0
Total	**446,987**	**0**	**452,704**	**0**
Receivables from debt collection				
Past due for more than 90 days	3,744	(949)	3,604	(656)
Total	**3,744**	**(949)**	**3,604**	**(656)**
Receivables for which fraud is assumed				
Past due 1–30 days	186	(68)	213	(91)
Past due 31–60 days	25	(25)	11	(11)
Past due 61–90 days	5	(5)	0	0
Past due for more than 90 days	0	0	0	0
Total	**216**	**(98)**	**223**	**(102)**
Receivables from card schemes and others				
Past due	199	(68)	870	(163)
Due on sight	826	(81)	88,422	0
Due within 1–3 years	4,775	0	4,311	0
Total	**5,801**	**(148)**	**93,603**	**(163)**
Receivables from business unit Consumer Finance				
Past due	35,086	(974)	28,440	(736)
Due on sight	13,725	(390)	14,297	(373)
Due within up to 3 months	135,901	(2,350)	130,775	(2,217)
Due within 4–12 months	290,003	(5,763)	294,162	(5,492)
Total current receivables	**474,714**	**(9,477)**	**467,674**	**(8,818)**
Due within 1–3 years	634,681	(12,939)	614,775	(11,859)
Due after more than 3 years	274,744	(5,342)	211,850	(4,104)
Total non-current receivables	**909,425**	**(18,281)**	**826,625**	**(15,963)**
Total	**1,384,139**	**(27,758)**	**1,294,299**	**(24,780)**

Receivables from Payment business

Receivables from cardholders consist of regular open balances on the credit card accounts of credit cardholders. Open balances from cardholders due for more than 90 days are transferred to a dedicated and monitored collection portfolio. The balance of the collection portfolio amounts to CHF 3.7 million (2016: CHF 3.6 million) and is shown under “Receivables from debt collection”.

If a cardholder transaction shows signs of being fraudulent, the respective balance is transferred to a dedicated fraud portfolio until the case is settled. This portfolio amounted to CHF 0.2 million as at 31 December 2017 (2016: CHF 0.2 million). An adequate allowance is set up for all receivables for which fraud is assumed. The respective balance of all fraudulent transactions under clarification is shown under “Receivables for which fraud is assumed”.

The open settlement balance to the card schemes in 2016 of CHF 85.4 million reflects the transmitted merchant transactions on the last days before closing. Due to the sale of Aduno SA there were no balances as at year end 2017. The open settlement balances to the card schemes are settled daily. In the history of the Company all daily balances to the schemes were settled as announced by the card schemes. Therefore no allowances for doubtful debts were built.

Due to the sale of Aduno SA there were no receivables from terminal sales in 2017. In 2016 receivables from terminal sales were open balances to customers totalling CHF 1.7 million and were contained in the other receivables from the Payment business. This amounted to 0.3% of the total receivables of the Payment business. Allowances for doubtful debts are built according to the aging of the overdue receivables, and receivables overdue for more than 12 months are provided for 100%.

In 2016 other receivables from the Payment business also contained receivables related to the currency conversion amounting to CHF 1.9 million. Such receivables were usually settled within less than one week. Due to the sale of Aduno SA there were no such receivables in 2017.

Receivables from Consumer Finance activities

These receivables consist of consumer loans and finance lease receivables from the car leasing business. Finance lease receivables are collateralised by the financed cars while consumer loans are not collateralised.

Open balances from the Consumer Finance segment due for more than 90 days are transferred to a dedicated and monitored collection portfolio. Allowances for doubtful debts are built using sophisticated analytical and statistical methods as described below. The total balance is shown as “Allowance for doubtful debts”.

In 1,000 CHF	2017	2016
Receivables from consumer loans	738,885	700,772
Receivables from finance leases	645,255	593,527
Total receivables from business unit Consumer Finance	**1,384,139**	**1,294,299**

Receivables from finance lease

In 1,000 CHF	2017	2016
Current receivables from finance leases		
Gross investment in finance leases	289,728	287,851
Unearned finance income	66,458	66,224
Present value of minimum lease payments	**223,270**	**221,627**
Non-current receivables from finance leases		
Gross investment in finance leases	464,227	408,070
Unearned finance income	42,243	36,171
Present value of minimum lease payments	**421,984**	**371,899**
Gross receivables from finance leases		
Due within up to 1 year	289,728	287,851
Due within 1–5 years	464,227	408,070
Unearned finance income	108,701	102,395
Present value of minimum lease payments	**645,255**	**593,527**

Allowances for doubtful debts

Recognised allowances for doubtful debts for the business segments at the reporting date are shown in the following tables.

In 1,000 CHF	2017	2016
Allowances for doubtful debts, business unit Payment		
Balance at 1 January	(921)	(1,516)
(Increase) / decrease	(274)	594
Balance at 31 December	**(1,195)**	**(921)**

Allowances for doubtful debts on receivables from cardholders are composed of impairments on receivables due to late payment, fraudulent payments and non-recoverable chargeback at both specific and collective levels. All individually significant receivables from cardholders are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. The allowance for all three categories is determined according to historical data based on sophisticated analytical methods and evaluation models. The allowance is adjusted in line with management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends. Management qualifies the allowance for doubtful debts in the Payment segment as adequate.

In 1,000 CHF	2017	2016
Allowances for doubtful debts, business unit Consumer Finance		
Balance at 1 January	(24,780)	(24,904)
(Increase) / decrease	(2,977)	124
Balance at 31 December	**(27,758)**	**(24,780)**

Allowances for doubtful debts on receivables from Consumer Finance is composed of impairments on receivables due to late payment and also comprise a portion of those found not to be specifically impaired but which are then collectively assessed for any impairment that has been incurred but not yet identified. The Group recognises allowances in its Consumer Finance business at the time the credit facility or the leasing contract is paid out to the customer.

The collective allowance is determined for clusters of customers by combining historical data based on sophisticated analytical methods and evaluation models considering the particular risks of each cluster. The allowance is adjusted in line with management’s judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends. Currently, no specific allowances that are individually significant are recognised on receivables in the Consumer Finance segment. Management qualifies the allowance for doubtful debts in the Consumer Finance segment as adequate.

Except for allowances for fraudulent transactions in the Payment business, all impairments of receivables are due to late payment by customers or those that have been incurred but not yet identified. Based on the Group’s experience, impairments are calculated as a percentage of the overdue balance by customers, including the estimated amount of receivables becoming overdue in the near future.

In the Payment and Consumer Finance businesses, on average about 99% (2016: 98%) of the receivables outstanding are not past due. Based on past experience, the Group includes the impairment allowance for these receivables in the allowance calculated on the basis of the default risk of the total debts.

16. Inventories

In 1,000 CHF	2017	2016
Raw materials	2,540	2,306
Terminals – new	0	1,651
Terminals – used	0	74
Total inventories	**2,540**	**4,031**

In 2017 inventory costs of CHF 5.6 million were recognised as an expense (2016: CHF 6.2 million). No write-downs were recognised on inventories to net realisable value in 2017 (2016: CHF 1.5 million). As Aduno SA was sold, there are no longer terminals on stock.

17. Other receivables

In 1,000 CHF	2017	2016
Other receivables from VAT, withholding tax and salary benefits	1,515	2,720
Other receivables from partners	140	1,410
Deposits and prepayments	188	80,549
Derivative financial instruments, held for trading	75	49
Other	12,171	4,846
Total other receivables	**14,090**	**89,572**

Until 2016 the deposits on prepaid credit cards were deposited at a specific bank account and disclosed as deposits under “Other receivables”. During 2017 the group released the prepayments from this separate and distinct bank account and included those funds in the general cash management pool. At year-end 2017 the balance was TCHF 188. Accounts receivables are disclosed in the line item “Other”.

Foreign exchange contracts – trading

In 1,000 CHF	2017	2016
Notional amount	27,356	26,856
Positive fair value	75	49
Negative fair value	(186)	(255)

Interest rate swaps – cash flow hedges

In 1,000 CHF	2017	2016
Notional amount	6,000	41,000
Positive fair value	0	0
Negative fair value	(57)	(289)

Derivative financial instruments
The Group uses only foreign exchange contracts to hedge its foreign exchange risk exposure. As the Group does not comply with all documentation requirements under IAS 39, these derivatives do not qualify for hedge accounting and are therefore classified as “held for trading”.

Cash flow hedges
The Group also uses interest rate swaps to hedge its exposure to interest changes arising from the Payment and Consumer Finance businesses. These instruments qualify for hedge accounting.

The Group has a permanent requirement to refinance outstanding receivables due from cardholders and consumer finance customers. The refinancing need is fulfilled with bank loans with durations from one to 90 days and is aligned to Libor conditions. The Group enters into interest rate swaps to hedge its exposure to fluctuating interest rates on its refinancing. It swaps Libor interest payments into fixed interest payments. The total underlying amount of the contracted swaps as at 31 December 2017 amounted to CHF 6.0 million (2016: CHF 41.0 million).

All cash flow hedges of the IRS were assessed to be highly effective as at 31 December 2017 and as at 31 December 2016. A net unrealised gain of CHF 0.3 million (2016: net unrealised gain of CHF 1.8 million) with a related deferred tax liability of less than CHF 0.1 million (2016: related deferred tax liability of CHF 0.2 million) was included in other comprehensive income in respect of these contracts.

Cash flows from hedges occurring in the future are disclosed in Note 31, the profit and loss effect being the same as the related cash flow of the underlying hedged item.

18. Prepaid expenses

In 1,000 CHF	2017	2016
Prepaid expenses to partners	22,750	23,801
Other	29,380	15,416
Total prepaid expenses	**52,129**	**39,218**

In the Payment segment, the Group pays commissions to its distribution partners (mainly the shareholder banks). The commission contains a reimbursement for annual charges for credit cards. The share paid to the partner but not yet consumed is recognised as a prepaid expense to partners.

Concerning the Consumer Finance activities, the Group recognises commissions paid to its sellers and distribution partners. The commission is periodically allocated to the expected duration of the contract.

19. Property and equipment

In 1,000 CHF	Furniture	IT & office equipment	Cars	Leasehold improvement	Buildings	Terminals	Total
Costs							
Balance at 1 January 2017	2,740	19,806	1,096	13,266	1,939	6,075	44,919
Acquisitions through business combinations (see Note 3)	9	33	0	0	0	0	42
Disposals due to sale of major business line	(909)	(3,549)	0	(4,188)	0	(6,075)	(14,720)
Acquisitions	1,492	3,357	168	140	0	0	5,157
Disposals and other changes	(3)	(8,830)	(371)	(146)	0	0	(9,350)
Effect of movements in foreign exchange	0	2	0	0	0	0	2
Balance at 31 December 2017	**3,328**	**10,820**	**892**	**9,072**	**1,939**	**0**	**26,052**
Depreciation and impairment losses							
Balance at 1 January 2017	(1,639)	(5,702)	(526)	(5,897)	(321)	(3,937)	(18,022)
Disposals due to sale of major business line	8	407	0	2,035	0	3,937	6,386
Depreciation charge for the year	(322)	(2,513)	(171)	(959)	(64)	0	(4,028)
Disposals and other changes	32	415	247	122	0	0	815
Effect of movements in exchange rates	0	(2)	0	0	0	0	(2)
Balance at 31 December 2017	**(1,922)**	**(7,395)**	**(449)**	**(4,700)**	**(384)**	**0**	**(14,850)**
Carrying amount							
At 1 January 2017	1,101	14,104	570	7,369	1,618	2,138	26,897
At 31 December 2017	1,407	3,425	444	4,372	1,555	0	11,202

In 1,000 CHF	Furniture	IT & office equipment	Cars	Leasehold improvement	Buildings	Terminals	Total
Costs							
Balance at 1 January 2016	3,629	19,949	1,237	12,482	1,933	5,926	45,156
Acquisitions through business combinations (see Note 3)	0	21	0	0	0	0	21
Acquisitions	122	5,206	103	1,233	7	148	6,820
Disposals and other changes	(1,012)	(5,371)	(244)	(450)	0	0	(7,078)
Effect of movements in foreign exchange	0	0	0	0	0	0	0
Balance at 31 December 2016	**2,740**	**19,806**	**1,096**	**13,266**	**1,939**	**6,075**	**44,919**
Depreciation and impairment losses							
Balance at 1 January 2016	(2,497)	(7,050)	(454)	(4,736)	(258)	(3,658)	(18,653)
Depreciation charge for the year *	(325)	(3,679)	(235)	(1,400)	(63)	(279)	(5,983)
Disposals and other changes	1,183	5,027	163	239	0	0	6,613
Effect of movements in exchange rates	0	0	0	0	0	0	0
Balance at 31 December 2016	**(1,639)**	**(5,702)**	**(526)**	**(5,897)**	**(321)**	**(3,937)**	**(18,022)**
Carrying amount							
At 1 January 2016	1,132	12,899	783	7,746	1,675	2,268	26,503
At 31 December 2016	1,101	14,104	570	7,369	1,618	2,138	26,897

* The amount consists of continued and discontinued depreciation.

Non-cancellable operating lease rentals are payable as follows:

In 1,000 CHF	2017	2016
Less than one year	7,055	4,271
Between one and five years	11,542	13,339
Total	**18,597**	**17,609**

Operating leases include the Group’s offices in the cantons Zurich, St. Gallen, Ticino, Vaud, Neuchâtel and Geneva.

During the year ended 31 December 2017, CHF 4.9 million was recognised as an expense in the consolidated income statement in respect of operating leases (2016: CHF 4.8 million).

20. Goodwill and other intangible assets

In 1,000 CHF	Goodwill	Software	Licences	Client relationships	Total other intangible assets
Costs					
Balance at 1 January 2017	136,043	70,923	2,992	136,200	210,115
Acquisitions through business combinations (see Note 3)	21,120	19,298	0	980	20,278
Disposals due to sale of major business line	(28,729)	(18,690)	0	(96,239)	(114,929)
Acquisitions	0	22,249	0	0	22,249
Disposals and other changes	0	8,458	0	0	8,458
Balance at 31 December 2017	**128,434**	**102,238**	**2,992**	**40,941**	**146,171**
Amortisation and impairment losses					
Balance at 1 January 2017	0	(29,091)	(1,081)	(115,180)	(145,352)
Disposals due to sale of major business line	0	5,591	0	90,802	96,393
Amortisation charges for the period	0	(7,199)	(505)	(4,144)	(11,849)
Disposals and other changes	0	(22)	0	0	(22)
Balance at 31 December 2017	**0**	**(30,721)**	**(1,587)**	**(28,522)**	**(60,830)**
Carrying amounts					
At 1 January 2017	136,043	41,831	1,911	21,020	64,762
At 31 December 2017	128,434	71,516	1,405	12,418	85,341

In 1,000 CHF	Goodwill	Software	Licences	Client relationships	Total other intangible assets
Costs					
Balance at 1 January 2016	134,129	52,295	2,992	128,474	183,761
Acquisitions through business combinations (see Note 3)	1,914	13	0	7,726	7,738
Acquisitions	0	21,085	0	0	21,085
Disposals and other changes	0	(2,470)	0	0	(2,470)
Balance at 31 December 2016	**136,043**	**70,923**	**2,992**	**136,200**	**210,115**
Amortisation and impairment losses					
Balance at 1 January 2016	0	(18,590)	(576)	(107,864)	(127,030)
Amortisation charges for the period *	0	(13,353)	(506)	(7,317)	(21,176)
Disposals and other changes	0	2,853	1	0	2,854
Balance at 31 December 2016	**0**	**(29,091)**	**(1,081)**	**(115,180)**	**(145,352)**
Carrying amounts					
At 1 January 2016	134,129	33,705	2,416	20,610	56,731
At 31 December 2016	136,043	41,831	1,911	21,020	64,762

* The amount consists of continued and discontinued amortisation.

Client relationships
The acquisitions of the BCV portfolio and Raiffeisen Finanzierungs AG in 2008 resulted in a further increase in the client relationships recognised in the Group’s balance sheet, which is depreciated using the digital degressive method over 7–10 years, ending in 2018.

In 2012 the Group acquired client relationships amounting to CHF 9.0 million for its Consumer Finance business to strengthen its presence in the French-speaking part of Switzerland. Also in 2012 the Group acquired Revi-Lease and recognised the client relationship. These relationships are depreciated using the digital degressive method through their estimated useful life over 10 years until 2022.

The acquisition of AdunoKaution in 2014 resulted in a further increase in client relationships by CHF 0.7 million. Also in 2014 the Group acquired the client relationship of Banque Cantonale Neuchâteloise amounting to CHF 2.3 million. These are depreciated using the digital degressive method over its estimated useful life until 2024.

The acquisition of SmartCaution in 2016 resulted in an increase in client relationships by CHF 7.7 million. This is depreciated using the digital degressive method over its estimated useful life until 2031.

The acquisition of Contovista in 2017 resulted in an increase in client relationships by CHF 1.0 million. This is depreciated using the digital degressive method over its estimated useful life until 2032.

In 2017 Aduno SA was sold and the related client relationships in the amount of CHF 5.4 million were derecognised.

Impairment tests for cash-generating units containing goodwill
The Group performed impairment tests on goodwill as at 30 September 2017. For the purpose of impairment testing, goodwill is allocated to a cash-generating unit that is expected to benefit from the synergies of the corresponding business combination.

For the impairment test, the recoverable amount of a cash-generating unit (the higher of the cash-generating unit's fair value less costs to sell and its value in use) is compared to the carrying amount of the corresponding cash-generating unit.

Future cash flows are discounted using a pre-tax rate that reflects current market assessments based on the Weighted Average Cost of Capital (WACC) and the Capital Asset Pricing Model (CAPM). The WACC is calculated based on an average of available market betas of a group of companies operating in the same businesses as the respective cash-generating unit as well as the risk-free interest rate.

Fair value less costs to sell is normally assumed to be higher than the value in use; therefore, fair value less costs to sell is only investigated when value-in-use is lower than the carrying amount of the cash-generating unit.

The cash flow projections are based on three-year period budgets. Cash flows beyond this period are extrapolated using the long-term estimated growth rates stated below.

Key assumptions used for value-in-use calculations of goodwill amounts per cash-generating unit were as follows:

2017 In 1,000 CHF	Carrying amount of goodwill	Currency	Discount rate	Projection period	Long-term growth rate
Payment business - Issuing	43,428	CHF	10.9%	2018–2020	1%
Consumer Finance	27,816	CHF	8.6%	2018–2020	1%
Internal Financing	57,190	CHF	8.4%	2018–2020	1%

2016 In 1,000 CHF	Carrying amount of goodwill	Currency	Discount rate	Projection period	Long-term growth rate
Payment business - Issuing	22,308	CHF	10.0%	2017–2019	1%
Payment business - Acquiring	28,729	CHF	8.5%	2017–2021	1%
Consumer Finance	27,816	CHF	9.0%	2017–2019	1%
Internal Financing	57,190	CHF	7.9%	2017–2019	1%

The estimated recoverable amount for the 3 (2016: 4) cash-generating units exceeds the carrying amount of the cash-generating units. No reasonably possible change in the key assumptions would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

21. Investments in associates

Since 2007 the Group has owned a 30% stake in Accarda. Accarda has its principal place of business in Wangen-Brüttisellen (ZH) and issues, processes and operates store cards and gift cards on behalf of corporate retail customers.

The following table shows a summary of the full-year financial information for the associate Accarda, not adjusted for the percentage ownership held by the Group:

In 1,000 CHF	2017	2016
Total assets	323,322	322,149
Total liabilities	229,910	235,087
Net assets	**93,412**	**87,062**
Revenue	47,446	50,325
Profit for the period	**11,323**	**10,839**

The Group’s share of the profit of Accarda for the period from 1 January to 31 December 2017 amounted to CHF 3.4 million and is accounted in the consolidated profits of the Group (2016: CHF 3.3 million). In 2017 Aduno Holding received a dividend payment of CHF 1.5 million from Accarda (2016: CHF 1.5 million).

Since 2015 the Group has owned a 33.3% stake in SwissWallet AG, founded in 2015. SwissWallet AG has its principal place of business in Zurich. SwissWallet is a digital payment solution from the Swiss credit card industry.

In March 2016 Aduno Holding acquired a 14.3% stake in Contovista. Contovista develops software for Finance Management as well as Analytics and distributes it to banks. The Group is represented in the Board of Directors of Contovista. In 2017 the Aduno Holding acquired an additional 55.7% and increased its stake to 70%. Consequently Contovista is now fully consolidated. Refer to Note 3 “Change in scope of consolidation”. Due to the revaluation of the current 14.3%, the group recorded a fair value gain of CHF 4.0 million in income from associates.

	Contovista AG		SwissWallet AG	
In 1,000 CHF	2017	2016	2017	2016
Total assets	n/a	5,102	2,292	2,346
Total liabilities	n/a	1,232	68	96
Net assets	**n/a**	**3,870**	**2,224**	**2,250**
Revenue	n/a	1,977	1,023	1,005
Profit / (loss) for the period	**n/a**	**259**	**(25)**	**246**

The Group’s share of the loss of SwissWallet AG for the period from 1 January to 31 December 2017 amounted to less than CHF 0.1 million and is accounted in the consolidated profits of the Group (2016: gain of CHF 0.1 million).

22. Financial investments available for sale

The group holds preferential Visa Inc. shares. These shares are classified as financial investments available for sale. In 2017 the fair value increased by CHF 7.4 million (2016: 1.5 million), which was recorded as an unrealised gain on financial investments available for sale in other comprehensive income. The disposed portion of preferential Visa Inc. shares relating to Aduno SA was reacquired by Viseca subsequent to the sale of Aduno SA.

In 1,000 CHF	2017	2016
Financial investments available for sale		
Balance at 1 January	18,732	0
Acquisition	6,428	17,280
Disposal	(6,428)	0
Unrealised gains	7,399	1,452
Balance at 31 December	**26,131**	**18,732**

23. Payables to counterparties

In 1,000 CHF	2017	2016
Advances received	102,393	102,992
Payables to merchants	0	133,637
Payables to schemes	61,509	48,426
Other	0	1,843
Payables to counterparties	**163,901**	**286,898**

The Group receives advance payments from customers with issued prepaid credit cards as well as for downpayments for leasing contracts. In 2016 the payables to merchants as well as the others have been solely from the sold Aduno SA.

24. Other trade payables

“Other trade payables” contain unpaid invoices which were received before the end of the year, but for which the time limit for payment has not yet been reached. They amounted to CHF 7.1 milion as per the end of the reporting period (end of 2016: CHF 10.4 million).

25. Other payables

In 1,000 CHF	2017	2016
Payables related to employees	14,679	16,473
VAT liabilities	1,297	2,176
Derivatives used for hedging	57	289
Derivative financial instruments	186	255
Other	65	297
Other payables	**16,285**	**19,489**

Details of derivative financial instruments are shown in Note 17 “Other receivables”.

26. Accrued expenses and deferred income

In 1,000 CHF	2017	2016
Deferred annual fees	35,624	37,807
Commission payable to partners	28,006	28,370
Deferred revenues arising from loyalty programs	21,002	21,936
Accrued interest expenses	1,431	2,469
Other [1]	29,673	15,283
Accrued expenses and deferred income	**115,736**	**105,865**

1) To provide better comparability and accurate presentation, the accrual booked under “Other expenses” in 2016 to reflect an expected agreement with the tax authorities regarding transfer pricing has been reclassified in the tax result. See note 12.

27. Interest-bearing liabilities

In 1,000 CHF	2017	2016
Other bank liabilities	102,181	8,584
Current portion of syndicated loan	390,000	390,000
Current portion of unsecured bond issues	100,094	449,669
Short-term interest-bearing liabilities	**592,275**	**848,253**
Unsecured bond issues	374,024	273,749
Other long-term liabilities	590	1,929
Long-term interest-bearing liabilities	**374,614**	**275,678**
Total interest-bearing liabilities	**966,889**	**1,123,930**

Changes arising from financing liabilities are mainly due to changes from financing cash flows and are disclosed in the statement of cash flows.

Terms and debt repayment schedule

In 1,000 CHF	Currency	Nominal interest rate	Year of maturity	2017 Nominal value	2017 Carrying amount	2016 Nominal value	2016 Carrying amount
Syndicated loan	CHF	0.68%	2018	300,000	300,000	300,000	300,000
Syndicated loan	CHF	0.68%	2018	90,000	90,000	90,000	90,000
Unsecured bond issue	CHF	0.00%	2018	100,000	100,094	0	0
Unsecured bond issue	CHF	3 M Libor 1)	2019	100,000	100,000	0	0
Unsecured bond issue	CHF	1.125%	2021	275,000	274,024	275,000	273,749
Unsecured bond issue	CHF	3 M Libor 1)	2017	0	0	100,000	99,995
Unsecured bond issue	CHF	0.00%	2017	0	0	100,000	99,987
Unsecured bond issue	CHF	2.25%	2017	0	0	250,000	249,687
Other bank liabilities	CHF	0.78%	2018	101,820	101,820	0	0
Other bank liabilities	CHF	0.78%	current account	301	301	5,536	5,536
Other bank liabilities	various	0.78%	current account	60	60	3,047	3,047
Other long-term liabilities	CHF	0%	2021	590	590	1,929	1,929
Total				**967,771**	**966,889**	**1,125,512**	**1,123,930**

1) Floor at 0.0% and cap at 0.05%

Syndicated loan
As at 31 December 2017, the Group has a syndicated loan facility of CHF 600 million headed by Zürcher Kantonalbank (ZKB) (31.12.2016: CHF 1,050 million) at its disposal. The interest conditions of the facility are quoted by ZKB at market conditions as at the fixing date according to the maturity plus a margin depending on the Company's credit rating.

As at 31 December 2017, the syndicated loan amounted to CHF 390 million nominal (31.12.2016: CHF 390 million).

Unsecured bond issues
Two bonds were issued in 2017. These included a fixed rate bond of CHF 100 million with its maturity in 2018 and a coupon of 0.0% with an effective interest rate of -0.3%; and another bond of CHF 100 million disposing of a floating rate based on the Libor interest rate with a floor at 0.0% and a cap at 0.05% expiring in 2019 with an effective interest rate of 0.0%.

A fixed rate bond of CHF 275 million issued in 2014 with its maturity in 2021 disposes of a nominal interest rate of 1.125%. Including fees, the effective interest rate amounts to 1.241%.

Other bank liabilities

As at 31 December 2017, the Group has access to a bilateral credit facility with ZKB of CHF 700 million (31.12.2016: CHF 700 million). The interest rate for this facility is set at the market interest rate based on the maturity plus a fixed credit margin.

As at 31 December 2017, the total of the other bank liabilities - "current accounts" amounted to CHF 0.36 million (31.12.2016: CHF 8.6 million). In addition, the Group drew a so-called overnight facility over year-end 2017 in the amount of CHF 101.8 million (2016: none).

Pledged assets

No assets were pledged as at 31 December 2017 (2016: none).

28. Provisions

In 1,000 CHF	Legal	Other	Total
Balance at 1 January 2017	**265**	**1,593**	**1,858**
Provisions made during the period	6	8,066	8,072
Disposals due to sale of major business line	(95)	0	(95)
Provisions reversed during the period	(50)	0	(50)
Balance at 31 December 2017	**126**	**9,659**	**9,785**

Maturity of provisions			
Current	126	0	126
Non-current	0	9,659	9,659
Total	**126**	**9,659**	**9,785**

In 1,000 CHF	Legal	Other	Total
Balance at 1 January 2016	**90**	**1,208**	**1,298**
Provisions made during the period	260	485	745
Provisions reversed during the period	(85)	(100)	(185)
Balance at 31 December 2016	**265**	**1,593**	**1,858**

Maturity of provisions			
Current	170	0	170
Non-current	95	1,593	1,688
Total	**265**	**1,593**	**1,858**

The Group is involved in legal proceedings in the course of normal business operations. The Group establishes provisions for pending legal cases if management believes that the Group is more likely than not to face payments and if the amount of such payments can be reasonably estimated.

Other provisions have been set aside for dismantling obligations for leasehold improvements in premises rented by the Group: The Group currently has no plans of abandoning these premises and therefore these provisions are considered non-current (2017: 1.6 million and 2016: 1.6 million), as well as for onerous contracts: Within the context of the sale of Aduno SA, the Aduno Group undertook to provide transitional services to the buyers. An upper limit for the fees to be paid for this was agreed in connection with the sale. As the costs for the services to be provided, including costs for rent, exceed the anticipated income and it is a loss-making contract (onerous contract), a provision of CHF 5.4 million was recognised (2016: none).

29. Employee benefit obligations

The pension plan of the Group is a defined benefit plan. Disability and death benefits are defined as a percentage of the insured salary.

It provides benefits in excess of the LPP/BVG law, which stipulates the minimum requirement of the mandatory employer's sponsored pension plan in Switzerland. In particular, annual salaries up to CHF 84,600 (2016: CHF 84,600) must be insured; financing is age-related with contribution rates calculated as a percentage of the pensionable salary increasing with age from 7% to 18%. The conversion rate to calculate the annuity based on the accrued savings capital is 6.8% at normal retirement age (65 for men and 64 for women). The calculations are based on the BVG Generation Table 2015.

The plan must be fully funded under LPP/BVG law on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or a reduction in benefits or a combination of both.

The Group is affiliated to the collective foundations Swisscanto Sammelstiftung der Kantonalbanken, CIEPP - Caisse Inter-Entreprises de prévoyance professionnelle and PKG Pensionskasse (PKG). The collective foundations are separate legal entities. The foundations are responsible for governance of the plans; their boards are composed of an equal number of representatives from the employers and the employees chosen from all affiliated companies.

The foundation has set up investment guidelines, defining in particular the strategic allocation with margins.

Additionally, there is a pension committee composed of an equal number of representatives from the Group and the employees of the Group. The pension committee is responsible for the setint up the plan benefits.

In 2016 the collective foundation Swisscanto Sammelstiftung der Kantonalbanken decided to reduce the conversion rates on the extra-mandatory part of the savings capital over the coming years, which led to plan amendments recognised in 2016.

This defined benefit plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

In 1,000 CHF	2017	2016
Present value of funded obligations	155,053	167,684
Fair value of plan assets	(117,402)	(125,136)
Recognised liability for defined benefit obligations	**37,651**	**42,548**

Movements of present value of defined benefit obligations

In 1,000 CHF	2017	2016
Liability for defined benefit obligations at 1 January	167,684	146,578
Current service cost	8,892	8,815
Past service cost	(5,550)	(2,833)
Interest expenses	945	1,315
Benefit payments	(1,637)	2,428
Settlement payments from plan assets	(18,498)	0
Employee contributions	4,383	4,495
Insurance premiums	(1,477)	(1,521)
Liabilities assumed through business combinations	310	380
Effect of changes in demographic assumptions	0	(6,669)
Effect of changes in financial assumptions	(3,431)	7,906
Effect of experience adjustments	3,432	6,790
Liability for defined benefit obligations at 31 December	**155,053**	**167,684**

Movements of fair value of plan assets

In 1,000 CHF	2017	2016
Fair value of plan assets at 1 January	(125,136)	(107,138)
Interest income	(731)	(1,000)
Return on plan assets (excluding interest income)	(2,382)	(5,110)
Employer contributions	(6,131)	(6,252)
Employee contributions	(4,383)	(4,495)
Benefit payments	1,637	(2,428)
Settlement payments from plan assets	18,498	0
Insurance premiums	1,477	1,521
Assets acquired through business combinations	(251)	(234)
Fair value of plan assets at 31 December	**(117,402)**	**(125,136)**

The plan assets include a qualifying insurance policy.

The plan assets are invested to ensure that the return on plan assets together with the contributions should cover the long-term benefit obligations. In the short-term, however, the pension fund could suffer a shortfall as defined by Swiss law, which would eventually trigger restructuring contributions.

Expenses recognised in the statement of comprehensive income

In 1,000 CHF	2017	2016
Current service cost	8,892	8,815
Past service cost	(5,550)	(2,833)
Interest on employee benefit obligations	945	1,315
Interest on plan assets	(731)	(1,000)
Total, included in “Personnel expenses” *	**3,556**	**6,297**
Effect of changes in demographic assumptions	0	(6,669)
Effect of changes in financial assumptions	(3,431)	7,906
Effect of experience adjustments	3,432	6,790
Return on plan assets (excluding interest income)	(2,382)	(5,110)
Total, included in other comprehensive income	**(2,381)**	**2,917**

* Total included in "Personnel expenses" 2016 includes continued and discontinued operations and is not restated.

Actuarial assumptions

Significant actuarial assumptions at the reporting dates were as follows (expressed as weighted averages):

In 1,000 CHF	2017	2016
Discount rate at 31 December	0.70%	0.60%
Interest rate for the projection of savings capital	1.25%	1.50%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Life expectancy at age 65, insured for a now 45-year-old active member		
Males	24.33	24.26
Females	26.37	26.29
Life expectancy at age 65 years		
Males	22.50	22.38
Females	24.54	24.43

Sensitivity analysis
The sensitivity analysis below has been determined based on reasonably possible changes of the respective actuarial assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 25 basis points higher (lower), the defined benefit obligations would decrease by CHF 5.3 million (increase by CHF 4.9 million). In 2016 decrease by CHF 5.4 million and an increase by CHF 5.9 million.
- If the expected salary growth rate increases (decreases) by 0.5%, the defined benefit obligations would increase by CHF 0.9 million (decrease by CHF 1.0 million). In 2016 an increase by CHF 1.3 million and a decrease by CHF 1.4 million.
- If the expected pension growth rate increases by 0.25%, the defined benefit obligations would increase by CHF 4.1 million (2016: CHF 4.5 million).
- If the life expectancy increases by one year for both men and women, the defined benefit obligations would increase by CHF 2.1 million (2016: CHF 2.4 million).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit as it is unlikely that a change in assumptions would occur in isolation as some of the assumptions may be correlated.

Future contributions
The Group expects to pay CHF 5.8 million in contributions to defined benefit plans in 2018. As at 31 December 2016 the Group expected to pay CHF 6.5 million (including the disposed Aduno SA) in 2017.

Plan assets

In 1,000 CHF	2017	2016
Asset categories		
Cash	2.7%	0.8%
Mortgages	5.4%	0.0%
Domestic bonds	23.0%	26.4%
Foreign bonds in other currencies	5.1%	15.4%
Swiss shares	9.1%	7.6%
Foreign shares	24.2%	23.9%
Real estate	13.2%	12.0%
Alternative investments	17.3%	14.0%
Total	**100.0%**	**100.0%**

The bonds held are predominantly rated A or better.

Cash as well as most of the investments in bonds and shares have a quoted market price in an active market. Investments in real estate and alternative investments do not typically have a quoted market price in an active market.

The pension fund does not directly invest in the Group's own transferable financial instruments.

The investment strategy has been defined based on an asset-liabilities matching strategy. However, matching between assets and liabilities is only possible to a certain degree as the duration of the liabilities is relatively long compared to the available assets. Furthermore, available bonds with long durations do not generate a yield high enough to reach the necessary returns on the plan assets. Therefore, the pension fund also needs to invest in property and alternative investments.

As at 31 December 2017 the weighted-average duration of the defined benefit obligations was 18.3 years (2016: 18.4 years).

30. Contingent liabilities

In the normal course of business, the Group enters into agreements pursuant to which the Group may be obliged under specified circumstances to indemnify the counterparties with respect to certain matters. Up to 2016 these indemnification obligations typically arose in the context of business arrangements where the Group has remitted payments to the merchants for card members' purchases of goods and services that have not yet been used or delivered. This creates a potential exposure for the Group in the event that the card member is not able to obtain the goods or services due to bankruptcy of the merchant and the Group is obliged to credit the card member for the goods not received or the services not consumed. Historically, this type of exposure has not generated any significant loss for the Group.

In some leasing contracts in the Consumer Finance business the Group confirms to the customer a minimum residual value of the leased item to the leasing partner, meaning that if the leasing customer returns the leased item to the leasing partner after the leasing period with a lower value than the minimum residual value, the Group is obliged to refund the leasing partner the difference in value.

31. Share capital and reserves

Share capital
As at 31 December 2017 the share capital of the parent company Aduno Holding consisted of 25,000 shares with a nominal value of CHF 1,000 each (2016: 25,000 shares). The holders of the shares are entitled to receive dividends as declared and are entitled to one vote per share at the general meeting of the Company.

In 1,000 CHF	2017	2016
Number of issued shares 1 January	25,000	25,000
Number of issued shares 31 December	25,000	25,000
Nominal value in CHF	1,000	1,000

Dividends
The following dividends were declared and paid by the Group:

In 1,000 CHF	Paid in 2017	Paid in 2016
Total dividend	40,000	20,000
Dividend per share in CHF	1,600	800

After 31 December 2017 the Board of Directors proposed a dividend of CHF 6,000 per share totalling CHF 150 million for 2017. The dividend proposal will be forwarded for approval by the general meeting in May 2018.

Hedging reserve
As described in Note 17, the Group uses interest rate swaps to hedge its exposure to interest rate changes. The effective portion of these hedges, net of taxes, is accounted in the hedging reserve.

In 2011 the Group entered into a forward-starting swap to fix the interest rate of the bond issue planned and executed in October 2011. The realised negative fair value was accounted in the hedging reserve and is included in the interest expense within the duration of the bond.

In 1,000 CHF	2017	2016
Positive fair value of cash flow hedges (see Note 17)	0	0
Negative fair value of cash flow hedges (see Note 25)	(57)	(289)
Terminated forward-starting cash flow hedges	0	(52)
Tax effect	7	34
Total hedging reserve	**(51)**	**(306)**

Capital management
The Board's policy is to maintain an adequate equity base so as to maintain the confidence of investors, creditors and the market and to sustain the future development of the business. The Board of Directors monitors the return on capital, which the Group defines as the total shareholders' equity and the development of dividends paid to shareholders.

According to the Swiss consumer finance regulations, certain consumer finance credit balances to private customers have to be underlined with 8% of equity. For the subsidiary cashgate, the Company's target is therefore to always maintain an equity base fulfilling these legally required obligations. The level of equity is reviewed by the management of cashgate on a quarterly basis. Since the acquisition of the Consumer Finance business, this obligation was fulfilled at the end of each month, including on 31 December 2017.

32. Risk management

Through its business activities, the Aduno Group is subjected to constant changes and thus also confronted with opportunities and risks that can substantially affect the achievement of its strategic goals and objectives. These opportunities and risks can arise from events, conditions and actions to which the Group is exposed and which it therefore needs to understand and actively manage.

In recent years the Group has further enhanced its risk management programme (framework), expanding it to take into account the complexity of its business divisions and major changes in the business environment.

Risk
The Group defines risk as the uncertainties inherent in the achievement of strategic and operational objectives that are associated with all business activities. These uncertainties could result in a shortfall in meeting objectives or the risk of financial losses.

Risk management
As a financial services company, the Aduno Group is exposed to various types of risk that are managed actively and systematically.

The Aduno Group's risk management approach follows a standardised model that starts with the definition of the risk policy, continues with the identification, management and monitoring of the risks associated with its business activities, and culminates in risk reporting.

Internal control system
The internal control system (ICS) of the Group covers all control structures (including roles and responsibilities) and processes that form the basis for achieving the business objectives and ensuring appropriate business operations across all levels of the Company. The integrated ICS consists of ex-post oversight as well as planning and management activities.

Principles of risk management

Risk policy
The risk policy specifies the framework for the risk management and risk profile of the Group. This in particular includes the definition of risk capacity, risk appetite, limits, suitable stress tests as well as quantification and aggregation methodologies to monitor the risk profile.

The risk policy sets out the objectives of risk management. It involves taking risks in a controlled and deliberate manner to achieve an optimal risk-return ratio. The framework conditions are determined by the Company's business strategy and risk capacity. To this end, the Group aligns the strategic planning process with capital planning and risk budgeting.

Risk culture
A risk culture geared towards responsible risk-taking to ensure a deliberate approach to risks is fostered throughout the Group. The management of the Group is expected to set an example and influence their employees to only take on risks that are compatible with the specified risk appetite. The promotion and compensation of employees also takes their compliance with the risk culture and risk policies into account.

As the Group's business operations involve inherent risks that require active management, the Group aims for a high degree of risk awareness.

The Group consciously enters into risk transactions within its defined risk appetite. To this end, new business activities or changes to existing business activities are systematically evaluated with regard to their risk profile and the risk portfolio is constantly monitored. The Group avoids extreme risks that jeopardise its solvency or its very existence.

Segregation of duties
Risk management operates along the “Three Lines of Defence Model”. The first line of defence refers to the functions that own and manage risks consisting of the managers, experts and staff within the business divisions and ensures that the actual risk profile adheres to the approved risk appetite.

The second line of defence comprises centralised risk control that not only defines the directives that apply to all business divisions when dealing with specified risks but also monitors compliance with these requirements. The second line of defence also provides an aggregated portfolio view to support management in the implementation of effective risk management practices for the Group and ensures regular risk reporting.

The third line of defence provides independent assurance on the effectiveness of governance, risk management and internal controls, including the manner in which the first and second lines of defence meet risk management and control objectives. The internal and external auditors are responsible for the third line of defence.

Standardised risk management process
The risk management process of the Aduno Group contains the following elements: risk identification, risk assessment, risk steering and risk monitoring. All new business activities and changes to existing business activities follow the risk management process. The materiality of changes to the business model is a relevant benchmark in this process.

Central risk control ensures that the risk management process is carried out effectively.

Standardised valuation method
Standardised methods appropriate to the type and scope of business activity are defined for determining the risk profile and risk capacity. Risk assessments are made at risk category, business division and Group level.

Scenario-based risk assessments are performed to gauge the impact of environmental, business and operational risks on key objectives, whereby the realistic scenarios are based on the time horizon and objectives of the strategic business plan. The robustness of the business model is tested under various stress scenarios.

Transparency
Risk Control regularly informs the Board of Directors and Executive Board of the Group about the overall risk situation, any developments in the risk profile and important findings gained through its risk oversight role. In addition, an annual activity report is prepared that provides information about the maturity level of and developments in the risk management system.

Various reports are prepared for each risk category, whereby format, frequency and recipients are tailored to the individual risk to ensure a comprehensive, objective and transparent foundation for decision-makers and oversight committees.

Risk governance

Board of Directors
Overall responsibility for risk management lies with the Board of Directors, which approves the principles for risk management. The Board of Directors receives regular reports about the risk situation of the Group and the status of measures implemented. The Board of Directors monitors the effective implementation of the risk policy and risk strategies as well as the adopted measures.

The Audit and Risk Committee and the internal auditors support the Board of Directors in the execution of its responsibilities.

Executive Board
The Executive Board (ExB) is responsible for the implementation of the risk management standards defined in the risk management regulations and the design, implementation and continuous review of the internal control system (ICS).

A risk board has been set up at the ExB level that meets quarterly to discuss the structure and effectiveness of the risk management system, the design and monitoring of the risk policy and the management of the Group's risks.

Expert committees have been set up to prepare requests for approval for transactions, proposals and recommendations as a decision-making basis for the ExB.

Risk control
A central risk control function is responsible for identifying and monitoring risks at an aggregated portfolio level, monitoring compliance with the risk policy and ensuring integrated risk reporting to the Board of Directors and the ExB. Risk control is responsible for risk measurement methodologies, risk-based approval processes for new business activities, model validation and quality assurance of the implemented risk measurement processes.

If required, risk control can propose directives for approval by the ExB. Central risk control is responsible for monitoring compliance with the policies and their supporting directives and providing reports or information as requested.

Control of material risks

The Group distinguishes the following six risk categories for its business activities:

Overall risks:
- External/environmental risk
- Business risk
- Operational risk

Financial risks:
- Credit risk
- Liquidity risk
- Market risk (currency risk, interest risk and equity price risk)

Reputational damage is not listed as a separate risk category as it generally only arises as a consequence of one of the aforementioned risks. Reputational damage is therefore considered to be consequential damage.

Environmental, business and operational risks are systematically assessed and either deemed acceptable and within the risk appetite or undesirable and to be reduced with appropriate measures. The measures that are implemented to mitigate risks are monitored through the ICS of the Group.

External/environmental risk
The Group defines external/environmental risk as risk arising from the external business environment of the Group that could challenge the business model of the Group or the individual companies.

Business risk
The Group defines business risk as the possibility of lower than anticipated profits due to uncertainties arising from the following aspects: management and the quality of information used for taking decisions or deriving strategies.

Operational risk
Operational risk refers to the risk of monetary losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes information technology risks and all legal and regulatory risks.

Credit risk

The key credit risk for the Group is the risk of financial loss that arises if a customer or counterparty to a financial transaction fails to meet its contractual obligations and results primarily from the Group's receivables from customers.

The Group's exposure to credit risk primarily originates from the creditworthiness and credit capacity of each customer and is comprised of receivables which remain unpaid or which are paid later than at their due date.

Geographically, credit risk is concentrated in Switzerland where the Group mainly operates.

Receivables from cardholders
It is in the nature of the credit card business that customers get temporarily into debt with the credit card company. This explains the considerably high volumes of receivables.

The credit counterparty in the issuing business is a private or corporate consumer using a credit card for purchases or cash transactions. All credit card customers, when applying for a credit card, are assigned an individual credit rating before a credit card is issued. If a client does not meet the stringent customer credit rating criteria, no credit card is issued.

Risk and credit management is a core process in the credit card business and the Group therefore runs sophisticated risk assessment tools and delinquency reports to monitor and assess risk exposure. All incoming payments of customers are closely monitored. If a client defaults for more than 60 days, the receivable will be transferred to a dedicated risk management department to ensure collection of the debts.

For customers with high risk exposure, collaterals such as bank guarantees are held as security. Customers with low risk exposure are not required to deliver collaterals.

The Group issues credit cards on behalf of various distribution partners. The Group has entered into agreements with some of its partners, so that the partner bears the risk of default for any receivable outstanding from cardholders. If a cardholder becomes delinquent, the outstanding amount is paid in full by the partner.

If a cardholder has a direct relationship with the Group and not via a partner, the Group bears the default risk. In individual cases the outstanding receivable is collateralised by bank guarantees. The underlying receivables amounted to CHF 9.4 million as at 31 December 2017 (2016: CHF 10.1 million). These receivables are fully covered by the bank guarantees.

Residual amounts overdue for more than 90 days may occur outside the debt collection portfolio, when the assessment has not been completed. The total of these residual amounts stood at CHF 0.06 million as at 31 December 2017 (2016: CHF 0.1 million).

To avoid a total loss of the receivable, the Group renegotiates the terms of payment for customers who are not able to redeem the receivable in total. The renegotiated amounts are contained in “receivables from debt collection”. Conditions for renegotiated amounts are individually fixed depending on the individual situation of the debtor. The total portfolio with renegotiated payment terms comprises CHF 1.6 million (2016: CHF 1.7 million).

Receivables overdue for more than 24 months are written off from the balance sheet.

Receivables from merchant activities (up to 2016)
In the merchant business, the Group generally transfers money to its merchants at the same time as it receives the settlement by its counterparties. The major credit counterparties are the international operating card schemes MasterCard and Visa. The receivables are settled daily. Therefore, management assesses the credit risk in the merchant business as very low and receivables are not collateralised.

Resulting from terminal sales, the Group recognises receivables against commercial customers. To secure the receivables, the Group is able to block the customers' terminals to ensure the payment of the customers' debt towards the Group.

Receivables from Consumer Finance
In the Consumer Finance business, the Group grants cash credits or finances cars in a financial lease to its customers. The credit counterparty is a private consumer in the cash credit business and a private or corporate customer in the leasing business. The receivables are generally due on a monthly basis, which means that the credit risk steadily decreases over the life of the contract.

In compliance with the Swiss consumer credit regulations, a solvency check is carried out for all customers on an individual basis to assess the related credit risk when they apply for a cash credit or a leasing facility.

The solvency check is based on the customer's historical track record with the Group and requires the customer to deliver personal data on their financial situation such as employment, family situation and personal debt situation. Additionally, a database for private consumer loans, maintained by Swiss banks, is consulted to confirm that no negative records have been recognised for the future customer.

If a client does not meet the stringent customer credit rating criteria, no credit facility will be approved.

Risk and credit management is a core process in the Consumer Finance business. Therefore, the Group runs sophisticated risk assessment tools and delinquency reports to monitor and assess the risk exposure. All incoming payments from customers are closely monitored. If a client defaults for more than 90 days, the overdue receivable will be actively managed to ensure the collection of the debt.

The receivables from consumer loans are not collateralised. The finance lease receivables are collateralised by the financed cars, the Group applying a margin between the lease amount and the estimated value of the financed car to ensure that the coverage of the receivable is higher than 100%.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk to which the Group is theoretically exposed at 31 December 2017 and 2016 respectively is represented by the carrying amounts stated for financial assets in the balance sheet.

The maximum exposure to credit risk for receivables from cardholders, Consumer Finance and merchant activities at the reporting date by type of customer is shown in the following tables. Additionally, credit risk can occur from debt collection and from fraud in the Payment business as shown in Note 15 and from other receivables.

In 1,000 CHF	2017	2016
Receivables from card holders		
Individuals	405,679	412,287
Corporate clients	41,309	40,417
Total	**446,987**	**452,704**

In 1,000 CHF	2017	2016
Receivables from card holders		
Default risk borne by partners	243,410	261,910
Default risk borne by the Group, secured by bank guarantees	9,448	10,117
Default risk borne by the Group	194,129	180,677
Total	**446,987**	**452,704**

The collateralisation by partners and bank guarantees is borne by those counterparties in the amount of the receivable. The estimated fair value of the collateral is estimated to be the same as the nominal value.

In 1,000 CHF	2017	2016
Receivables from card schemes		
Mastercard	0	66,162
Visa	0	18,470
UnionPay	0	807
Total	**0**	**85,439**

In 1,000 CHF	2017	2016
Receivables from business unit Consumer Finance		
Individuals – Consumer loans	716,083	681,136
Individuals – Financial lease	433,886	398,533
Corporate clients – Financial lease	206,413	189,850
Total	**1,356,382**	**1,269,519**

Receivables from Financial leases are collateralised by the financed cars. In accordance with the Group's risk policy, the Group estimates that the fair value of the collaterals is approximately the same as the nominal value of the receivable.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk arises if the Group is unable to obtain under economic conditions the funds needed to carry out its operations. Group closely monitors its liquidity needs and also maintains liquidity forecasts.

Management ensures that cash funds and credit lines currently available (total credit line limit of CHF 1,300 million, 2016: CHF 1,750 million) and funds that will be generated from operating activities (in the last 12 months a monthly average of CHF 820 million, 2016: CHF 1,450 million) enable the Group to satisfy its requirements resulting from its operating activities and to fulfil its obligations to repay its debts at their natural due date.

Maturity of financial liabilities

2017 In 1,000 CHF	Carrying amount	Contractual cash flows	1 month or less	2–3 months	4–12 months	13–24 months	25–72 months
Non-derivative liabilities							
Payables to counterparties	163,901	163,901	61,509	102,393	0	0	0
Other trade payables	7,144	7,144	7,144	0	0	0	0
Short-term interest-bearing liabilities	592,275	592,354	402,000	0	190,354	0	0
Other payables	14,744	14,744	3,802	0	10,942	0	0
Accrued expenses	59,110	59,110	59,110	0	0	0	0
Total current liabilities	**837,175**	**837,254**	**533,565**	**102,393**	**201,296**	**0**	**0**
Long-term interest-bearing liabilities	374,614	387,375	0	0	3,094	103,094	281,188
Total non-current liabilities	**374,614**	**387,375**	**0**	**0**	**3,094**	**103,094**	**281,188**
Cash inflow from derivatives		(27,356)	(27,356)	0	0	0	0
Cash outflow from derivatives		27,467	27,467	0	0	0	0
Total derivatives held for trading	**111**	**111**	**111**	**0**	**0**	**0**	**0**
Cash inflow from IRS		0	0	0	0	0	0
Cash outflow from IRS		33	0	11	21	0	0
Total derivatives used for hedging	**57**	**33**	**0**	**11**	**21**	**0**	**0**
Total estimated cash flow	**1,211,958**	**1,224,773**	**533,676**	**102,404**	**204,411**	**103,094**	**281,188**

2016 In 1,000 CHF	Carrying amount	Contractual cash flows	1 month or less	2–3 months	4–12 months	13–24 months	25–72 months
Non-derivative liabilities							
Payables to counterparties	286,898	286,898	181,446	105,452	0	0	0
Other trade payables	10,407	10,407	10,407	0	0	0	0
Short-term interest-bearing liabilities	848,253	855,146	208,773	0	646,373	0	0
Other payables	16,770	16,770	5,590	0	11,180	0	0
Accrued expenses	67,609	67,609	67,609	0	0	0	0
Total current liabilities	**1,229,936**	**1,236,830**	**473,826**	**105,452**	**657,553**	**0**	**0**
Long-term interest-bearing liabilities	275,678	290,469	0	0	3,094	3,094	284,281
Total non-current liabilities	**275,678**	**290,469**	**0**	**0**	**3,094**	**3,094**	**284,281**
Cash inflow from derivatives		(26,856)	(26,856)	0	0	0	0
Cash outflow from derivatives		27,062	27,062	0	0	0	0
Total derivatives held for trading	**206**	**206**	**206**	**0**	**0**	**0**	**0**
Cash inflow from IRS		0	0	0	0	0	0
Cash outflow from IRS		389	22	68	233	66	0
Total derivatives used for hedging	**289**	**389**	**22**	**68**	**233**	**66**	**0**
Total estimated cash flow	**1,506,109**	**1,527,894**	**474,053**	**105,520**	**660,880**	**3,160**	**284,281**

Market risk

Market risk is the risk of losses arising from movements in market prices in on-balance and off-balance sheet items. Three of the standard market risk factors cover the risk of price movements in foreign currency, interest rates and equity price risk.

Foreign currency risk

The Group’s exposure to foreign currency risk is as follows based on notional amounts. There is no currency risk on Swiss francs (CHF) as it is the functional currency of the Company.

2017 In 1,000 CHF	Foreign currencies CHF/EUR	CHF/USD	CHF/Other
Cash and cash equivalents	678	639	12
Receivables from business unit Payment	21,041	8,143	1
Receivables from business unit Consumer Finance	0	0	0
Other trade receivables and other receivables	12,515	0	7
Payables to counterparties	7,252	8,778	0
Other trade payables	132	4	0
Short-term interest-bearing liabilities	48	12	0
Other payables	0	0	0
Accrued expenses	9	0	0
Long-term interest-bearing liabilities	0	0	0
Gross balance sheet exposure	**26,792**	**(12)**	**19**
Derivatives held for trading	(18,903)	(8,454)	0
Derivatives used for hedging	0	0	0
Net exposure	**7,889**	**(8,465)**	**19**

2016 In 1,000 CHF	Foreign currencies CHF/EUR	CHF/USD	CHF/Other
Cash and cash equivalents	368	15	700
Receivables from business unit Payment	20,244	9,449	1,246
Receivables from business unit Consumer Finance	0	0	0
Other trade receivables and other receivables	576	0	32
Payables to counterparties	1,832	13,264	2,193
Other trade payables	636	50	0
Short-term interest-bearing liabilities	1,765	1,282	0
Other payables	0	0	0
Accrued expenses	18	0	0
Long-term interest-bearing liabilities	0	0	0
Gross balance sheet exposure	**16,937**	**(5,132)**	**(214)**
Derivatives held for trading	(15,494)	(10,403)	(959)
Derivatives used for hedging	0	0	0
Net exposure	**1,443**	**(15,535)**	**(1,173)**

Sensitivity analysis
The Group has estimated the effects of a strengthening of the Swiss franc against the following currencies. As a measure the Group assumed a volatility for CHF/EUR of 5.5% and for CHF/USD of 7.9%. These assumptions are based on market data from 2017.

With these assumptions, a strengthening of the Swiss franc against the following currencies at 31 December would have increased profit or loss after tax by the amounts shown below. No changes will occur within the equity of the Group when exchange rates change.

This analysis assumes that all other variables, in particular interest rates, remain constant.

In 1,000 CHF	%	2017 CHF	%	2016 CHF
CHF/EUR	5.5	384	5.9	75
CHF/USD	7.9	(592)	9.3	(1,272)
Total currency sensitivity		**(208)**		**(1,196)**

In the case where the Swiss franc declines in value, the same effect vice versa would occur.

Interest rate risk
At the reporting date the interest rate profile of the Group's interest bearing financial instruments after the effects of interest swaps was:

In 1,000 CHF	2017	2016
Instruments at long-term fixed rates		
Interest-bearing liabilities	275,000	275,000
Instruments with variable or short-term fixed rates		
Interest-bearing liabilities	691,820	840,000
Interest rate swaps	(6,000)	(41,000)
Bank accounts	951	10,512
Total exposure from variable rate instruments	**686,771**	**809,512**

Cash flow sensitivity analysis
Due to the hedging activities, the exposure from variable rate instruments is highly reduced. If interest rates had been 10 basis points lower as at 31 December 2017, the post-tax profit of the Group would have been CHF 0.6 million higher with all other variables held constant (2016: CHF 0.7 million higher).

If interest rates had been 10 basis points higher, with all other variables held constant, post-tax profit would have been lower for the same amounts as above, arising mainly as a result of higher interest expenses on variable borrowings.

Fair value sensitivity analysis
The Group does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Equity price risk
The Group is exposed to equity price risk, which arises from available for sale equity securities. Currently, the Group holds preferential Visa Inc. shares of Visa. The shares of Visa are listed on the New York Stock Exchange. A 3% increase in the Dow Jones Industrial at the reporting date would have increased equity by CHF 0.6 million after tax (2016: increase by CHF 0.4 million); an equal change in the opposite direction would have decreased equity by CHF 0.6 million after tax (2016: decrease by CHF 0.4 million).

Fair values

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

In 1,000 CHF	2017 Carrying amount	2017 Fair value	2016 Carrying amount	2016 Fair value
Cash and cash equivalents	22,146	22,146	41,489	41,489
Receivables from business unit Payment	455,552	455,552	549,213	549,213
Receivables from business unit Consumer Finance	1,356,382	1,356,382	1,269,519	1,269,519
Other trade receivables and other receivables	12,500	12,500	81,498	81,498
Total loans and receivables	**1,846,579**	**1,846,579**	**1,941,718**	**1,941,718**
Financial investments available for sale	26,131	26,131	18,732	18,732
Derivatives held for trading	75	75	49	49
Total financial assets	**1,872,786**	**1,872,786**	**1,960,499**	**1,960,499**
Payables to counterparties	163,901	163,901	286,898	286,898
Other trade payables	7,144	7,144	10,407	10,407
Short-term interest-bearing liabilities	592,275	592,517	848,253	853,218
Other payables	14,744	14,744	16,770	16,770
Accrued expenses	59,110	59,110	67,609	67,609
Long-term interest-bearing liabilities	374,614	387,503	275,678	288,008
Total financial liabilities at amortised cost	**1,211,789**	**1,224,920**	**1,505,614**	**1,522,909**
Derivatives held for trading	(186)	(186)	(255)	(255)
Derivatives used for hedging	(57)	(57)	(289)	(289)
Total financial liabilities	**1,211,545**	**1,224,676**	**1,505,071**	**1,522,366**

Basis for the determination of fair value
The following summarises the significant methods and assumptions used in estimating the fair value of financial instruments reflected in the table above.

Receivables and payables
Trade accounts receivable and payable are stated in the balance sheet at their carrying value less impairment allowance. Due to their short-term nature, receivables from card activities are assumed to approximate their fair value.

In the case of long-term financial instruments with a maturity or a refinancing profile of more than one year and for which observable market transactions are not available, the fair value is estimated using valuation models such as discounted cash flow techniques. Input parameters into the valuation include expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

Non-derivative financial liabilities
The fair value of financial instruments for disclosure purposes is calculated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The difference between the carrying amount and the fair value of the interest-bearing liabilities (short-term as well as long-term) is caused by the unsecured bond issues and amounted to a total of CHF 13.1 million in 2017 (2016: CHF 21.8 million). These unsecured bonds are categorised in Level 1 of the fair value hierarchy.

Interest rates used for determining fair value
The interest rates used to discount estimated cash flows, where applicable, are based on the market interest rates for the maturity of the debt at the reporting date, and were in the range of –0.77% and –0.62% for the current year and −0.80% and –0.65% for 2016.

Financial instruments carried at fair value, fair value hierarchy
The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

2017 In 1,000 CHF	Level 1	Level 2	Level 3	Total
Financial investments available for sale	0	26,131	0	26,131
Derivative financial instruments	0	75	0	75
Total financial assets carried at fair value	**0**	**26,206**	**0**	**26,206**
Derivative financial instruments	0	(244)	0	(244)
Total financial liabilities carried at fair value	**0**	**(244)**	**0**	**(244)**

2016 In 1,000 CHF	Level 1	Level 2	Level 3	Total
Financial investments available for sale	0	18,732	0	18,732
Derivative financial instruments	0	49	0	49
Total financial assets carried at fair value	**0**	**18,780**	**0**	**18,780**
Derivative financial instruments	0	(544)	0	(544)
Total financial liabilities carried at fair value	**0**	**(544)**	**0**	**(544)**

Input for Level 2 valuation
Level 2 fair values for simple over-the-counter derivative financial instruments are based on broker quotes. Those quotes are tested for reasonableness by discounting expected future cash flows using market rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the non-performance risk, where appropriate. Level 2 fair values for available for sale financial instruments are based on market prices multiples without any unobservable input.

The fair value of financial instruments disclosed at fair value is determined as follows

2017 In 1,000 CHF	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	22,146	0	0	22,146
Receivables from business unit Payment	0	455,552	0	455,552
Receivables from business unit Consumer Finance	0	1,356,382	0	1,356,382
Other trade receivables and other receivables	0	12,500	0	12,500
Total financial assets	**22,146**	**1,824,433**	**0**	**1,846,579**
Payables to counterparties	0	163,901	0	163,901
Other trade payables	0	7,144	0	7,144
Short-term interest-bearing liabilities	490,094	102,423	0	592,517
Other payables	0	14,744	0	14,744
Accrued expenses	0	59,110	0	59,110
Long-term interest-bearing liabilities	386,913	590	0	387,503
Total financial liabilities at amortised cost	**877,007**	**347,913**	**0**	**1,224,920**

2016 In 1,000 CHF	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	41,489	0	0	41,489
Receivables from business unit Payment	0	549,213	0	549,213
Receivables from business unit Consumer Finance	0	1,269,519	0	1,269,519
Other trade receivables and other receivables	0	81,498	0	81,498
Total financial assets	**41,489**	**1,900,230**	**0**	**1,941,718**
Payables to counterparties	0	286,898	0	286,898
Other trade payables	0	10,407	0	10,407
Short-term interest-bearing liabilities	584,780	268,438	0	853,218
Other payables	0	16,770	0	16,770
Accrued expenses	0	67,609	0	67,609
Long-term interest-bearing liabilities	288,008	0	0	288,008
Total financial liabilities at amortised cost	**872,788**	**650,121**	**0**	**1,522,909**

Offsetting

An offsetting agreement was in place between Mastercard and different group companies (“offsetting agreement”). In its normal course of business as an acquirer (until the sale of the acquiring business in August 2017), the Group transfers the purchase price for card transactions to its affiliated partners. Mastercard simultaneously credits the respective amounts to the Group. At the same time, the Group as an issuer of credit cards has an obligation to Mastercard from the card transactions of its cardholders. The offsetting agreement allowed the Group to offset the respective credit and debit balances through the payments to or from Mastercard.

As at 31 December 2017 the offseting agreement was no longer in place as the acquiring business was sold. As at 31 December 2016 the outstanding amount in favour of the Group amounted to CHF 66.1 million included in “Receivables from business unit Payment, net”, while the Group had an outstanding obligation of CHF 39.7 million included in “Payables to counterparties”, resulting in a net amount of CHF 26.4 million in favour of the Group against Mastercard.

33. Related parties

Related parties are the shareholders which have a direct influence on the Group's activities by delegating a member to the Group's Board of Directors, the other members of the Group's Board of Directors, the Executive Committee, entities controlled by a member of the Group's Board of Directors and the associates Accarda and SwissWallet AG.

The shareholders that are considered as being related parties are as follows:

Part of share capital in % held at 31 December	2017	2016
Raiffeisen Group	25.5%	25.5%
Zürcher Kantonalbank	14.7%	14.7%
Entris Banking AG	14.0%	14.0%
Migros Bank AG	7.0%	7.0%
Banque Cantonale Vaudoise BCV (since 2017)	4.8%	n/a
EFG Bank AG	3.6%	3.6%
Zuger Kantonalbank	1.4%	1.4%
Freiburger Kantonalbank (until 2016)	n/a	1.0%
Total related parties	**71.0%**	**67.3%**

Transactions with related parties

The Group does extensive business with its shareholders and other related parties, especially within financing activities and card distribution in the Payment business.

Income and expenses with related parties as stated in the following table is included in the Group's consolidated statement of comprehensive income.

In 1,000 CHF	2017	2016
Interest income	20	45
Interest expenses	3,881	4,594
Distribution, advertising and promotion expenses	17,575	14,092
Other expenses	147	147
Total income (–) and expenses (+) with related parties	**21,584**	**18,787**

All transactions between the Group and its related parties as well as its associates are entered into at market rates.

At the closing date, the Group had the following balance sheet exposure with its related parties:

In 1,000 CHF	2017	2016
Cash and cash equivalents	7,492	39,892
Other receivables and other assets	75	49
Prepaid expenses and accrued income	922	9,270
Short-term interest-bearing liabilities	251,361	157,174
Other payables	244	525
Accrued expenses and deferred income	1,770	2,272
Total exposure to related parties	**261,865**	**209,181**

The Group's balance sheet does not contain provisions for doubtful debts from related parties, nor does the consolidated statement of comprehensive income recognise any expenses in respect of bad or doubtful debts due from related parties.

Transactions with associates
In 2017 and 2016 respectively, transactions with associates concerned mainly scanning services provided by Accarda to the Group as well as fees for consulting services provided to Accarda, and since 2015 processing services provided by SwissWallet AG to the Group.

Income and expenses with associates as stated in the following table are included in the Group's consolidated statement of comprehensive income.

In 1,000 CHF	2017	2016
Other income	73	38
Processing and service expenses	637	897
Total income (–) and expenses (+) with associated parties	**564**	**859**

At the closing date, the Group had the following balance sheet exposure with its associates:

In 1,000 CHF	2017	2016
Other receivables and other assets	12	0
Other payables	0	540
Total exposure with associated parties	**12**	**540**

Transactions with key management personnel
The members of the Board of Directors and the Executive Board of the Group and their immediate relatives do not have any ownership interest in the Group's companies.

The Group provides short-term remuneration to the members of the Board of Directors and Executive Board. Beside their salaries and pension fund benefits, the members of the Executive Board and directors receive long-term benefits based on the results of the Company.

The key management personnel compensation is as follows:

In 1,000 CHF	2017	2016
Base salaries and other short-term benefits	4,482	4,876
Long-term benefits	2,582	3,014
Contribution to retirement benefits plan and social security	784	856
Other personnel benefits	223	240
Total compensation to key management	**8,071**	**8,986**

There are no loan agreements in place with key management. However, Viseca issues credit cards for key management. It is in the nature of the credit card business that the customer gets temporarily into debt with Viseca. Furthermore, cashgate offers Consumer Finance loans and leasing, and AdunoKaution and SmartCaution offer rental guarantees. In the case of ongoing business, employees and also key management can apply for those credits and facilities.

The conditions and requirements for eventually granted facilities and loans are under normal commercial terms and conditions that would also be provided to unrelated third parties.

34. Group companies

In 1,000 CHF	Country of incorporation	Currency	Share capital 2017	Share capital 2016	Ownership interest 2017	Ownership interest 2016
Aduno Holding AG, Zurich (ZH), parent company	Switzerland	CHF	25,000	25,000	-	-
Accarda AG, Brüttisellen (ZH)**	Switzerland	CHF	18,500	18,500	30%	30%
Aduno Finance AG, Stans (NW)	Switzerland	CHF	1,000	1,000	100%	100%
AdunoKaution AG, Zurich (ZH)	Switzerland	CHF	1,365	1,365	100%	100%
cashgate AG, Zurich (ZH)	Switzerland	CHF	35,000	35,000	100%	100%
Contovista AG, Schlieren (ZH)	Switzerland	CHF	140	140	70%	14.3%
SmartCaution SA, Geneva (GE)	Switzerland	CHF	500	500	100%	100%
SwissWallet AG, Zurich (ZH)**	Switzerland	CHF	105	105	33.3%	33.3%
Vibbek AG, Urdorf (ZH)	Switzerland	CHF	1,300	1,300	67%	67%
Vibbek GmbH, Hamburg*	Germany	EUR	25	25	67%	67%
Viseca Card Services SA, Zurich (ZH)	Switzerland	CHF	20,000	20,000	100%	100%
Aduno SA, Bedano (TI)***	Switzerland	CHF	n/a	120	0%	100%

* Vibbek GmbH is fully owned by Vibbek AG.

** Associates, the Group has significant influence.

*** Aduno SA was fully sold in 2017.

35. Discontinued operations

In August 2017 the Group sold its acquiring and terminal business, following a strategic decision within the Payment business to strengthen its competence in the issuing business.

The Acquiring business was not previously classified as held-for-sale or as discontinued operations. The comparative consolidated statement of profit or loss and OCI has been restated to show the discontinued operations separately from continuing operations.

Intra-group transactions have been fully eliminated in the consolidated financial results; the eliminated intra-group transactions have not been reversed for the discontinued operations, as management does not believe that going forward Aduno Group will enter into significant transactions with the acquirer of Aduno SA.

Result of discontinued operations

In 1,000 CHF	2017	2016
Commission income	40,071	66,903
Annual fees	1,624	2,753
Interest income	5	32
Other income	9,472	35,143
Operating Income	**51,173**	**104,831**
Processing and service expenses	28,258	46,501
Distribution, advertising and promotion expenses	1,663	3,790
Interest expenses	48	103
Impairment losses from Payment and Consumer Finance	182	484
Personnel expenses	16,638	28,305
Other expenses	8,927	14,855
Depreciation	494	1,178
Amortisation	3,231	5,172
Total expenses	**59,440**	**100,390**
Result from operating activities	**(8,268)**	**4,441**
Income tax expenses	(750)	2,333
Result from operating activities, net of tax	**(7,518)**	**2,109**
Gain on sale of discontinued operations *	133,699	0
Income tax expenses of gain on sale of discontinued operations	(9,914)	0
Profit from discontinued operations, net of tax	**116,267**	**2,109**

* Additional charges on the sale of Aduno SA are included in the gain on disposal.

In 1,000 CHF	2017	2016
Other comprehensive income of discontinued operations		
Items that will not be reclassified to the income statement		
Remeasurement employee benefit obligations	(189)	(70)
Income tax relating to items not reclassified	40	15
Total items that will not be reclassified to the income statement, net of tax	**(149)**	**(55)**
Items that may be reclassified subsequently to the income statement		
Net unrealised gains / (losses) on financial investments available for sale	1,150	403
Income tax relating to items that may be reclassified	(242)	(85)
Total items that may be reclassified subsequently to the income statement, net of tax	**909**	**318**
Other comprehensive income / (loss) of discontinued operation	**759**	**263**

Effect of disposal on the financial position of the Group

In 1,000 CHF	2017
Assets	
Cash and cash equivalents	(3,607)
Total receivables	(139,762)
Inventories	(4,466)
Prepaid expenses	(4,756)
Total current assets	**(152,590)**
Property and equipment	(8,334)
Goodwill	(28,729)
Other intangible assets	(18,536)
Long-term financial assets	(6,428)
Total non-current assets	**(62,027)**
Liabilities	
Total payables	151,560
Short-term interest-bearing liabilities	4
Accrued expenses and deferred income	5,578
Total current liabilities	**157,141**
Provisions	339
Employee benefit obligations	5,376
Deferred tax liability, net	18,939
Total non-current liabilities	**24,654**
Net assets and liabilities	**32,821**
Consideration received, statisfied in cash	180,712
Cash and cash equivalents disposed of	(3,607)
Net cash inflows	**177,105**

	2017	2016
Cashflow from / (used) discontinued operations		
Net cash from / (used in) operating activities	4,797	14,581
Net cash from / (used in) investing activities	174,961	(8,845)
Net cash from / (used in) financing activities	4	(5,348)
Net cashflow for the year	**179,762**	**387**

36. Subsequent events

There are no subsequent events to be reported.

Zurich, 19 April 2018

Pascal Niquille
Chairman of the Board of Directors

Martin Huldi
Chief Executive Officer

Conrad Auerbach
Chief Financial Officer

KPMG

Statutory Auditor's Report

To the General Meeting of Aduno Holding AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Aduno Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Key Audit Matters

Revenue recognition

Goodwill impairment

Allowance for doubtful debts for Consumer Finance and Payment (receivables from cardholders)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Revenue recognition

Key Audit Matter

Aduno offers its clients means of cashless payment as well as retail financing. It offers a one-stop shop for different products and services for cashless payments and the financing of loans, ranging from issuing credit cards (Issuing), consumer credits and leasing to deposit guarantees.

Revenue consists of commission income, annual fees and interest as well as other income. Commission income consists of transaction-based fees, which are passed on to credit card holders. Interest income comprises interest from short-term loans to credit card owners, long-term retail loans and lease financing for retail and corporate clients. Annual fees include the fees charged to credit card owners.

We considered this matter to be of special significance as the posting of these income items on an accrual basis can have a material impact on the Group's net profit. Income must be captured correctly and must provide a true account of the business on hand.

Our response

We analyzed and tested the design and effectiveness of key controls in the area of revenue recognition in order to assess whether revenue has been captured correctly.

Moreover, we also performed the following audit procedures:

- We took sample tests of income in the area Issuing and reconciled these to the final accounts of international credit card companies, such as Mastercard and Visa.
- We evaluated revenue developments in retail loans and leasing portfolios with the actually recorded amounts in interest income.
- We reconciled the revenue for Issuing with those of the relevant third parties.
- We performed sample tests of the master data in Consumer Finance (retail) by perusing the relevant agreements and checked whether the posts were correct.
- We inspected the reconciliations of the sub-ledgers with the general ledger and assessed any deviations for materiality.
- We reviewed accounts where posts are performed automatically and checked manual postings on a sample basis by matching these to the relevant documents.

For further information on revenue recognition refer to the following:

- Note 1: Significant accounting policies
- Note 4: Commission income
- Note 5: Interest income and interest expense
- Note 6: Other income

Goodwill impairment

Key Audit Matter

As at 31 December 2017, the Group disclosed a goodwill amounting to CHF 128.4m. No impairment of goodwill was recorded in 2017.

Our response

We assessed and tested the design and operating effectiveness of the key controls over the financial reporting in regard to valuation of goodwill. This included the controls for the annual impairment testing, the composition and approval of the financial budget as well as the assumptions used to determine the fair value of each reporting unit.

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However, due to the inherent uncertainty regarding the forecasts used to determine the fair value of each business unit, this area can be subject to significant professional judgment. The uncertainty is usually the greatest in areas where the discrepancy between the fair value and the carrying value is limited, as these areas are highly sensitive to changes in future cash flows and other key assumptions.

Our audit focused on the Group's goodwill for the business lines Issuing, Acquiring, Consumer Finance as well as Internal Financing, as the discrepancy between market value and carrying value in these areas is relatively limited, which is why they are especially sensitive to changed estimates and assumptions.

We assessed the adequacy of the expected cash flows and compared these to the most important assumptions (e.g. discount rates and growth rates) with external industry, economic and financial as well as historical data and the Group's performance. With the support of our valuation specialists we evaluated the assumptions and methods used to forecast the fair value for those reporting units that are most sensitive to any changes in estimates and assumptions. Moreover, we performed sensitivity analyses taking into consideration the accuracy of the forecasts this far, and we evaluated the sensitivity data in regard to any potential impairment disclosed in the notes to the consolidated financial statements.

For further information on goodwill impairment refer to the following:

— Note 1: Significant accounting policies

— Note 20: Goodwill and other intangible assets

Allowance for doubtful debts for Consumer Finance and Payment (receivables from cardholders)

Key Audit Matter

Allowance for doubtful debts for Consumer Finance:

As at 31 December 2017, the Group disclosed capitalized receivables for the areas leasing and consumer credits amounting to CHF 1,384.1m as well as allowances for doubtful debts for credit defaults amounting to CHF 27.8m.

The valuation of the allowance for doubtful debts for credit defaults is based on historical data, which were analyzed using a drill-down analysis and valuation model that took into consideration the special risks presented by each type of loan. Management adjusts the allowance for doubtful debts depending on its estimates of the economic environment and credit landscape compared to historical data.

Currently, the company does not record any specific allowances that are individually significant for Consumer Finance. Using different models and assumptions may lead to significant deviations in estimates on allowances for doubtful debts for defaults. Specific valuation allowances for defaults require significant judgment to estimate the recoverability of loans and the loan value. A general bad-debt provision contains significant Management judgment when determining the method and

Our response

Allowance for doubtful debts for Consumer Finance:

We concentrated on the most important estimates based on professional judgment and specific knowledge and competences to determine the allowance for doubtful debts.

We assessed and tested the design and operating effectiveness of the key controls over the financial reporting in regard to the valuation of allowances for doubtful debts for credit defaults. This included the controls for the calculation, approval, recording and monitoring of the allowances for doubtful debts for credit defaults.

We tested the underlying model of the general bad-debt provision. We also tested the adequacy and accuracy of the data in the models, such as the default rate and we compared this data with external benchmarks, if available.

Our valuation specialists critically assessed the assumptions used as well as the model parameters by comparing the currently used values with historical developments in carrying values in the model. In doing so, we in particular assessed the expected losses for their adequacy.

parameters to calculate the value adjustment at the level of the portfolio.

Allowance for doubtful debts on non-recoverable receivables from Payment (receivables from cardholders):

Allowances for doubtful debts are made for the impairment of late payment, fraudulent payments and non-recoverable receivables resulting from reversals of charges at both specific and collective level.

All individually significant receivables from cardholders are assessed for specific impairment. Receivables not treated with a specific valuation allowance are tested at the level of the entire portfolio. Allowances for doubtful debts for all three categories (as explained above) are determined using a drill-down and valuation method based on historical data. Management adjusts allowances of doubtful debts depending on its estimates of the economic environment and credit landscape compared to historical data.

Allowance for doubtful debts on non-recoverable receivables from Payment (receivables from cardholders):

We assessed and tested the design and operating effectiveness of the key controls over the financial reporting in regard to the valuation of the allowance for doubtful debts for losses arising from receivables from cardholders and the entire portfolio of receivables. This included the controls around the calculation, approval, recording and monitoring of the receivables from cardholders and the entire portfolio of receivables.

For further information on allowance for doubtful debts for Consumer Finance and Payment (cardholders) refer to the following:

— Note 1: Significant accounting policies

— Note 15: Receivables from Payment and Consumer Finance

Other Information in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, 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 Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Marianne Müller
Licensed Audit Expert
Auditor in Charge

Volkan Gökdemir
Licensed Audit Expert

Zurich, 19 April 2018

Enclosure:

— Consolidated financial statements, which comprise the consolidated statement of financial position and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as the notes to the consolidated financial statements

Income statement

In 1,000 CHF	2017	2016
Cost / revenue category		
Dividend income	30,500	26,500
Interest income from third parties	184	0
Interest income from other Group companies	17,074	17,939
Total revenue	**47,758**	**44,439**
Other income	10,114	5,454
Operating income	**57,871**	**49,893**
Interest expenses to third parties	(14,511)	(15,374)
Interest expenses to other Group companies	(1,612)	(1,100)
Distribution, advertising and promotion expenses	0	(6)
Other expenses	(6,856)	(3,051)
Depreciation on property and equipment	(605)	(605)
Depreciation on intangible assets	(3)	(127)
Operating expenses	**(23,588)**	**(20,263)**
Results from operating activities	**34,284**	**29,630**
Depreciation on associated companies	(5,600)	(5,000)
Extraodinary and prior period income	299	0
Extraodinary and prior period expenses	(1,596)	0
Profit before income tax	**27,387**	**24,630**
Income tax expenses	(200)	(151)
Profit for the year	**27,187**	**24,479**

Balance sheet

In 1,000 CHF	2017	2016
Assets		
Cash and cash equivalents	41	32,929
Short-term receivables from other Group companies	797,625	1,044,297
Other short-term receivables	73	1,251
Prepaid expenses	977	1,720
Total current assets	**798,716**	**1,080,198**
Investments	244,180	222,480
Long-term receivables from other Group companies	375,000	275,000
Property, plant and equipment	2,543	3,148
Intangible assets	3	6
Total non-current assets	**621,726**	**500,635**
Total assets	**1,420,442**	**1,580,832**
Liabilities		
Other trade payables	126	176
Short-term interest-bearing liabilities	591,820	840,000
Short-term interest-bearing liabilities to other Group companies	246	0
Other payables	453	85
Accrued expenses	3,213	3,786
Short-term provisions	1,746	7
Total current liabilities	**597,605**	**844,054**
Long-term interest-bearing liabilities	375,590	276,929
Long-term provisions	972	761
Total non-current liabilities	**376,562**	**277,690**
Total liabilities	**974,167**	**1,121,744**
Share capital	25,000	25,000
Legal capital reserves		
Reserves from capital contributions	94,256	94,256
Other capital reserves	1,014	1,014
Legal retained earnings reserves	6,428	6,428
Voluntary retained earnings		
Free reserves and statutory reserves	292,240	306,240
Accumulated profit brought forward	151	1,671
Net profit for the year	27,187	24,479
Total equity	**446,275**	**459,088**
Total liabilities and equity	**1,420,442**	**1,580,832**

Cash flow statement

In 1,000 CHF	2017	2016
Profit for the year	**27,187**	**24,479**
Depreciation / amortisation and impairment losses on non-current assets	6,209	5,732
Changes in other short-term receivables and prepaid expenses	1,922	3,299
Changes in short-term receivables from other Group companies	246,672	(374,434)
Changes in other trade payables	(49)	(445)
Changes in other liabilities, accrued expenses and deferred income	(205)	(791)
Changes in provisions	1,950	129
Changes in long-term receivables from other Group companies	(100,000)	450,000
Cash flow from operating activities	**183,684**	**107,970**
Acquisition of subsidiaries	(27,300)	(12,620)
Proceeds from sale of subsidiaries	0	660
Cash flow from investing activities	**(27,300)**	**(11,960)**
Dividends paid	(40,000)	(20,000)
Changes in short-term interest-bearing liabilities	(247,934)	325,000
Changes in long-term interest-bearing liabilities	98,661	(448,071)
Cash flow from financing activities	**(189,272)**	**(143,071)**
Change in cash and cash equivalents	**(32,888)**	**(47,061)**
Cash flow from operating activities	183,684	107,970
Cash flow from investment activities	(27,300)	(11,960)
Cash flow from financing activities	(189,272)	(143,071)
Cash and cash equivalents at beginning of period	32,929	79,991
Cash and cash equivalents at the end of period	**41**	**32,929**

Notes to the annual financial statements

Accounting principles

Basis of preparation
The statutory financial statements of Aduno Holding AG have been prepared in accordance with the requirements of the Swiss Code of Obligations (SCO). Unless stated otherwise, all assets and liabilities are reported at their nominal value. All figures in the annual financial statements are rounded in accordance with commercial principles. All financial information presented in Swiss Francs has been rounded to the nearest thousand, except when indicated differently.

Reporting period
The reporting period begins on 1 January and ends on 31 December of the calendar year.

Recognition of business transactions
Business transactions are presented according to the settlement date principle.

Foreign currency translation
The translation of foreign currency is carried out in accordance with the closing rate method. At year end all financial assets and liabilities in foreign currencies are translated at the year-end rate according to the exchange rate list of Bloomberg Corporation.

Investments in other Group companies

Company	Participation	Share capital in 1,000 CHF	Since
Viseca Card Services SA, Zurich	100%	20,000	2007
cashgate AG, Zurich	100%	35,000	2007
Accarda AG, Brüttisellen	30%	18,500	2007
Aduno Finance AG, Stans	100%	1,000	2011
Vibbek AG, Urdorf	67%	1,300	2013
AdunoKaution AG, Zurich	100%	1,365	2014
SwissWallet AG, Zurich	33.3%	105	2015
Contovista AG, Schlieren	70%	140	2016
SmartCaution SA, Geneva	100%	500	2016

The participations are reported at initial cost.

Impairments and provisions
Provisions, i.e. individual or general reserves for bad debts, are accrued for all the risks identified at the balance sheet date in accordance with the caution principle. Currently no risks have been identified.

Income taxes
Income taxes are calculated and reserved based on the results of the financial year.

Other disclosures

Guarantee obligations

As at 31 December 2017, the following guarantees exist:

- Rental liabilities of Aduno Holding AG for its premises in Business Center Andreaspark in Zurich, amounting to CHF 1.3 million (2016: CHF 1.3 million)
- Guarantees for prepayments of credit card owners of Viseca Card Services SA, amounting to CHF 14.5 million (2016: CHF 14.5 million)
- Guarantees for prepayments of prepaid credit card owners of Viseca Card Services SA, amounting to CHF 66.0 million (2016: CHF 66.0 million)
- Instalments option of consumer credit customers of Viseca Card Services SA, amounting to CHF 0.5 million (2016: CHF 0.5 million)
- Rental liabilities of Aduno SA for its premises in Bedano, amounting to CHF 0.2 million (2016: CHF 0.2 million)
- Rental liabilities of Viseca Card Services SA for its premises in Bedano, amounting to CHF 0.2 million (2016: CHF 0.0 million)
- Warranty claims to consumer finance customers of cashgate AG, amounting to CHF 0.5 million (2016: CHF 0.5 million)
- Keep-well guarantee in favour of Aduno Finance AG, amounting to CHF 2,600 million (2016: CHF 2,475 million)
- Rental liabilities of cashgate AG for its premises in Geneva, Lausanne and Neuchâtel, amounting to CHF 0.1 million (2016: CHF 0.1 million)

Unsecured bond issues

In 1,000 CHF	Nominal interest rate	Maturity	Due date	Accrued interest at 31.12.2017	Accrued interest at 31.12.2016
100 million bond issue	variable	2015-2017	06.04.2017	0	0
100 million bond issue	0.00%	2015-2017	05.05.2017	0	0
250 million bond issue	2.25%	2011-2017	27.10.2017	0	1,011
275 million bond issue	1.125%	2014-2021	16.07.2021	1,431	1,431
100 million bond issue	0.00%	2017-2018	23.04.2018	0	0
100 million bond issue	variable	2017-2019	21.01.2019	0	0

Contingent liabilities

Effective 1 January 2014 Aduno Holding AG resigned from the VAT group of Viseca Card Services SA. The company remains mutually liable for any VAT obligations the Aduno Group has towards the Swiss Federal Tax Administration. It concerns taxes which eventuated up to 2013 and are significant for a period of five years.

Information on the performance of a risk assessment

Aduno Holding AG is part of the Group-wide risk management system of Aduno Group. Therefore, the Board of Directors of Aduno Holding AG decided not to perform an individual risk assessment for the company.

The Board of Directors of Aduno Holding AG has, as parent company, delegated the execution of the risk assessment to the Group's Executive Management. The Executive Management maintains a risk assessment board, which records any material risks, assesses their importance and probability of occurrence and, if required, defines measures and monitors the processing thereof. The risk analysis is regularly confirmed by the Board of Directors of the Group.

In order to ensure that the company's Annual Financial Statement comply with the underlying accounting principles and proper corporate reporting, the company has introduced further operative internal control and steering systems, which are examined on a regular basis. For accounting and valuations, assumptions and estimates are made regarding the future. The estimates and assumptions that represent a significant risk in the form of a major adjustment to the carrying amounts of assets and liabilities in the coming financial year are presented in the notes for the individual positions. Overall, no risks were identified in the financial year just ended that could lead to a material correction in the asset, finance and profit situation of the company and/or group of companies as presented in the Annual Financial Statements.

To improve the risk assessment, an internal control system (ICS) has been introduced that is reviewed and updated on an ongoing basis. All the risk-relevant processes of Aduno Holding AG are listed in the ICS. This system is reviewed by the auditors as part of the annual audit.

Zurich, 19 April 2018

Pascal Niquille
Chairman of the Board of
Directors

Martin Huldi
Chief Executive Officer

Conrad Auerbach
Chief Financial Officer

Proposal for the appropriation of earnings at the general meeting

The Board of Directors proposes that the retained earnings be appropriated as follows:

In CHF	2017	2016
Appropriation of retained earnings		
Balance carried forward from prior year	150,745	1,671,247
Profit after tax	27,186,609	24,479,498
Total retained earnings	**27,337,355**	**26,150,745**
Withdrawal from free reserves	123,000,000	14,000,000
Dividend payment	150,000,000	40,000,000
Balance to be carried forward	337,355	150,745
Total appropriation of retained earnings	**27,337,355**	**26,150,745**

As the general reserves reached 20% of the share capital, no further allocation is made.

On behalf of the Board of Directors

Pascal Niquille
Chairman of the Board of Directors

Statutory Auditor's Report

To the General Meeting of Aduno Holding AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aduno Holding AG, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting principles.

In our opinion the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Investments

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Investments

Key Audit Matter

Investments are equity interests controlled by Aduno Holding AG or on which it exerts a significant influence (associated companies).

Aduno Holding AG controls a company if based on such control it is subject to or entitled to variable income generated by the controlled company.

Associated companies are those companies where Aduno Holding AG significantly influences the financial and business policies but does not control them.

Investments constitute a key audit matter because changes in estimates and assumptions could affect their valuation and cause value impairments.

Our response

As part of our audit, we assessed Management's valuation of its investments. Specifically, we convinced ourselves that Aduno Holding AG selected a methodologically correct valuation approach, that the calculations are understandable and Management's assumptions are adequate.

In regard to investments, which based on qualitative and quantitative factors were valued using discounted cash flows, we performed the following audit procedures, among others:

— assessed the accuracy of the forecasts by back-testing historical forecasts to actual results;

— compared business plan data with the latest forecasts by Management and with Board-approved business plans;

— challenged the robustness of the key assumptions used to determine the recoverable amount, including future cash flows, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the relevant companies and by comparing them with publicly available data;

— conducted sensitivity analyses, taking into account the historical forecasting accuracy.

If the recoverable amount of an investment was below its carrying value, we tested whether a corresponding value adjustment was posted.

For further information on investments refer to the following notes to the financial statements:

— Accounting principles: Investments in other Group companies

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Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

Report on Other Legal and Regulatory Requirements

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Marianne Müller
Licensed Audit Expert
Auditor in Charge

Volkan Gökdemir
Licensed Audit Expert

Zurich, 19 April 2018

Enclosures:

— Financial statements, which comprise the balance sheet, income statement, cash flow statement and notes to the annual financial statements

— Proposed appropriation of available earnings

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PUBLISHING DETAILS

Annual report 2017

This annual report is published in German and English. The German version is binding for the annual report and the annual financial statements of Aduno Holding AG, and the English version is binding for the consolidated financial statements.

Exclusion of liability

This report contains forward-looking statements that do not give any guarantees for future performance. These statements contain risks and uncertainties, including but not restricted to future economic conditions, legal provisions, market conditions, activities of competitors and other factors that are outside the company’s control.

Publisher

Aduno Group
Corporate Communications, Zurich

Technical implementation

Neidhart+Schön, Zurich