Annual Report 2016

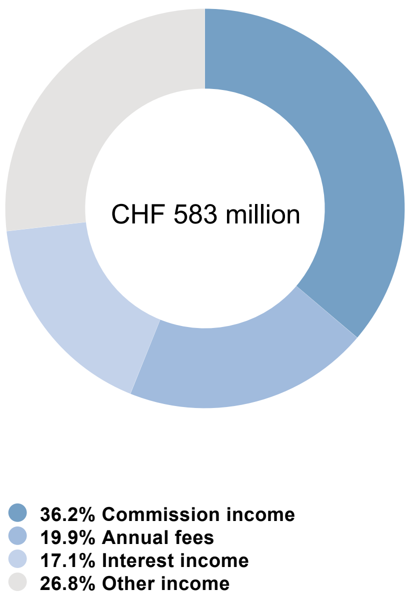
Aduno Group

the smart way to pay

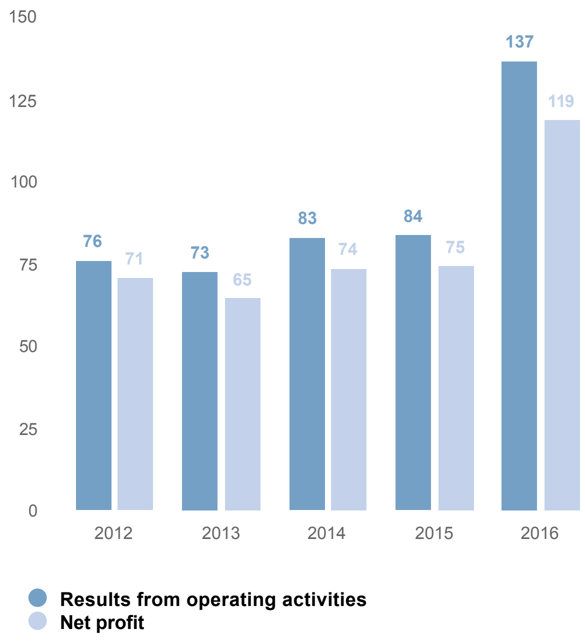
AT A GLANCE

Financial Year		2016	2015	2014 represented	2016/2015
Total revenue	in million CHF	583.0	484.1	505.2	20.4%
Results from operating activities	in million CHF	137.0	84.1	82.6	63.0%
in % of revenue		23.5%	17.4%	16.4%	
Profit for the period	in million CHF	118.5	74.6	74.1	58.8%
in % of revenue		20.3%	15.4%	14.7%	
Total assets	in million CHF	2,292	2,207	2,246	3.8%
Total equity	in million CHF	642.7	543.2	486.4	18.3%
in % of total assets		28.0%	24.6%	21.7%	
Profit per share	in CHF	4,743	2,996	2,984	58.3%
Number of issued card	in 1,000	1,425	1,369	1,317	4.1%
Processed volume from issued cards	in billion CHF	8.3	7.8	7.6	6.7%
Merchant sales volume	in billion CHF	8.2	7.8	7.8	5.3%
Consumer Finance portfolio	in million CHF	1,251	1,265	1,268	(1.1%)
Number of employees (end of year)	in FTE	819	756	695	8.4%

Distribution of revenue 2016 by source



Operating result and net profit from 2012 to 2016
[in CHF million]



Dr Pierin Vincenz, Chairman of the Board of Directors

EDITORIAL

Ladies and Gentlemen

In the past year, the Aduno Group posted impressive volume growth: the number of issued credit cards rose to over 1.4 million by the end of the 2016 financial year. As these cards are actively used by the customers, transaction volumes exceeded the threshold of CHF 8 billion for the first time in 2016. Our merchants did similarly well in the past year: the Aduno Group's merchant sales volume also broke through the CHF 8 billion barrier for the first time.

The reflection of this growth in the figures is quite impressive: turnover climbed by 20.4 per cent in 2016 to CHF 583.0 million, the operating result improved by 63.0 per cent to CHF 137.0 million, and net profit amounted to CHF 118.5 million, 58.8 per cent more than in the previous year. The result includes a substantial one-off contribution paid to the Aduno Group as a member of Visa Europe Ltd. following the latter's takeover by Visa Inc., but even without this exceptional item, the Aduno Group posted an impressive organic increase in volumes that compensated for the regulatory reduction in the interchange fee in the cards business and the lower maximum interest rate for personal credits and outstanding credit card balances.

Both business units of the Aduno Group – Payment, comprising the Issuing business of Viseca Card Services SA (Viseca), the Acquiring business of Aduno SA (Aduno) and the guarantee deposit business of AdunoKaution AG (AdunoKaution) and SmartCaution SA (SmartCaution), and Consumer Finance with cashgate AG (cashgate) – contributed to this result. The impressive growth posted for the Payment business was to a large extent boosted by good consumer sentiment, but once again also confirms the efficiency of our sales organisation and the good collaboration with our partner banks. In 2016, the Payment business focused

"The Aduno Group posted a consolidated revenue of CHF 583.0 million and at CHF 118.5 million, net profit was 58.8 per cent up on the previous year."

intensely again on digital payment solutions. The VisecaOne app has become the most successful Swiss financial app in its category with more than 500,000 registered users. The focus also fell on developing the technical expertise needed to handle mobile payment solutions, i.e. where smartphones can be used to pay for transactions.

In contrast to the cards business, the Consumer Finance business could not count on support from a friendly market environment. Just the opposite in fact: both the market for personal credits and the leasing market were in decline in 2016. Against this backdrop, cashgate did very well and increased its new business as well as the size of its portfolio in the personal credit business. By making clever modifications to its price model, cashgate made sure that it can offer attractive conditions, even in the wake of the recent regulatory changes. In parallel with the shrinking overall market, the leasing business also sustained a decline in new volumes. In both these segments, cashgate managed to improve customer loyalty and target new customer groups by launching innovative products. In general, the results for 2016 confirm that cashgate has a robust business model.

In the current year, the Aduno Group will continue to play its part as a leader of innovation in the Payment and Consumer Finance sectors, to strengthen its market position and to further grow its volumes. We will invest another CHF 30 million in the implementation of digital technologies and projects. As a centre of competence for cashless payment, the Aduno Group is supporting its partner banks on the road to a digital future. We will be helped along this road in 2017 by the market environment: general consumer sentiment should remain positive, and the trend towards using cards rather than cash for payment – supported by the digital progress and cheaper conditions for merchants as a result of the lower interchange fee – will continue. The outlook for the personal credit business is stable, but the leasing business is likely to remain under pressure.

The Aduno Group therefore expects 2017 to be another good year. We will do everything we can to keep volume growth high. A headwind is created by the continued regulatory interference in the market. The domestic interchange fee will be reduced for the second time to 0.44 per cent on 1 August 2017. Together with the lower maximum interest rate, this will cause margins to fall. The Aduno Group will therefore shift its focus in 2017 to strict cost control and efficiency enhancement in order to maintain its income levels in an environment of falling margins.

It is only through the efforts of our employees that we can once again report outstanding results for the Aduno Group. They worked hard on behalf of the company at all levels and we would like to thank them for this commitment. We would also like to thank our customers for their trust and our partner banks for their support. We would be delighted to continue to count on this support going forward.

Dr Pierin Vincenz
Chairman of the Board
of Directors

Martin Huldi, CEO
Conrad Auerbach, CFO (right)

INTERVIEW WITH CEO/CFO

The Aduno Group can once again report an excellent result for 2016: what were the reasons for this good business performance?

Martin Huldi: The operating result of CHF 137 million is indeed a very good result for the Aduno Group, particularly if we remember that this challenging year for currencies and interest rates was also dominated by rapid developments in technology. The Payment business in particular posted an excellent performance, growing almost seven per cent in Issuing and over five per cent in Acquiring. Such growth figures are not often seen.

Conrad Auerbach: Two factors determined our success. Firstly, and this cannot be denied, we benefited from a certain base effect. 2015 was a year of weaker growth, burdened by the scrapping of the fixed euro-franc exchange rate. And secondly, the growth was mostly due to the strong increase in card sales, and a higher number of issued cards automatically translates into a higher turnover. Also, the trend of using cards instead of cash is ongoing.

How did the market environment change in 2016?

Huldi: The Payment business benefited from the stable economy in Switzerland and good consumer sentiment. This is seen in Issuing, where domestic volumes increased much more than foreign volumes. The food and beverages and entertainment sectors in particular did well. The growth for contactless payment is impressive. By now, 24 per cent of our customers' POS payments are contactless.

Auerbach: The picture is different for Consumer Finance. The prescribed reduction in the maximum interest rate in the middle of 2016 really rattled the market. At the beginning of the year, other providers started using aggressive pricing tactics to force volume growth, which put pressure on the market. This calmed somewhat in the second half of the year, but prices still dropped substantially.

"We want to keep up the fast pace of growth."

The increase in the operating profitability is very noticeable. What contributed to this growth?

Auerbach: The operating profitability of the Aduno Group has been around this range for many years, but prices and margins are trending downwards. The maximum interest rate for the personal credit business was reduced in mid-2016 and the interchange fee also dropped dramatically. After the first reduction in 2015 to 0.7 per cent, the fee will be reduced further to an average of 0.44 per cent in mid-2017. So far we managed to compensate the interchange fee reduction – for a part – with higher volumes. But profits will be affected if volumes should stagnate or decline in future.

Are there no other options for compensating the lower interchange fee?

Auerbach: We are working on our efficiency, of course, and we have also implemented other measures to support our margins, such as increasing some of our fees. We are also benefiting from the low interest rates. The environment is positive for refinancing transactions, on which we are strongly dependent.

Huldi: Our customers are probably willing to accept the fact that some fees are higher because we did not just increase the prices, but also substantially expanded the services for credit cards. Extended warranty periods for products bought with the credit card, improved medical assistance and travel insurance cover – all these services bring added value for customers.

In contrast to previous years, the volume growth for the Payment business was mostly generated in Switzerland. Are the Swiss doing more of their shopping locally again?

Auerbach: Yes, compared to 2015, people are spending more of their money in Switzerland again. This is reflected in the figures for our Issuing business. The Swiss also prefer spending their holidays locally, which could be related to the political uncertainties.

Huldi: In Acquiring we can see that more foreigners are coming to Switzerland again. The strong franc was a serious hurdle in 2015, but the situation eased in 2016.

Digital Payment Services were expanded further in 2016. What were the priorities?

Huldi: These days, everybody is talking about digitisation. The Aduno Group shifted its focus to digitisation many years ago and constantly made the required investments. For example, our customers can now use Viseca Masterpass, a leading international solution for internet payments. Viseca Masterpass is a digital wallet that can be used to make payments easily and securely, everywhere in the world. We expect strong growth for this segment in the coming years, as the credit card is predestined for such distance transactions.

The VisecaOne app is a success story, as this is the most downloaded iOS and Android app in its category. Why do customers love this app so much?

Huldi: VisecaOne is really a huge success. More than 500,000 customers have downloaded and are actively using this free app. Together with Viseca Masterpass, they benefit from a simple but very secure authentication process for internet payments. With the app they can call up all transactions on their smartphone in real time. They can check their invoices and receive a push message for every transaction. With this, we are offering our customers an innovative and forward-looking service.

What were the other highlights for the Payment business?

Huldi: Contovista, a company in which we bought a stake in 2016, offers our partner banks a first-class personal financial management solution. With this product, customers have an overview of all their credit card transactions in their protected e-banking portal. Three banks have already integrated this service into their e-banking environment, and another twelve will do so shortly.

Auerbach: This solution benefits not only the customers, but also the banks. Our partner banks have understood that a banking relationship is incomplete without a credit card. The full picture is only given if the credit card transactions are linked to the customer's account.

The guarantee deposit business is a relatively new field of business for the Aduno Group. How has this business developed?

Auerbach: We have strengthened this business by buying another company, SmartCaution in Geneva. We have integrated all processes, strengthened the organisational structures that were introduced at the end of 2015 and invested in market development by talking to our partner banks and entering into cooperation agreements with real estate companies. The result is not yet what we want it to be, but we are convinced of the potential of this field of business.

Huldi: A rental deposit guarantee is attractive for customers, as it protects their liquidity. They do not have to block one to three months' rent, but can use this money for other things. This option is very popular in French-speaking Switzerland, where a guarantee deposit is taken out for every second rental apartment. It will take some time for this practice to establish itself in German-speaking Switzerland.

How satisfied are you with the personal credit business?

Huldi: The personal credit business has become even more challenging in the wake of the reduction of the maximum interest rate. Falling margins are increasing the competition for market shares. Against this backdrop, cashgate did very well: portfolio development is good, and we are growing more strongly than the market and quite profitably, too.

Auerbach: We are, however, benefiting from low interest charges. If we wish to cope with higher interest rates in future, we will have to implement additional measures to cut our costs. This will be the focus for the next two to three years.

Huldi: It was a smart move to introduce an attractive interest rate of 4.9 per cent for owners of real estate, who represent a really small risk. This gives cashgate a three-level interest rate model, together with the interest rates of 7.9 and 9.9 per cent. This ensures an equilibrium between the different risk categories and helps to maintain margins.

cashgate's own channels – branches, direct and online business – posted a solid to good performance, while the third-party channels did not do quite so well. Why?

Auerbach: This is because other providers mainly fought their battles for market shares via the intermediary channel. This channel can be influenced in the short term, but only by offering higher commission and accepting more risk. This volume growth is expensive, and we did not wish to take part in this battle.

Huldi: In addition to our own channels the bank channel is also attractive, both with regard to customer quality and commission. While the banks are the most important and strongest sales channel for credit cards, they are still holding back from the personal credit business.

Auerbach: In Switzerland, a personal credit still has a difficult image. It is easy to understand that we do not like this, but we, together with the entire industry, first have to make sure that this image changes. Because the product is better than its reputation.

The leasing business is even more challenging, with new volumes declining further in 2016. Is this business still enjoyable?

Huldi: Yes, we had to accept a decline in new volumes compared to the previous year. The problem is that cashgate's approach differs very much from most of its competitors: cashgate runs the business to earn money with the leasing rates. The car manufacturers' leasing companies have instructions to boost sales with aggressive offers.

Auerbach: Yes, in spite of the difficulties it is still enjoyable. Even with low interest rates, the leasing business offers solid returns for a low risk. This provides a good balance to the personal credit business where the returns as well as the risks are higher. And finally, the leasing business brings us closer to other companies, as almost half of our customers are corporates. This is an important market for the Aduno Group.

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

Huldi: First, we want to keep up the fast pace of growth. Cashless payment is becoming ever more attractive, and the Aduno Group does not want to miss out on this. We are in an excellent position and ready for digitisation, and we have to cement this position. For example, we will make VisecaOne even more customer-friendly by integrating the surprize rewards programme into the same platform.

Auerbach: We will continue to keep a close eye on developments regarding digital payment. Our strategy of focusing on several roads with different products is certainly the right one, as it is not currently possible to judge which solutions will survive. The interesting thing is that new digital payment solutions come on the market almost every month. We must be agile enough to anticipate these.

And the financial priorities?

Auerbach: In a market environment such as this one we have to focus on operating efficiency. Workforce growth will slow down substantially in 2017.

Huldi: We will nevertheless invest the same amount of more than CHF 30 million as in the previous year. This money will be used for innovations and strategic projects that will make life easier for our customers by offering added value.

ADUNO GROUP –THE SMART WAY TO PAY

The Aduno Group is the only enterprise in Switzerland that covers the entire range of cashless payment services. The integrated business model enables it to utilise synergies and generate added value for shareholders, partners and customers. The strategy of the Group sets the course for profitable growth.

True to its vision of being "the smart way to pay", the Aduno Group offers its customers secure and easy cashless payments as well as private financing. It is a one-stop shop for all products and services required for cashless payment and credit financing, from credit card issuing (Issuing) and card acceptance (Acquiring) to payment terminals, personal credits, leasing and rental deposit guarantees.

The Aduno Group provides various services along the value chain of cashless payments and continuously seeks to expand them. Data analyses play a key role in its business model. Based on these data analyses, the Aduno Group implements, for example, the surprize rewards programme and services in the area of personal finance management. With the real-time scoring of transactions, the Aduno Group can recognise fraud patterns and thus prevent potential losses and fraud attempts.

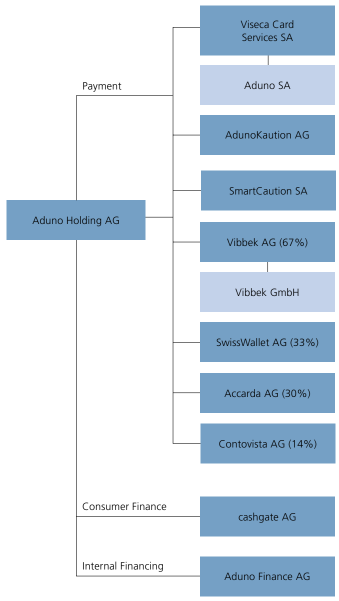
Payment business

The Payment business comprises the complementary segments Issuing and Acquiring. Viseca is one of the largest issuers of credit and PrePaid cards in Switzerland. As Acquirer, Aduno is responsible for the acceptance of electronic payments and the handling processes of the payment terminals at the point of sale. The Payment business also includes AdunoKaution and SmartCaution, which is active in the guarantee deposit business, Vibbek AG, which specialises in software development for card payments, and stakes in Contovista AG, which is specialised in Personal Finance Management, Accarda AG, which implements card-based customer loyalty programmes, as well as in SwissWallet AG, which develops digital payment solutions.

Consumer Finance business

The Consumer Finance division contains the personal credit and leasing business of cashgate. As a partner for renowned Swiss banks, cashgate has the densest sales network in Switzerland with around 1,400 partner banks as points of sale for personal credits. The company's own branch offices in Geneva, Langenthal, Lausanne, Neuchâtel, St.Gallen, Winterthur and Zurich round off the sales network.

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. As an expert in payment processing, the Aduno Group will benefit from the growth in digital payments. Here it can draw on its expertise in data analysis combined with the interplay of the Payment and Consumer Finance divisions. The intelligent utilisation of data – taking account of stringent data protection requirements – enables it to increase the added value of using the card for both customers and merchants. Customers receive more and better services and greater security. Merchants benefit from target-group-specific marketing tools that exert a positive effect directly on earnings and indirectly on card revenues.

The strategy for profitable growth

Based on the success factors, the Aduno Group has defined its strategy for profitable growth until 2018. 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.**
  With its core business, the Aduno Group has a stable baseline. Both the cards business and the personal credit and leasing business as well as deposit guarantees aim for solid organic growth and deliver regular earnings. The Aduno Group will further strengthen its core business in a systematic manner, for example by promoting online sales, 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 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, merchants 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 makes paying for online purchases more secure, quicker and easier.

ROBUST GROWTH IN ALL BUSINESS AREAS

The Payment business kept up its fast pace of growth in 2016. Thanks to the growing popularity of cards as a means of payment and our close collaboration with our partner banks, Issuing increased the number of issued cards to more than 1.4 million. The launch of our new Digital Payment Services met with great interest from our customers. After a stable previous year, Acquiring has returned to the path of growth and launched a successful mobile payment solution with Anypay.

Viseca is one of the largest Issuers of credit and PrePaid cards from Mastercard and Visa 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 more than 56,000 to over 1.4 million. In addition to the general increase in the popularity of cards as a means of payment, this growth was also supported by the successful customer acquisition activities of the partner banks. The fact that Viseca also expanded the insurance cover offered with its credit cards is likely to have played a role, too.

Issuing implements digitisation strategy

The key focus of Issuing in the past financial year lay on pushing ahead with digital payment projects. VisecaOne is a real success story: more than 500,000 cardholders have already registered for this digital service and benefit from a simple but very secure two-factor authentication system. Customers can use the free app to call up all their transactions on their smartphone in real time to check their payments, and receive a push message for every transaction. They can also use Viseca Masterpass, a globally accepted digital wallet with which Viseca customers can pay for transactions in foreign online shops and at more than 2,500 online merchants in Switzerland without having to enter their credit card details for every transaction.

The surprize rewards programme much loved by cardholders and merchants further improved its visibility in 2016 thanks to first steps to integrate the programme into the VisecaOne platform. The partner network has been expanded by renowned consumer goods, clothing and transport brands and now stands at 43 partners. This gives cardholders access to an even bigger selection of attractive rewards. The new features are very popular with the customers.

The personal finance management (PFM) solution developed by Viseca in collaboration with the fintech start-up Contovista AG has also met with a positive response from customers and the partner banks hitherto involved. With this solution, bank customers can import their credit card transactions into their e-banking solution, browse them together with all e-banking transactions, and create diagrams to visualise them. This service has been introduced to date by the Zürcher Kantonalbank, Graubündner Kantonalbank and Schwyzer Kantonalbank. Additional Cantonal Banks will follow, as this service creates real added value for all card customers.

Acquiring launches innovative mobile payment solution

As Acquirer, Aduno makes sure that the customers of its affiliated partners can pay conveniently and securely with all commonly issued credit and debit cards. To this end, it takes care of the acceptance and processing of electronic payments at all points of sale, whether online or physically at the point of sale. It provides both the physical payment terminals and the interface to the payment service provider (PSP) in the online shop. Acquiring posted encouraging turnover growth in the 2016 financial year. This growth was mostly driven by the food and beverages as well as the retail and entertainment sectors.

On the product side, the highlight of the reporting year was the introduction of the mobile payment solution Anypay. Anypay is a high-performance mobile card reader that uses an app to connect to a smartphone or tablet, making it possible to accept all commonly issued cards, including Postcard. The product is particularly suited for smaller businesses looking for a simple, secure and cost-efficient cashless payment solution. Sales to date have far outstripped expectations. The partner banks are also showing great interest in Anypay and some banks are actively marketing the solution to their customers.

Investments in security

The Aduno Group focused on security in 2016 too and invested in security aspects in the Issuing as well as the Acquiring business. These include the introduction of the fast but very secure two-factor authentication for VisecaOne as well as the latest fraud prevention software. These investments paid off quickly and the risk costs could be reduced considerably year-on-year.

Guarantee deposit business expanded

The guarantee deposit business, which falls under the Payment business, was expanded further in 2016. This not only strengthened the partnerships with numerous banks and real estate agents, but AdunoKaution also managed to expand its position in French-speaking Switzerland by acquiring SmartCaution, a company that is mainly active in the Geneva conurbation.

INNOVATIVE CREDIT MODEL AND NEW PRODUCTS ARE WELL RECEIVED

The reduction in the maximum interest rate that was ordered by the Federal Council created a challenging market environment for the Consumer Finance business in 2016. The personal credit business held up well; new volumes and portfolios continued to grow and the company expanded its market position. The leasing business on the other hand suffered from strong competition by manufacturers' own leasing companies. Innovative new products improve merchant and end customer loyalty.

cashgate's recipe for success was the continued development of its successful price model for the personal credit business: the maximum interest rate of ten per cent for personal credits that applied from mid-2016 was implemented at an early stage. The new pricing model that has been in use since April was adjusted to the new requirements and applies transparent interest rates of 7.9 and 9.9 per cent. cashgate also introduced an interest rate of 4.9 per cent for customers who own residential property. Thanks to the low interest rates and transparent loan approval criteria, the model met with a positive response from borrowers and partner banks, allowing cashgate to compensate the falling prices with higher volumes.

Regulatory intervention into market structures

The reduction in the maximum interest rate ordered by the legislator and the extension of the right to revoke telephone sales of personal credits to 14 days exerted pressure on the market. cashgate continued to put its trust in its own channels – direct business, its branches and the online channel – and once again posted robust growth in the reporting year. This was supported by the fact that cashgate managed to grow its personal credit business both in terms of new business and in the size of its portfolio.

Leasing improves customer loyalty with new offers

In the leasing business, cashgate reacted to the intense competition from car manufacturers' own leasing companies with innovative new offers. A special product for senior citizens was launched in May. As this product helps to improve the mobility of retired people, it targets a new customer segment. The product met with a positive reception by the target group, which has not been served by the market before, as well as by the car dealers.

In November, cashgate launched its offer for car dealers to finance in-stock vehicles. This makes it possible for garage owners and importers to finance their in-stock vehicles through cashgate. cashgate expects this new product to strengthen its partnership with existing dealers and attract new dealers as partners. The first customers have already been acquired.

ADUNO GROUP POSTS CONVINCING ANNUAL RESULT

The Aduno Group had a successful year in 2016. Turnover for the cards business improved substantially thanks to higher transaction volumes in Issuing and Acquiring. The personal credit business held up well in a challenging environment. The good business performance and a one-off extraordinary contribution pushed the profit to a record level. The solid capital base provides a foundation for further growth.

After the difficulties of the previous year, the Swiss economy returned to a path of growth in the 2016 financial year. Domestic consumer sentiment continuously improved from the record lows seen in summer 2015. According to the State Secretariat for Economic Affairs (SECO), GDP growth was 1.5 per cent for 2016.

Swiss credit card issuers benefited from the positive consumer sentiment. According to the statistics of the Swiss National Bank, the number of credit cards issued rose by 2.5 per cent in 2016 and the turnover generated by these cards in Switzerland increased by as much as 7.7 per cent. This shows that credit cards are not only becoming more common these days, but are also used more often. Contactless payment is also becoming more accepted. While there were 5.2 million credit cards with a contactless function at the end of December 2015, this number had increased to 5.7 million by the end of 2016. This corresponds to growth of 10.5 per cent.

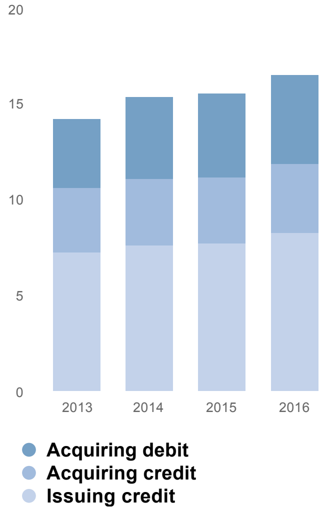
As in the preceding years, the market for personal credit was in decline in 2016, suffering a contraction of some 3.0 per cent according to our own estimates. The leasing market is in a similar position: the “free” segment of the leasing market after deducting the volumes written by car manufacturers’ own leasing companies declined by 2.0 per cent in the reporting year.

Impressive growth in turnover

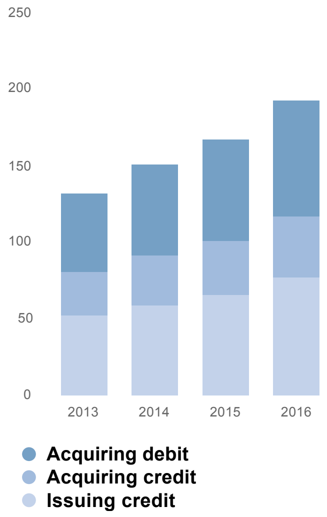
Supported by a friendly economic environment, the Aduno Group increased its turnover by 20.4 per cent to CHF 583.0 million in the 2016 financial year. The Payment business grew by 29.1 per cent to CHF 456.7 million. The Consumer Finance segment contributed CHF 96.2 million, which is 1.8 per cent less than in the previous year. A further turnover of CHF 98.4 million can be attributed to the central financing unit.

Of the total turnover, 36.2 per cent came from commission income, 19.9 per cent from annual fees, in particular on cards, 17.1 per cent from interest income and 26.8 per cent from other income. Other income increased noticeably thanks to

Payment turnover
[in CHF billion]



Card transactions
[in million transactions]



a substantial one-off contribution paid to the Aduno Group as a member of Visa Europe Ltd. following the latter's takeover by Visa Inc. The decline in interest income mainly reflects the reduction in the maximum interest rate for personal credits to 10 per cent, which cashgate implemented prematurely on 1 April 2016. Surprisingly, the commission income of the Aduno Group was slightly better than in the previous year in spite of the lower interchange fee. This is primarily due to higher transaction volumes and to a lesser extent also to price adjustments. The encouraging growth in the income earned from annual fees is explained by the higher number of issued cards.

Leap in profit and solid capital base

The operating result for the 2016 financial year was CHF 137.0 million, which is 63.0 per cent more than in the previous year, which, in addition to higher volumes, was largely also due to the extraordinary contribution by Visa. Net profit amounted to CHF 118.5 million compared to CHF 74.6 million in the previous year, allowing the Aduno Group to improve its profit margin of 15.4 per cent in the previous year to 20.3 per cent.

The Aduno Group continued to invest heavily in digital transformation and mobile payment projects in the reporting period. This is also reflected in the number of employees: at the end of 2016, the Aduno Group employed 819 employees (full-time equivalents), 63 more than in the previous year.

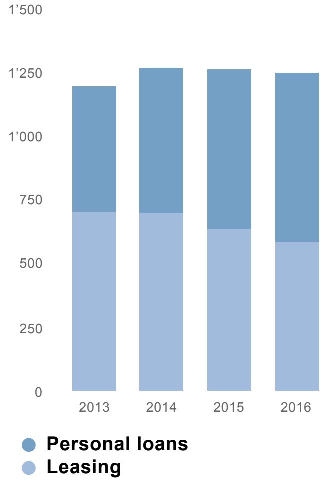
As at 31 December 2016, the Aduno Group reported total assets of CHF 2,292 million, compared to CHF 2,207 million at the end of 2015. Equity totalled CHF 642.7 million compared to CHF 543.2 million at the end of 2015. With an equity ratio of 28.0 per cent, the Aduno Group boasts a solid financial foundation to support its future growth.

Payment business strengthens in all segments

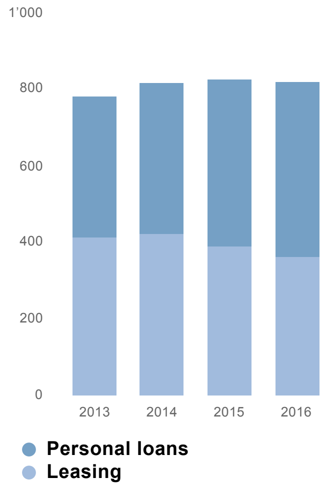
In the 2016 financial year, the Payment business improved its transaction volume by 6.0 per cent to CHF 16.5 billion. The Issuing and Acquiring segments each contributed approximately 50 per cent of this volume. The number of transactions grew substantially in 2016 by 14.8 per cent to 193.2 million, with Issuing growing slightly more strongly than Acquiring, just like in the previous year.

In the Issuing business, Viseca reported a transaction volume of CHF 8.3 billion, 6.7 per cent more than in 2015. At 8.9 per cent, domestic sales grew much more strongly than sales transacted abroad, which improved by 4.5 per cent. The smaller growth for foreign transactions is primarily explained by the high levels seen in previous years: thanks to the strong Swiss franc, the Swiss already did so much travelling and shopping abroad that the 2016 growth rate was less pronounced. On the other hand, more tourists visited Switzerland again, which boosted domestic sales. New card sales grew by 4.7 per cent year-on-year, mainly thanks to the successful distribution collaboration with the partner banks. Above all, the offers of banks at which credit cards are sold as a package together with savings accounts and other products contributed to the growth. The number of cards issued rose by more than 56,000 or 4.1 per cent to over 1.4 million cards.

Consumer Finance portfolio
[in CHF million]



Consumer Finance new business
[in CHF million]



The Aduno Group’s growth in the Acquiring business speeded up again following the stagnation seen in the previous year. Volumes rose by 5.3 per cent, compared to 0.6 per cent in the previous year. With regard to the product range, this growth was mainly driven by the credit business, with volumes growing by 6.7 per cent. In particular, the food and beverages as well as the retail and entertainment sectors trended well in the reporting year. Debit card turnover increased by 4.9 per cent.

Consumer Finance down slightly on previous year

In a challenging 2016 financial year, the Consumer Finance business almost matched the previous year’s performance: at CHF 822.0 million, new business was down by 0.8 per cent, while the credit portfolio contracted by 1.1 per cent to CHF 1,251 million.

The personal credit business held up well and posted new volume growth of 4.4 per cent and credit portfolio growth of 5.5 per cent. cashgate therefore gained market share in a shrinking market while upholding its strict risk policy. The company’s own channels – branches, direct business and online – developed particularly well.

New sales in the leasing business declined by 6.6 per cent on the previous year, and the lease portfolio shrank by 7.6 per cent. This market continues to be subject to very strong competitive pressure from the aggressive price policies of manufacturers’ own leasing companies, some of whom offer 0% leases. Since autumn 2016, manufacturers’ own leasing companies have been offering lease financing for second-hand cars, which was not the case previously.

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.

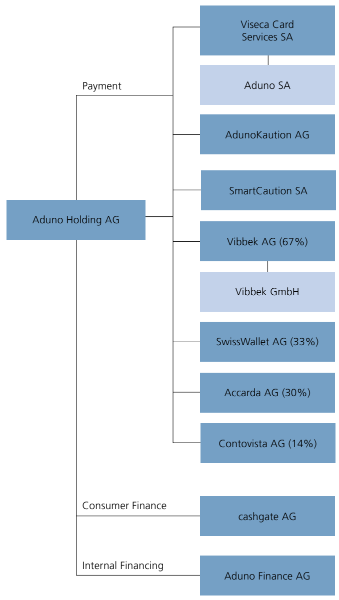
Major shareholders

The following shareholders held more than three per cent of the company as at 31 December 2016.

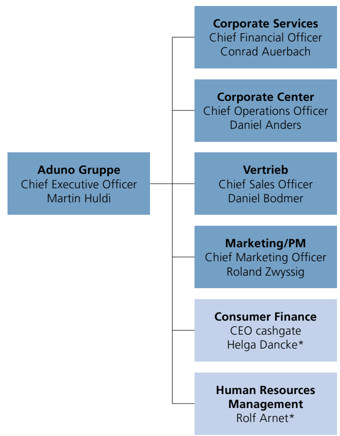
Shareholder	Number of shares	Shareholding
Raiffeisen Group	6,382	25.5%
Zürcher Kantonalbank	3,679	14.7%
Entris Banking AG	3,500	14.0%
Migros Bank AG	1,750	7.0%
Banque Cantonale Vaudoise	1,201	4.8%
Berner Kantonalbank	918	3.7%
BSI SA (Member of EFG International)	893	3.6%
Basellandschaftliche Kantonalbank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

There is a shareholders' agreement binding on all shareholders. The contracting parties include all Swiss Cantonal Banks, Bank Coop AG, Raiffeisen Switzerland Cooperative, Entris Banking AG, BSI SA (Member of EFG International) 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 2016. 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	2016	2015	2014
Equity			
Share capital	25,000	25,000	25,000
Capital reserve	94,101	94,101	94,101
Retained earnings	524,359	424,537	368,196
Shareholders' equity in the company	**643,460**	**543,638**	**487,297**
Non-controlling interests	(724)	(454)	(910)
Total Equity	**642,735**	**543,184**	**486,387**

Shares and participation certificates

The share capital of Aduno Holding amounted to CHF 25 million on 31 December 2016, 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 2016 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. Dr Pierin Vincenz
Swiss citizen

Dr Pierin Vincenz has been the Chairman of the Board of Directors of Aduno Holding AG since 1999. He represents the Raiffeisen Group, where he was Chief Executive Officer from 1999 to 2015. As well as his activities on behalf of the Aduno Group, Pierin Vincenz is Chairman of the Boards of Directors of Helvetia Holding AG, Leonteq Securities AG, Investnet Holding AG, Plozza Vini SA, Repower AG, Bergbahnen Brigels and Vincenz Management AG. He is active on behalf of various foundations and charitable institutions. Pierin Vincenz studied business administration at the University of St.Gallen, where he obtained a doctorate in economics.

II. 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. 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.

III. Rudolf Dudler
Swiss citizen

Rudolf Dudler has been a member of the Board of Directors since 1999. He represents BSI SA (member of EFG International), where he was Chief Financial Officer and a member of the Executive Board from 1999 to 2016. As well as his activities on behalf of the Aduno Group and BSI SA, he is a member of the Boards of Directors of a number of companies, including Dynamic Securities Ltd., Athens, BSI Art Collection SA, Luxembourg, BSI Art Collection (Svizzera) SA, Lugano, and the Swiss Pro Venezia Foundation established by the Federal Council in 1972. Rudolf Dudler is a Swiss certified accountant and financial controller.

IV. 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.

V. 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, the Chairman of the Investment Committee of the Migros Pension Fund, and a member of the Board of Trustees of the Migros Pension Fund. Harald Nedwed studied economics and business administration at the University of Basel, where he was also awarded his doctorate.

VI. Pascal Niquille
Swiss citizen

Pascal Niquille has been a member and Vice-Chairman of the Board of Directors since 2015. He has been Chief Executive Officer of Zuger Kantonalbank since 2009. Prior to that, he worked for UBS from 1985 in various functions, both in Switzerland and abroad. As well as his activities on behalf of the Aduno Group, 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. Pascal Niquille has a degree in law (lic. iur.) from the University of St. Gallen.

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, and Vice-Chairman of the Board of Trustees of Greater Zurich Area. 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 2017.

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, Dr Pierin Vincenz and Daniel Previdoli, with Ewald Burgener acting as chairman. In the 2016 financial year, the committee met three 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 keeps minutes of its discussions and resolutions.

The ARC supports the Board of Directors in supervising the internal audit unit, the external auditors and the internal control system as well as 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 Dr Pierin Vincenz (chairman), Rudolf Dudler, Dr Harald Nedwed and Pascal Niquille. 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 four times in the 2016 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 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 cashgate AG, Aduno Finance AG, AdunoKaution AG, SmartCaution SA and Accarda AG. Conrad Auerbach was awarded a degree in business administration from the University of St. Gallen.

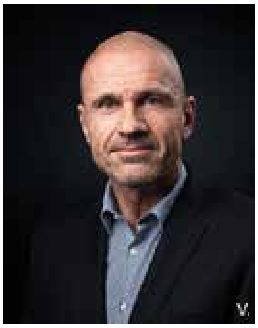
III. Daniel Anders
Swiss citizen, born in 1970

Daniel Anders has been the Chief Operations Officer of the Aduno Group since 2010. Previously, Daniel Anders served as the 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 from 2001 to 2003. 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 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 the Chief Sales Officer of the Aduno Group since 2013. 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 Programme at INSEAD in Fontainebleau.

V. Roland Zwyssig
Swiss citizen, born in 1966



Roland Zwyssig has been the Chief Marketing Officer of the Aduno Group since 2010. Previously, he was Chief Executive Officer from 2006 to 2009, Chief Operating Officer from 2003 to 2005 and head of strategic projects from 2002 to 2003. Prior to that, he was head of business management at Viseca Card Services SA. Before joining Viseca, he held a number of positions in the credit card business with several companies. Roland Zwyssig is a member of the Boards of Directors of Aduno Finance AG and Contovista AG. After obtaining his qualification as a Swiss certified merchant, Roland Zwyssig attended various management, sales and business administration courses.

Expanded Executive Board

VI. Rolf Arnet (until 31 December 2016)
Swiss citizen, born in 1956

Rolf Arnet has been Head of Human Resources Management of the Aduno Group since 2003. Previously, he worked in various managerial positions in the field of personnel development and personnel management at UBS, the Zürcher Kantonalbank and Rentenanstalt/Swiss Life, with several years on assignments abroad in New York and Tokyo. After graduating from the Kaderschule in Zurich as an economist, Rolf Arnet attended a number of advanced specialist courses and obtained an MBA in International Management Consulting from the Universities of Applied Sciences of Northwestern Switzerland and Ludwigshafen.

VII. Helga Dancke
German citizen, born in 1953

Helga Dancke has been the Chief Executive Officer of cashgate AG since 2008. Before moving to the Aduno Group, she was the Chief Executive Officer of the German network operator TeleCash (First Data), and prior to this she worked in different managerial positions for the Barclays Bank PLC credit card provider in Germany for ten years, including as marketing director and as general manager. From 2000 to 2006, she served on the Board of Directors of Visa in Germany. Helga Dancke was awarded her degree in business administration from the University of Erlangen-Nuremberg.

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 0.8 million in the 2016 financial year. The Aduno Group also posted CHF 0.1 million for other advisory services provided by KPMG in the 2016 financial year. Of this, CHF 0.01 million concerned tax consultancy and CHF 0.08 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 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 2016

Consolidated Financial Statements Aduno Group

Annual Financial Statement Aduno Holding AG

Consolidated income statement

In 1,000 CHF	Note	2016	2015
Commission income	4	211,258	200,203
Annual fees		115,726	97,228
Interest income	5	99,918	103,835
Other income	6	156,091	82,791
Total revenue		**582,993**	**484,057**
Processing and service expenses	7	98,709	90,549
Distribution, advertising and promotion expenses	8	100,265	94,626
Interest expenses	5	22,643	24,882
Impairment losses from Payment and Consumer Finance	11	13,699	15,633
Personnel expenses	9	110,817	100,843
Other expenses	10	72,698	49,665
Depreciation	19	5,983	5,659
Amortisation	20	21,176	18,128
Total expenses		**445,990**	**399,985**
Results from operating activities		**137,003**	**84,072**
Income from associates	21	3,393	3,024
Profit before income tax		**140,396**	**87,096**
Income tax expenses	12	21,903	12,479
Profit for the period		**118,493**	**74,617**
Profit attributable to:			
Owners of the company		118,564	74,900
Non-controlling interests		(71)	(283)
Earnings per share			
Basic earnings per share (in CHF)	13	4,742.57	2,996.01
Diluted earnings per share (in CHF)	13	4,742.57	2,996.01

Consolidated statement of comprehensive income

In 1,000 CHF	Note	2016	2015
Profit for the period as per the consolidated income statement		**118,493**	**74,617**
Other comprehensive income / (loss)			
Items that will not be reclassified to the income statement			
Remeasurement employee benefit obligations	29	(2,917)	3,822
Income tax relating to items not reclassified	12	661	(802)
Total items that will not be reclassified to the income statement, net of tax		**(2,256)**	**3,020**
Items that may be reclassified subsequently to the income statement			
Foreign currency translation differences		(2)	(11)
Net unrealised gains / (losses) on financial investments available for sale		1,452	0
Effective portion of changes in fair value of IRS cash flow hedges	17/31	1,764	(983)
Income tax relating to items that may be reclassified	12/17/31	(505)	154
Total items that may be reclassified subsequently to the income statement, net of tax		**2,709**	**(840)**
Other comprehensive income / (loss)		**453**	**2,180**
Total comprehensive income for the period		**118,946**	**76,797**
thereof attributable to:			
Owners of the company		119,057	77,084
Non-controlling interests		(111)	(287)

Consolidated statement of financial position

In 1,000 CHF	Note	31/12/2016	31/12/2015
Assets			
Cash and cash equivalents	14	41,489	90,002
Receivables from business unit Payment, net	15	544,902	435,681
Short-term receivables from business unit Consumer Finance, net	15	458,856	465,126
Inventories	16	4,031	4,020
Other receivables	17	89,573	94,308
Prepaid expenses	18	39,218	40,458
Total current assets		**1,178,068**	**1,129,595**
Long-term receivables from business unit Payment, net	15	4,311	0
Long-term receivables from business unit Consumer Finance, net	15	810,662	812,588
Property and equipment	19	26,897	26,503
Goodwill	20	136,043	134,129
Other intangible assets	20	64,762	56,731
Investments in associates	21	45,022	39,509
Financial investments available for sale	22	18,732	0
Deferred tax assets	12	7,556	8,057
Total non-current assets		**1,113,985**	**1,077,517**
Total assets		**2,292,053**	**2,207,112**

In 1,000 CHF	Note	31/12/2016	31/12/2015
Liabilities			
Payables to counterparties	23	286,898	227,167
Other trade payables	24	10,407	12,590
Short-term interest-bearing liabilities	27	848,253	524,637
Other payables	25	19,489	20,515
Provisions	28	170	190
Accrued expenses and deferred income	26	127,351	92,762
Current tax payable		24,720	8,559
Total current liabilities		**1,317,288**	**886,420**
Long-term interest-bearing liabilities	27	275,678	722,634
Provisions	28	1,688	1,108
Employee benefit obligations	29	42,548	39,440
Deferred tax liabilities	12	12,116	14,326
Total non-current liabilities		**332,030**	**777,508**
Total liabilities		**1,649,318**	**1,663,928**
Equity			
Share capital	31	25,000	25,000
Share premium		94,101	94,101
Reserves		524,359	424,537
Equity attributable to the owners of the company		**643,460**	**543,638**
Non-controlling interests		(724)	(454)
Total equity		**642,735**	**543,184**
Total equity and liabilities		**2,292,053**	**2,207,112**

Consolidated statement of changes in equity

For the year ended 31 December 2016

In 1,000 CHF	Note	Share capital	Share premium	Trans-lation reserve	Hedging reserve	Employee benefit obligations	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)	(20,036)	(116)	0	446,566	543,638	(454)	543,184
Profit for the period		0	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	0	1,146	0	1,146	0	1,146
Foreign currency translation differences		0	0	(1)	0	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	0	1,564	0	1,564
Remeasurement employee benefit obligations, net of tax	29	0	0	0	0	(2,217)	0	0	0	(2,217)	(39)	(2,256)
Total other comprehensive income		0	0	(1)	1,564	(2,217)	0	1,146	0	492	(40)	452
Total comprehensive income for the period		**0**	**0**	**(1)**	**1,564**	**(2,217)**	**0**	**1,146**	**118,564**	**119,057**	**(111)**	**118,945**
Transaction with non-controlling interests		0	0	0	0	(25)	116	0	674	765	(158)	607
Dividends to shareholders	31	0	0	0	0	0	0	0	(20,000)	(20,000)	0	(20,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**(25)**	**116**	**0**	**(19,326)**	**(19,235)**	**(158)**	**(19,393)**
Balance at 31 December 2016		**25,000**	**94,101**	**(8)**	**(306)**	**(22,277)**	**0**	**1,146**	**545,804**	**643,460**	**(724)**	**642,735**

* Total equity attributable to owner of the Company

For the year ended 31 December 2015

In 1,000 CHF	Note	Share capital	Share premium	Trans-lation reserve	Hedging reserve	Employee benefit obligations	Derivative on own Equity	Financial investments available for sale, net	Retained earnings	Total*	Non-controlling interests	Total equity
Balance at 1 January 2015		25,000	94,101	(0)	(1,041)	(23,056)	0	0	392,293	487,297	(910)	486,387
Profit for the period		0	0	0	0	0	0	0	74,900	74,900	(283)	74,617
Unrealised gains / (losses) on financial investments available for sale, net of tax		0	0	0	0	0	0	0	0	0	0	0
Foreign currency translation differences		0	0	(7)	0	0	0	0	0	(7)	(4)	(11)
Effective portion of changes in fair value of cash flow hedges, net of tax	17/31	0	0	0	(829)	0	0	0	0	(829)	0	(829)
Remeasurement employee benefit obligations, net of tax	29	0	0	0	0	3,020	0	0	0	3,020	0	3,020
Total other comprehensive income		0	0	(7)	(829)	3,020	0	0	0	2,184	(4)	2,180
Total comprehensive income for the period		**0**	**0**	**(7)**	**(829)**	**3,020**	**0**	**0**	**74,900**	**77,084**	**(287)**	**76,797**
Acquisition of non-controlling interests		0	0	0	0	0	0	0	(743)	(743)	743	0
Issuance of own equity instrument		0	0	0	0	0	(116)	0	116	0	0	0
Dividends to shareholders	31	0	0	0	0	0	0	0	(20,000)	(20,000)	0	(20,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**(116)**	**0**	**(20,627)**	**(20,743)**	**743**	**(20,000)**
Balance at 31 December 2015		**25,000**	**94,101**	**(7)**	**(1,870)**	**(20,036)**	**(116)**	**0**	**446,566**	**543,638**	**(454)**	**543,184**

* Total equity attributable to owner of the Company

Consolidated statement of cash flows

For the year ended 31 December

In 1,000 CHF	Note	2016	2015 represented
Cash flows from operating activities			
Profit for the period		118,493	74,617
Adjustments for non-cash items:			
Interest income		(99,918)	(92,146)
Interest expenses		22,643	24,882
Income tax expenses	12	21,903	12,479
Depreciation	19	5,983	5,659
Amortisation	20	21,176	18,128
Losses on disposals of property and equipment and intangible assets	10	0	16
Income from associates	21	(3,393)	(3,024)
Changes in			
(Increase) / decrease in receivables from business unit Payment, net		(113,436)	106,176
(Increase) / decrease in receivables from business unit Consumer Finance, net		9,794	1,815
(Increase) / decrease in inventories	16	(11)	(77)
(Increase) / decrease in other trade receivables and other receivables		7,522	(936)
(Increase) / decrease in prepaid expenses		(1,429)	11,948
Increase / (decrease) in payables to counterparties	23	59,731	4,605
Increase / (decrease) in other trade payables		(2,190)	8,252
Increase / (decrease) in other payables		(3,188)	(1,429)
Increase / (decrease) in accrued expenses and deferred income		31,777	(5,550)
Increase / (decrease) in provisions		509	122
Increase / (decrease) in employee benefit obligations charged to the income statement		66	2,336
(Increase) / decrease in financial investments available for sale	22	(17,280)	0
Foreign exchange and other financial items		182	(181)
Interest received		98,319	90,570
Interest paid		(20,769)	(20,896)
Income tax paid		(5,344)	(13,552)
Net cash from / (used in) operating activities		**131,140**	**223,814**

In 1,000 CHF	Note	2016	2015 represented
Cash flows from investing activities			
Acquisition of property and equipment	19	(6,820)	(9,481)
Disposals of property and equipment		464	173
Acquisition of other intangible assets	20	(21,085)	(12,345)
Acquisition of subsidiaries, net of cash acquired	3	(5,025)	0
Acquisition of investments in associates	21	(3,620)	(215)
Dividends received from associates	21	1,500	1,500
Net cash from / (used in) investing activities		**(34,202)**	**(20,368)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities	27	399,446	600,510
Repayment of interest-bearing liabilities	27	(524,715)	(706,564)
Dividends paid	31	(20,000)	(20,000)
Issue of share capital to non-controlling interests by subsidiaries		0	0
Net cash from / (used in) financing activities		**(145,269)**	**(126,054)**
Net increase in cash and cash equivalents		(48,331)	77,392
Cash and cash equivalents at 1 January		90,002	12,429
Effect of exchange rate fluctuations on cash held		(182)	181
Cash and cash equivalents at 31 December	**14**	**41,489**	**90,002**

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 2016 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 subsidiaries Viseca Card Services SA (Viseca) and Aduno SA (Aduno) operate services for cashless payments. 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.

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.

Aduno distributes credit and debit card acceptance contracts to merchants (card acquiring), sells the technical equipment for cashless payment solutions to merchants and operates all relevant services for its customers.

The subsidiaries Vibbek AG as well as Vibbek GmbH are developing software solutions for credit card terminals. The subsidiary AdunoKaution AG (AdunoKaution) and the newly acquired subsidiary SmartCaution SA (SmartCaution) offer rental guarantees to its customers.

The consolidated financial statements were approved by the Board of Directors on 10 April 2017 and will be submitted for final approval by the general meeting on 12 June 2017.

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 (e.g. utilisation of tax losses)
- 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 activated the software for its customer loyalty program in 2014 as an intangible asset. The management estimated the useful life of the intangible asset to five years. In 2016 the program was redesigned and relaunched. As a consequence, the estimated useful life of the intangible asset was reassessed and reduced to three years. The reduction from five to three years resulted in additional amortisation of CHF 4.5 million in 2016.

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.

Investment 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 at 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 at 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 at exchange rates at year end. The income and expenses of foreign operations are translated to CHF at average exchange rates.

The following significant exchange rates applied:

CHF	Average 2016	Average 2015	Year end 2016	Year end 2015
EUR 1	1.1017	1.0747	1.0866	1.0916
USD 1	0.9988	0.9733	1.0309	0.9991
GBP 1	1.3297	1.4853	1.2658	1.4811

Revenue
Revenue comprise 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, 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 programs to its customers in its Payment business. These programs are partly run by third parties in which case the incurred loyalty costs are directly accounted as expenses.

The Group offers a loyalty program in which with the card spendings, customers collect points which are accounted in designated loyalty point accounts. Customers can spend their points by converting those to gifts, annual fee rebates as well as to rebate vouchers within the Group's partner network within the program. The estimated upcoming expenses increase the accrued expenses. In addition, the Group also 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.

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 its 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 wtihout 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 the hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, the 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:

	2016	2015
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:

	2016	2015
Software	generally 3 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.

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 the 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:

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Annual Improvements to IFRS's 2012–2014 Cycle
- Disclosure Initiative (Amendments to IAS 1)

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 and related Clarifications to IFRS 15 Revenue from Contracts with Customers		1 January 2018	Reporting year 2018
IFRS 16 Leases	***	1 January 2019	Reporting year 2019

Revisions and amendments of Standards and Interpretations			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)			The IASB has decided to defer the effective date for these amendments indefinitely
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	*	1 January 2017	Reporting year 2018
Disclosure Initiative (Amendments to IAS 7)	**	1 January 2017	Reporting year 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	*	1 January 2018	Reporting year 2019

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

** Mainly additional disclosure and changes in presentation are expected.

*** Impact is currently assessed.

IFRS 9 Financial Instruments (effective 1 January 2018)
IFRS 9 introduces new classification and measurement requirements for financial assets and financial liabilities, replaces the current rules for impairment of financial assets with the expected credit loss impairment model and amends the requirements for hedge accounting (separately issued in November 2013). The Group is currently assessing the impact of the new requirements on the Group’s financial statements and is prearranging the implementation of the new Standard. Based on the analysis performed so far, we do not expect significant changes to current classification of our financial assets and financial liabilities due to the new classification criteria except for additional disclosures. The new rules for impairment of financial assets, the expected credit loss under which an entity is required to recognise expected credit losses at inception and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments, will have an impact on the current impairment amounts of financial assets and will require additional disclosures. The amended requirements for hedge accounting will not have an impact on the Group’s financial statement.

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 impact of the new standard on the Group’s financial statements is currently assessed. Based on preliminary assessment, no material impact is expected except for additional disclosures.

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 and its subsidiary Aduno as well as through Accarda AG, Vibbek AG, Vibbek GmbH, AdunoKaution AG and SmartCaution SA. 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.

Consumer Finance
The business unit Consumer Finance sells and operates leasing contract 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, 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 (2015: none).

The following table presents certain information regarding the operating segments, based on management’s evaluation and internal reporting structure, on 31 December 2016 and 2015 and for each of the years ended.

	Payment		Consumer Finance		Internal Financing		Total operating segments		Corporate Functions/ Consolidation		Consolidated	
In 1,000 CHF	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Commission income	194,656	185,404	0	0	16,602	14,799	211,258	200,203	0	0	211,258	200,203
Annual fees	115,726	97,228	0	0	0	0	115,726	97,228	0	0	115,726	97,228
Interest income	14,988	15,424	88,406	91,324	27,711	29,951	131,105	136,699	(31,187)	(32,864)	99,918	103,835
Other income	131,369	55,638	7,797	6,639	54,089	54,297	193,255	116,574	(37,164)	(33,783)	156,091	82,791
Total revenue	**456,739**	**353,694**	**96,203**	**97,963**	**98,402**	**99,047**	**651,344**	**550,704**	**(68,351)**	**(66,647)**	**582,993**	**484,057**
Processing and service expenses	98,585	90,004	1,270	1,004	0	0	99,855	91,008	(1,146)	(459)	98,709	90,549
Distribution, advertising and promotion expenses	90,732	85,944	19,292	18,214	1	4	110,025	104,162	(9,760)	(9,536)	100,265	94,626
Interest expenses	13,617	13,093	16,702	19,171	30,093	32,324	60,412	64,588	(37,769)	(39,706)	22,643	24,882
Impairment losses from Payment and Consumer Finance	2,806	3,944	10,893	11,689	0	0	13,699	15,633	0	0	13,699	15,633
Personnel expenses	91,968	81,845	18,150	18,369	699	695	110,817	100,909	0	(66)	110,817	100,843
Other expenses	80,193	51,559	12,440	12,702	4,245	5,094	96,878	69,355	(24,179)	(19,690)	72,698	49,665
Depreciation	4,177	4,098	625	656	408	412	5,210	5,166	773	493	5,983	5,659
Amortisation	9,444	9,098	4,416	6,258	7,189	2,648	21,049	18,004	127	124	21,176	18,128
Total expenses	**391,522**	**339,585**	**83,788**	**88,063**	**42,636**	**41,177**	**517,945**	**468,825**	**(71,955)**	**(68,840)**	**445,990**	**399,985**
Results from operating activities	**65,217**	**14,109**	**12,416**	**9,900**	**55,766**	**57,870**	**133,399**	**81,879**	**3,604**	**2,193**	**137,003**	**84,072**
Income from associates	3,393	3,024	0	0	0	0	3,393	3,024	0	0	3,393	3,024
Profit before income tax	**68,610**	**17,133**	**12,416**	**9,900**	**55,766**	**57,870**	**136,792**	**84,903**	**3,604**	**2,193**	**140,396**	**87,096**
Income tax expenses	13,212	3,069	2,623	2,378	6,066	6,693	21,901	12,140	3	339	21,903	12,479
Profit for the period	**55,398**	**14,064**	**9,793**	**7,522**	**49,700**	**51,177**	**114,891**	**72,763**	**3,602**	**1,854**	**118,493**	**74,617**

3. Change in scope of consolidation

Acquisition of SmartCaution SA
As per 1 July 2016 Aduno Holding AG purchased 100% of the shares of SmartCaution SA 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 million have been paid in cash. The remaining CHF 2 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 strengths 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 obligation	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 a consolidated profit after tax of CHF 118.1 million would have arisen. 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	2016	2015
Interchange revenue and related revenue	139,735	138,664
Currency exchange commissions	49,109	38,845
Other commission revenue	22,414	22,694
Commission income	**211,258**	**200,203**

5. Interest income and interest expense

In 1,000 CHF	2016	2015
Interest income	99,918	103,835
Interest expenses	(22,643)	(24,882)
Interest income, net	**77,275**	**78,953**

The 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.

The 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	2016	2015
Foreign exchange gains or losses, net	43,124	43,525
Income from services	35,864	30,787
Income from terminal sales	2,202	1,836
Other income	74,900	6,643
Other income	**156,091**	**82,791**

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 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 per date of transaction 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.

7. Processing and service expenses

In 1,000 CHF	2016	2015
Interchange expenses	31,348	32,188
Cards processing expenses	36,697	32,843
Service expenses	27,190	23,156
Material expenses	3,474	2,362
Processing and service expenses	**98,709**	**90,549**

8. Distribution, advertising and promotion expenses

In 1,000 CHF	2016	2015
Acquisition expenses	69,050	72,216
Rewards and redemption expenses	10,712	3,434
Advertising and promotion expenses	19,388	17,883
Costs for distribution	1,115	1,093
Distribution, advertising and promotion expenses	**100,265**	**94,626**

9. Personnel expenses

In 1,000 CHF	2016	2015
Wages and salaries	87,414	80,080
Social security contributions	9,421	7,987
Expenses related to defined benefit plans	6,297	8,279
Other personnel expenses	7,685	4,497
Personnel expenses	**110,817**	**100,843**

10. Other expenses

In 1,000 CHF	2016	2015
Audit and professional services	14,764	15,217
IT expenses	18,885	16,322
Telephone and postage	2,305	2,250
Premises expenses	7,634	7,549
Travel and representation	987	1,070
Loss on sale of property and equipment and intangible assets	0	16
Other administration expenses	28,124	7,241
Other expenses	**72,698**	**49,665**

The item “Other administration expenses” includes an accrual relating to the outsourcing of business activities between the business units Payment and Internal Finance in the amount of CHF 21.5 million (2015: none).

11. Impairment losses from Payment and Consumer Finance

In 1,000 CHF	2016	2015
Impairment losses on commission income	2,806	3,944
Impairment losses on interest income	10,893	11,689
Impairment losses	**13,699**	**15,633**

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

12. Income tax expenses

Expenses recognised in the consolidated statement of comprehensive income

In 1,000 CHF	2016	2015
Current income tax expenses	25,280	16,286
Deferred tax expenses (+) / income (–)	(3,377)	(3,807)
Total income tax expenses	**21,903**	**12,479**

Average applicable tax rate

The Group calculated an average applicable income tax rate of 16.4% in 2016 and 13.3% in 2015, 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 2016 is 15.6% and 14.3% for 2015 and has been derived as shown in the following table.

In 1,000 CHF	2016	2015
Profit before income tax	140,396	87,096
Income tax expenses at the average applicable tax rate	23,022	12,039
Effect from non-taxable income	(335)	(203)
Tax effect on income at different rates	(783)	643
Effective income tax expenses	**21,903**	**12,479**

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 tax base and IFRS carrying amounts.

			2016			2015
In 1,000 CHF	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Receivables	2,064	(6,188)	(4,124)	1,716	(5,907)	(4,191)
Prepaid expenses	141	(2,742)	(2,601)	0	(2,338)	(2,338)
Property and equipment	0	(370)	(370)	0	(351)	(351)
Intangible assets	2,671	(23,373)	(20,702)	3,319	(22,522)	(19,203)
Financial investments available for sale	0	(295)	(295)	0	0	0
Interest-bearing liabilities	25	(28)	(3)	594	(417)	177
Accrued expense and deferred income	7,961	3,780	11,741	8,195	0	8,195
Provisions	67	(106)	(39)	49	0	49
Employee benefit obligations	8,867	0	8,867	8,211	0	8,211
Other	0	0	-	0	0	0
Tax value of loss carry-forwards recognised	2,964	0	2,964	3,181	0	3,181
Tax assets/(liabilities)	**24,761**	**(29,321)**	**(4,560)**	**25,265**	**(31,535)**	**(6,269)**
Set-off of tax	(17,205)	17,205	-	(17,208)	17,208	0
Net tax assets/(liabilities)	**7,556**	**(12,116)**	**(4,560)**	**8,057**	**(14,326)**	**(6,269)**

Temporary differences of associates, on which no deferred income taxes were recognised as of 31 December 2016, amounted to CHF 20.9 million (prior year: CHF 19 million).

Tax loss carry-forwards
The Group has total tax loss carry-forwards of CHF 14.1 million as per 31 December 2016 (2015: CHF 15.2 million). There are no unrecognised tax losses carry-forwards.

Income taxes directly recognised in in other comprehensive income
An increase of employee benefit obligations of CHF 2.9 million was recognised in other comprehensive income in 2016 (2015: decrease of CHF 3.8 million). Out of this operation, the Group recognised CHF 0.7 million of deferred tax assets in other comprehensive income (2015: CHF 0.8 million of deferred tax liabilities).

A positive change in fair value of financial investment available for sale of CHF 1.5 million was recognised in other comprehensive income in 2016 (2015: none). Out of this operation, the Group recongnised CHF 0.3 million deferred tax liabilities in other comprehensive income (2015: none).

A positive change in fair value of cash flow hedges of CHF 1.8 million was recognised as a reduction in liability in 2016 (2015: negative change of CHF 1.0 million). Out of this operation, the Group recognised deferred tax liability of CHF 0.2 million in other comprehensive income (2015: tax assets of CHF 0.2 million).

Movement in deferred tax assets and liabilities during the year

In 1,000 CHF	2016	2015
Deferred tax assets		
Balance at 1 January	8,057	6,428
Recognised in income	(374)	1,432
Recognised in other comprehensive income	(126)	197
Acquired through business combinations	0	0
Balance at 31 December	**7,556**	**8,057**
Deferred tax liabilities		
Balance at 1 January	(14,326)	(15,856)
Recognised in income	3,751	2,375
Recognised in other comprehensive income	282	(845)
Set-off of tax due to merger	0	0
Acquired through business combinations	(1,824)	0
Balance at 31 December	**(12,116)**	**(14,326)**

Deferred tax assets and liabilities have changed as follows:

In 1,000 CHF	Balance at 31.12.2015	Recognised in Income statement	Recognised in other comprehensive Income	Change in scope of consolidation	Balance at 31.12.2016
Receivables	(4,191)	278	(210)	0	(4,124)
Prepaid expenses	(2,338)	(263)	0	0	(2,601)
Property and equipment	(351)	(19)	0	0	(370)
Intangible assets	(19,203)	355	0	(1,854)	(20,702)
Financial investments available for sale	0	0	(295)	0	(295)
Interest-bearing liabilities	177	(180)	0	0	(3)
Accrued expense and deferred income	8,195	3,546	0	0	11,741
Provisions	49	(88)	0	0	(39)
Employee benefit obligations	8,211	(35)	661	30	8,867
Tax value of loss carry-forwards recognised	3,181	(217)	0	0	2,964
Tax assets/(liabilities)	**(6,269)**	**3,376**	**156**	**(1,824)**	**(4,560)**

In 1,000 CHF	Balance at 31.12.2014	Recognised in Income statement	Recognised in other comprehensive Income	Change in scope of consolidation	Balance at 31.12.2015
Receivables	(4,289)	(56)	154	0	(4,191)
Prepaid expenses	(5,295)	2,957	0	0	(2,338)
Property and equipment	(366)	15	0	0	(351)
Intangible assets	(19,587)	385	0	0	(19,203)
Interest-bearing liabilities	(4)	181	0	0	177
Accrued expense and deferred income	9,500	(1,304)	0	0	8,195
Provisions	60	(11)	0	0	49
Employee benefit obligations	8,532	481	(802)	0	8,211
Other	95	(95)	0	0	0
Tax value of loss carry-forwards recognised	1,927	1,255	0	0	3,181
Tax assets/(liabilities)	**(9,428)**	**3,807**	**(648)**	**0**	**(6,269)**

13. Earnings per share

In 1,000 CHF	2016	2015
Profit attributable to owners of the company	118,564	74,900
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	4,742.57	2,996.01

Diluted earnings per share

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

14. Cash and cash equivalents

In 1,000 CHF	2016	2015
Cash	12	7
Post bank	113	78
Bank	41,364	89,917
Cash and cash equivalents	**41,489**	**90,002**

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.

	2016	2015
CHF	97.4%	99.2%
EUR	0.9%	0.2%
USD	0.0%	0.1%
Other	1.7%	0.5%
Total	**100.0%**	**100.0%**

15. Receivables from Payment and Consumer Finance

In 1,000 CHF	2016	2015
Receivables from card holders	452,704	345,275
Receivables from card schemes	85,439	84,314
Receivables from debt collection	3,604	4,229
Receivables for which fraud is assumed	223	251
Other receivables from Payment business	8,163	3,128
Allowance for doubtful debts	(921)	(1,516)
Total receivables from business unit Payment	**549,213**	**435,681**

In 1,000 CHF	2016	2015
Short-term receivables from Consumer Finance	467,674	474,065
Short-term allowance for doubtful debts	(8,818)	(8,939)
Short-term receivables from Consumer Finance	**458,856**	**465,126**
Long-term receivables from Consumer Finance	826,625	828,553
Long-term allowance for doubtful debts	(15,963)	(15,965)
Long-term receivables from Consumer Finance	**810,662**	**812,588**
Total receivables from Consumer Finance	**1,269,519**	**1,277,714**

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

In 1,000 CHF	Gross amount 2016	Allowance 2016	Gross amount 2015	Allowance 2015
Receivables from card holders				
Not past due	449,127	0	341,556	0
Past due 1–30 days	2,561	0	2,713	0
Past due 31–60 days	619	0	629	0
Past due 61–90 days	279	0	322	0
Past due for more than 90 days	117	0	55	0
Total	**452,704**	**0**	**345,275**	**0**
Receivables from debt collection				
Past due for more than 90 days	3,604	(656)	4,229	(1,226)
Total	**3,604**	**(656)**	**4,229**	**(1,226)**
Receivables for which fraud is assumed				
Past due 1–30 days	213	(91)	196	(58)
Past due 31–60 days	11	(11)	20	(20)
Past due 61–90 days	0	0	26	(26)
Past due for more than 90 days	0	0	9	(9)
Total	**223**	**(102)**	**251**	**(113)**
Receivables from card schemes and others				
Due on sight	88,422	0	87,174	0
Due within 1–3 years	4,311	0	0	0
Past due	870	(163)	268	(177)
Total	**93,603**	**(163)**	**87,442**	**(177)**
Receivables from business unit Consumer Finance				
Past due	28,440	(736)	29,842	(747)
Due on sight	14,297	(373)	8,875	(222)
Due within up to 3 months	130,775	(2,217)	131,313	(2,280)
Due within 4–12 months	294,162	(5,492)	304,035	(5,690)
Total current receivables	**467,674**	**(8,818)**	**474,065**	**(8,939)**
Due within 1–3 years	614,775	(11,859)	627,931	(12,072)
Due after more than 3 years	211,850	(4,104)	200,622	(3,893)
Total non-current receivables	**826,625**	**(15,963)**	**828,553**	**(15,965)**
Total	**1,294,299**	**(24,780)**	**1,302,618**	**(24,904)**

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 3.6 million (2015: CHF 4.2 million) and is shown under receivables from debt collection.

If a cardholder transaction tends to be fraudulent, the respective balance is transferred to a dedicated fraud portfolio until the case is settled, CHF 0.2 million as per 31 December 2016 (2015: CHF 0.3 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 of CHF 85.4 million (2015: CHF 84.3 million) reflects the transmitted merchant transactions of the last days before closing. The open settlement balances to the card schemes are settled daily. In the history of the company all daily balances to the schemes have been settled as announced by the card schemes. Therefore no allowances for doubtful debts were built.

Receivables from terminal sales are open balances to customers totalling CHF 1.7 million (2015: CHF 1.3 million) and are contained in the other receivables from the Payment business. This is 0.3% (2015: 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 for receivables overdue for more than 12 months are provided for 100%.

Other receivables from the Payment business also contain receivables related to the currency conversion amounting to CHF 1.9 million (2015: CHF 1.9 million). Such receivables are usually settled within less than one week.

Receivables from Consumer Finance activities
These receivables consist of consumer loans and finance lease receivables from out of 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	2016	2015
Receivables from consumer loans	700,772	658,913
Receivables from finance lease	593,527	643,705
Total receivables from business unit Consumer Finance	**1,294,299**	**1,302,618**

Receivables from finance lease

In 1,000 CHF	2016	2015
Current receivables from finance lease		
Gross investment in finance lease	287,851	295,423
Unearned finance income	66,224	54,647
Present value of minimum lease payments	**221,627**	**240,776**
Non-current receivables from finance lease		
Gross investment in finance lease	408,070	441,993
Unearned finance income	36,171	39,064
Present value of minimum lease payments	**371,899**	**402,929**
Gross receivables from finance lease		
Due within up to 1 year	287,851	295,423
Due within 1–5 years	408,070	441,993
Unearned finance income	102,395	93,711
Present value of minimum lease payments	**593,527**	**643,705**

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	2016	2015
Allowance for doubtful debts, business unit Payment		
Balance as of 1 January	(1,516)	(1,913)
(Increase)/decrease	594	397
Balance as of 31 December	**(921)**	**(1,516)**

Allowance for doubtful debts on receivables from cardholders is composed of impairment on receivables due to late payment, fraudulent payments and non-recoverable chargeback at both specific and collective level. 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 for 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	2016	2015
Allowance for doubtful debts, business unit Consumer Finance		
Balance as of 1 January	(24,904)	(16,988)
(Increase) / decrease	124	(7,916)
Balance as of 31 December	**(24,780)**	**(24,904)**

Allowance for doubtful debts on receivables from Consumer Finance is composed of impairment on receivables due to late payment and also comprises a portion for those found not to be specifically impaired but are then collectively assessed for any impairment that has been incurred but not yet identified. The Group recognises for allowance 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 for 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 of 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 business, on average about 98% (2015: 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	2016	2015
Raw material	2,306	2,221
Terminals – new	1,651	872
Terminals – used	74	927
Total inventories	**4,031**	**4,020**

In 2016 inventory costs of CHF 6.2 million were recognised as an expense (2015: CHF 5.6 million). Write-downs of CHF 1.5 million were recognised on inventories to net realisable value (2015: CHF 0.1 million).

17. Other receivables

In 1,000 CHF	2016	2015
Other receivables from VAT, withholding tax and salary benefits	2,720	7,019
Other receivables from partners	1,410	1,692
Deposits and prepayments	80,549	80,590
Derivative financial instruments, held for trading	49	131
Derivative financial instruments, used for hedging	0	0
Other	4,846	4,876
Total other receivables	**89,572**	**94,308**

Foreign exchange contracts – trading

In 1,000 CHF	2016	2015
Notional amount	26,856	63,849
Positive fair value	49	131
Negative fair value	(255)	(234)

Interest rate swaps – cash flow hedges

In 1,000 CHF	2016	2015
Notional amount	41,000	290,000
Positive fair value	0	0
Negative fair value	(289)	(1,991)

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 business. These instruments qualify for hedge accounting.

The Group has a permanent requirement to refinance outstanding receivables due by cardholders and consumer finance customers. The refinance need is fulfilled with bank loans with durations from one to 90 days and refers 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 per 31 December 2016 amounted to CHF 41 million (2015: CHF 290 million).

All cash flow hedges of the IRS were assessed to be highly effective as at 31 December 2016 and as at 31 December 2015. A net unrealised gain of CHF 1.8 million (2015: net unrealised loss of CHF 1.0 million), with a related deferred tax liability of CHF 0.2 million (2015: related deferred tax asset of less than CHF 0.2 million) was included in other comprehensive income in respect of these contracts, whereas no (2015: none) hedging reserve was recycled to the statement of comprehensive income.

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	2016	2015
Prepaid expenses to partners	23,801	23,678
Other	15,416	16,780
Total prepaid expenses	**39,218**	**40,458**

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 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

In 1,000 CHF	Furniture	IT & office equipment	Cars	Leasehold improvement	Buildings	Terminals	Total
Costs							
Balance at 1 January 2015	3,528	14,824	1,066	9,968	1,933	0	31,319
Acquisitions	101	6,300	540	2,539	0	1	9,481
Transfers	0	0	0	0	0	5,925	5,925
Disposals and other changes	0	(1,172)	(369)	(25)	0	0	(1,566)
Effect of movements in foreign exchange	0	(3)	0	0	0	0	(3)
Balance at 31 December 2015	**3,629**	**19,949**	**1,237**	**12,482**	**1,933**	**5,926**	**45,156**
Depreciation and impairment losses							
Balance at 1 January 2015	(2,158)	(4,493)	(394)	(3,681)	(195)	0	(10,921)
Depreciation charge for the year	(339)	(3,731)	(257)	(1,080)	(63)	(189)	(5,659)
Transfers	0	0	0	0	0	(3,469)	(3,469)
Disposals and other changes	0	1,173	197	25	0	0	1,395
Effect of movements in exchange rates	0	1	0	0	0	0	1
Balance at 31 December 2015	**(2,497)**	**(7,050)**	**(454)**	**(4,736)**	**(258)**	**(3,658)**	**(18,653)**
Carrying amount							
At 1 January 2015	1,371	10,331	671	6,287	1,737	0	20,398
At 31 December 2015	1,132	12,899	783	7,746	1,675	2,268	26,503

Non-cancellable operating lease rentals are payable as follows:

In 1,000 CHF	2016	2015
Less than one year	4,271	4,365
Between one and five years	13,339	17,377
Total	**17,609**	**21,742**

Operating lease includes the Group’s offices in the cantons Zurich, St. Gallen, Ticino, Vaud, Neuchâtel, Geneva and Berne.

During the year ended 31 December 2016, CHF 4.8 million was recognised as an expense in the consolidated statement of comprehensive income in respect of operating leases (2015: CHF 4.6 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 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

In 1,000 CHF	Goodwill	Software	Licences	Client relationships	Total other intangible assets
Costs					
Balance at 1 January 2015	134,129	41,912	5,706	145,099	192,718
Acquisitions	0	12,345	0	0	12,345
Disposals and other changes	0	(1,962)	(2,714)	(16,625)	(21,301)
Balance at 31 December 2015	**134,129**	**52,295**	**2,992**	**128,474**	**183,761**
Amortisation and impairment losses					
Balance at 1 January 2015	0	(12,534)	(2,558)	(115,111)	(130,203)
Amortisation charges for the period	0	(8,018)	(732)	(9,378)	(18,128)
Disposals and other changes	0	1,962	2,714	16,625	21,301
Balance at 31 December 2015	**0**	**(18,590)**	**(576)**	**(107,864)**	**(127,030)**
Carrying amounts					
At 1 January 2015	134,129	29,378	3,148	29,989	62,515
At 31 December 2015	134,129	33,705	2,416	20,610	56,731

Client relationships
The client relationships recognised through the acquisition of Aduno in 2005 are depreciated using the digital degressive method through 15 years, the period of depreciation ending in 2020, those acquired with Commtrain Card Solutions AG in 2007 are depreciated through 15 years, ending in 2022.

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 through 7–10 years, ending in 2018 at the latest.

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 of 10 years until 2022.

The acquisition of AdunoKaution in 2014 resulted in a further increase of 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 through their estimated useful life until 2024.

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

Impairment tests for cash-generating units containing goodwill
The Group performed impairment tests on goodwill as of 30 September 2016. 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:

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%

2015 **In 1,000 CHF**	**Carrying amount of goodwill**	**Currency**	**Discount rate**	**Projection period**	**Long term growth rate**
Payment business - Issuing	20,394	CHF	11.1%	2016–2018	1%
Payment business - Acquiring	28,729	CHF	9.5%	2016–2020	1%
Consumer Finance	27,816	CHF	10.2%	2016–2018	1%
Internal Financing	57,190	CHF	9.0%	2016–2018	1%

The estimated recoverable amount for the four 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 owns a 30% participation of Accarda AG. Accarda AG 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 AG, not adjusted for the percentage ownership held by the Group:

In 1,000 CHF	2016	2015
Total assets	322,149	299,856
Total liabilities	235,087	218,906
Net assets	**87,062**	**80,950**
Revenue	50,325	47,115
Profit/(Loss) for the period	**10,839**	**10,353**

The Group's share of the profit of Accarda AG for the period of 1 January to 31 December 2016 amounted to CHF 3.3 million and is accounted in the consolidated profits of the Group (2015: CHF 3.1 million). In 2016, Aduno Holding received a dividend payment of CHF 1.5 million from Accarda AG (2015: CHF 1.5 million).

Since 2015, the Group owns a 33.3% participation of the 2015 founded SwissWallet AG (founded with a total share capital of TCHF 105 and a "A fond perdu" payment of TCHF 360). 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% share stake in Contovista AG. Contovista is developing software for Personal Finance Management and distributing it to banks. The Group is represented in the board of directors of Contovista AG.

	Contovista AG		SwissWallet AG	
In 1,000 CHF	2016	2015	2016	2015
Total assets	5,102	n/a	2,346	475
Total liabilities	1,232	n/a	96	323
Net assets	**3,870**		**2,250**	**152**
Revenue	1,977	n/a	1,005	161
Profit/(Loss) for the period	**259**	**n/a**	**246**	**(313)**

22. Financial investments available for sale

As a former member of Visa Europe Ltd., the business unit Payment benefited 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 per date of transaction. These shares are classified as financial investment available for sale. In 2016 the fair value increased by CHF 1.4 million, which was recorded as unrealised gain on financial investments available for sale in other comprehensive income.

23. Payables to counterparties

In 1,000 CHF	2016	2015
Advances received	102,992	104,206
Payables to merchants	133,637	90,111
Payables to schemes	48,426	31,605
Other	1,843	1,245
Payables to counterparties	**286,898**	**227,167**

The Group receives advance payments from customers with issued prepaid credit cards as well as for downpayments for leasing contracts.

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.

In 1,000 CHF	2016	2015
Payables related to employees	16,473	15,043
VAT liabilities	2,176	3,225
Derivatives used for hedging	289	1,991
Derivative financial instruments	255	234
Other	297	22
Other payables	**19,489**	**20,515**

Other trade payables amounted to CHF 10.4 million as per the end of the reporting period (end of 2015: CHF 12.6 million).

25. Other payables

In 1,000 CHF	2016	2015
Payables related to employees	16,473	15,043
VAT liabilities	2,176	3,225
Derivatives used for hedging	289	1,991
Derivative financial instruments	255	234
Other	297	22
Other payables	**19,489**	**20,515**

Details for derivative financial instruments are shown in Note 17 Other receivables.

26. Accrued expenses and deferred income

In 1,000 CHF	2016	2015
Deferred annual fees	37,807	38,140
Commission payable to partners	28,370	21,629
Deferred revenues arising from loyalty programs	21,936	16,759
Accrued interest expenses	2,469	2,507
Other	36,770	13,727
Accrued expenses and deferred income	**127,351**	**92,762**

The position “Other” contains the accrued expenses for other rendered services of partners and other fulfilled services not yet invoiced as well as deferral relating to the outsourcing of business activities between the business units Payment and Internal Finance in the amount of CHF 21.5 million.

27. Interest-bearing liabilities

In 1,000 CHF	2016	2015
Other bank liabilities	8,584	9,715
Current portion of syndicated loan	390,000	390,000
Current portion of unsecured bond issues	449,669	124,922
Short-term interest-bearing liabilities	**848,253**	**524,637**
Unsecured bond issues	273,749	722,634
Other long-term liabilities	1,929	0
Long-term interest-bearing liabilities	**275,678**	**722,634**
Total interest-bearing liabilities	**1,123,930**	**1,247,271**

Terms and debt repayment schedule

In 1,000 CHF	Currency	Nominal interest rate	Year of maturity	2016 Nominal value	2016 Carrying amount	2015 Nominal value	2015 Carrying amount
Syndicated loan	CHF	0.68%	2017	300,000	300,000	300,000	300,000
Syndicated loan	CHF	0.68%	2017	90,000	90,000	90,000	90,000
Unsecured bond issue	CHF	3 M Libor + 35 bp	2016	0	0	125,000	124,922
Unsecured bond issue	CHF	3 M Libor [1]	2017	100,000	99,995	100,000	99,977
Unsecured bond issue	CHF	0.00%	2017	100,000	99,987	100,000	99,950
Unsecured bond issue	CHF	2.25%	2017	250,000	249,687	250,000	249,233
Unsecured bond issue	CHF	1.125%	2021	275,000	273,749	275,000	273,474
Other bank liabilities	CHF	0.78%	current account	5,536	5,536	5,340	5,340
Other bank liabilities	various	0.78%	current account	3,047	3,047	4,375	4,375
Other long-term liabilities	CHF	0%	2021	1,929	1,929	0	0
Total				**1,125,512**	**1,123,930**	**1,249,715**	**1,247,271**

1) Floor at 0.0% and Cap at 0.05%

Syndicated loan
As per 31 December 2016, the Group has a syndicated loan facility of CHF 1,050 million headed by Zürcher Kantonalbank (ZKB) (31.12.2015: CHF 1,050 million) at its disposal. The interest conditions of the facility are quoted by ZKB at market conditions at the fixing date according to the maturity plus a margin depending on the Company's credit rating.

As per 31 December 2016, the syndicated loan amounts to CHF 390 million nominal (31.12.2015: CHF 390 million).

Unsecured bond issues
Two bonds were issued in May 2015, thereof a fixed rate bond of CHF 100 million with its maturity in 2017 and with a coupon of 0% with an effective interest rate of 0.038%. The other bond of CHF 100 million disposes of a floating rate based on Libor interest rate with a floor at 0.0% and a cap at 0.05% expiring in 2017 with an effective interest rate of 0.018%.

Since 27 October 2011, Aduno Holding has an outstanding fixed rate bond of CHF 250 million with a maturity in 2017. The nominal interest rate is set at 2.25% and is paid yearly to the bondholders. The effective interest rate, including all fees paid for this bond, amounts to 2.44%.

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 per 31 December 2016, the Group has access to a bilateral credit facility with ZKB of CHF 700 million (31.12.2015: 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 per 31 December 2016, the total of the other bank liabilities amounts to CHF 8.6 million (31.12.2015: CHF 9.7 million).

Pledged assets
No assets were pledged as per 31 December 2016 (2015: none).

28. Provisions

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**

In 1,000 CHF	Legal	Other	Total
Balance at 1 January 2015	**0**	**1,176**	**1,176**
Provisions made during the period	90	32	122
Provisions reversed during the period	0	0	0
Balance at 31 December 2015	**90**	**1,208**	**1,298**

Maturity of provisions			
Current	90	100	190
Non-current	0	1,108	1,108
Total	**90**	**1,208**	**1,298**

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 are mainly 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.

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 over 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 (2015: 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 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 of benefits or a combination of both.

The Group is affiliated to the collective foundations Swisscanto Sammelstiftung der Kantonalbanken and CIEPP - Caisse Inter-Entreprises de prévoyance professionnelle. The collective foundations are separate legal entities. The foundations are responsible for the 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 Group. The pension committee is responsible for the set-up of the plan benefits.

In 2016, the collective foundation Swisscanto Sammelstiftung der Kantonalbanken decided to reduce the conversion rates on the over-mandatory part of the savings capitals over the next 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	2016	2015
Present value of funded obligations	167,684	146,578
Fair value of plan assets	(125,136)	(107,138)
Recognised liability for defined benefit obligations	**42,548**	**39,440**

Movements of present value of defined benefit obligations

In 1,000 CHF	2016	2015
Liability for defined benefit obligations at 1 January	146,578	131,737
Current service cost	8,815	7,906
Past service cost	(2,833)	(32)
Interest expense	1,315	1,443
Benefit payments	2,428	2,995
Employee contributions	4,495	4,064
Insurance premiums	(1,521)	(1,703)
Liabilities assumed through business combinations	380	0
Effect of changes in demographic assumptions	(6,669)	0
Effect of changes in financial assumptions	7,906	1,564
Effect of experience adjustments	6,790	(1,396)
Liability for defined benefit obligations at 31 December	**167,684**	**146,578**

Movements of fair value of plan assets

In 1,000 CHF	2016	2015
Fair value of plan assets at 1 January	(107,138)	(90,811)
Interest income	(1,000)	(1,038)
Return on plan assets (excluding interest income)	(5,110)	(3,990)
Employer contributions	(6,252)	(5,943)
Employee contributions	(4,495)	(4,064)
Benefit payments	(2,428)	(2,995)
Insurance premiums	1,521	1,703
Assets acquired through business combinations	(234)	0
Fair value of plan assets at 31 December	**(125,136)**	**(107,138)**

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.

Expense recognised in the statement of comprehensive income

In 1,000 CHF	2016	2015
Current service cost	8,815	7,906
Past service cost	(2,833)	(32)
Interest on employee benefit obligations	1,315	1,443
Interest on plan assets	(1,000)	(1,038)
Total, included in "Personnel expenses"	**6,297**	**8,279**
Effect of changes in demographic assumptions	(6,669)	0
Effect of changes in financial assumptions	7,906	1,564
Effect of experience adjustments	6,790	(1,396)
Return on plan assets (excluding interest income)	(5,110)	(3,990)
Total, included in other comprehensive income	**2,917**	**(3,822)**

Actuarial assumptions

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

	2016	2015
Discount rate at 31 December	0.60%	0.90%
Future salary increases	1.50%	1.50%
Future pension increases	0.00%	0.00%
Life expectancy at age 65 years, insured for a now 45-year-old active member		
Males	24.26	23.31
Females	26.29	25.74
Life expectancy at age 65 years		
Males	22.38	21.59
Females	24.43	24.06

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 5.4 million (increase by CHF 5.9 million). In 2015 decrease by CHF 4.6 million and an increase by CHF 5.0 million.
- If the expected salary growth rate increases (decreases) by 0.5%, the defined benefit obligations would increase by CHF 1.3 million (decrease by CHF 1.4 million). In 2015 an increase by CHF 1.2 million and a decrease by CHF 1.3 million.
- If the expected pension growth rate increases by 0.25%, the defined benefit obligations would increase by CHF 4.5 million (2015: CHF 3.9 million).
- If the life expectancy increases by one year for both men and women, the defined benefit obligations would increase by CHF 2.4 million (2015: CHF 1.9 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 of one another as some of the assumptions may be correlated.

Future contributions
The Group expects to pay CHF 6.5 million in contributions to defined benefit plans in 2017. As per 31 December 2015 the Group expected to pay CHF 6.1 million in 2016.

Plan assets

	2016	2015
Asset categories		
Cash	0.8%	2.6%
Domestic bonds	26.4%	32.1%
Foreign bonds in other currencies	15.4%	14.5%
Swiss shares	7.6%	7.1%
Foreign shares	23.9%	21.4%
Real estate	12.0%	11.3%
Alternative investments	14.0%	11.0%
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, a 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.

At 31 December 2016, the weighted-average duration of the defined benefit obligations was 18.4 years (2015: 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. These indemnification obligations typically arise 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

On 31 December 2016, the share capital of the parent company Aduno Holding consisted of 25,000 shares with a nominal value of CHF 1,000 each (2015: 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	2016	2015
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 2016	Paid in 2015
Total dividend	20,000	20,000
Dividend per share in CHF	800	800

After 31 December 2016, the Board of Directors proposed a dividend of CHF 1,600 per share, in total CHF 40.0 million for 2016. The dividend proposal of dividends will be forwarded for approval by the general meeting in June 2017.

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	2016	2015
Positive fair value of cash flow hedges (see Note 17)	0	0
Negative fair value of cash flow hedges (see Note 25)	(289)	(1,991)
Terminated forward starting cash flow hedges	(52)	(114)
Tax effect	34	235
Total hedging reserve	**(306)**	**(1,870)**

Derivative on own equity
In June 2015, the subsidiary Vibbek AG increased its shareholders’ equity by CHF 2 million. The Non-controlling interests (NCI) did not participate in this increase. Consequently, the ownership interest of the Group increased by 7.6% to 74.6%. The NCI increased by CHF 0.7 million and the retained earnings decreased by CHF 0.7 million. The Group granted the NCI holder options to repurchase shares in the amount of 7.6% with a fair value of TCHF 116. This options are disclosed as derivative on own equity instruments in the consolidated statement of changes in equity. This option was excercised in 2016. Consequently the ownership interest of the Group decreased by 7.6% to 67.0%. The NCI decreased by CHF 0.2 million and the retained earnings increased by CHF 0.8 million. The Group has no longer any derivatives on own equity instruments.

Capital management
The Board’s policy is to maintain an adequate equity base so as to maintain investors’, creditors’ and market confidence 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 the shareholders.

According to the Swiss consumer finance regulations, 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. A quarterly documentation on 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 2016.

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. In recent years the Group has expanded its risk management programme (framework) 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 and continues with the identification, management and monitoring of the risks associated with the business activities and finally 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 and consists 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, who 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 an effective implementation of the risk policy and risk strategies as well as the adopted measures.

The Audit & 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 the 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 individually credit rated 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 the risk exposure. All incoming payments of customers are closely watched. 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 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 fully paid 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 10.1 million as per 31 December 2016 (2015: CHF 11.9 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 stands at CHF 0.1 million as per 31 December 2016 (2015: 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 1.7 million (2015: CHF 1.4 million).

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

Receivables from merchant activities

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 his financial situation such as his employment, his family situation and his 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 watched. 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 2016 and 2015 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	2016	2015
Receivables from card holders		
Individuals	412,287	312,610
Corporate clients	40,417	32,665
Total	**452,704**	**345,275**

In 1,000 CHF	2016	2015
Receivables from card holders		
Default risk borne by partners	261,910	168,199
Default risk borne by the Group, secured by bank guarantees	10,117	11,975
Default risk borne by the Group	180,677	165,101
Total	**452,704**	**345,275**

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

In 1,000 CHF	2016	2015
Receivables from card schemes		
Mastercard	66,162	66,812
Visa	18,470	17,168
UnionPay	807	334
Total	**85,439**	**84,314**

In 1,000 CHF	2016	2015
Receivables from business unit Consumer Finance		
Individuals – Consumer loans	681,136	640,109
Individuals – Financial lease	398,533	429,316
Corporate clients – Financial lease	189,850	208,289
Total	**1,269,519**	**1,277,714**

Receivables from Financial lease are collateralised by the financed cars. Following 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. The Group monitors its liquidity needs steadily and also maintains liquidity forecasts.

Management ensures that cash funds and credit lines currently available (Total credit line limit of CHF 1,750 million, 2015: CHF 1,750 million) and funds that will be generated from operating activities (in the last 12 months a monthly average of CHF 1,450 million, 2015: CHF 1,370 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

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**

2015 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	227,167	227,167	121,716	105,452	0	0	0
Other trade payables	12,590	12,590	12,590	0	0	0	0
Short-term interest-bearing liabilities	524,637	525,021	400,021	0	125,000	0	0
Other payables	15,043	15,043	5,014	0	10,029	0	0
Accrued expenses	37,863	37,863	37,863	0	0	0	0
Total current liabilities	**817,300**	**817,684**	**577,204**	**105,452**	**135,029**	**0**	**0**
Long-term interest-bearing liabilities	722,634	754,813	0	0	8,719	458,719	287,375
Total non-current liabilities	**722,634**	**754,813**	**0**	**0**	**8,719**	**458,719**	**287,375**
Cash inflow from derivatives		(63,849)	(63,849)	0	0	0	0
Cash outflow from derivatives		63,951	63,951	0	0	0	0
Total derivatives held for trading	**103**	**103**	**103**	**0**	**0**	**0**	**0**
Cash inflow from IRS		(40)	0	(6)	(14)	0	(20)
Cash outflow from IRS		3,956	0	460	1,319	200	1,978
Total derivatives used for hedging	**1,991**	**3,916**	**0**	**454**	**1,304**	**200**	**1,958**
Total estimated cash flow	**1,542,028**	**1,576,516**	**577,307**	**105,906**	**145,052**	**458,919**	**289,333**

Market Risk

Market risk is the risk of losses arising from movement 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.

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)**

2015 In 1,000 CHF	Foreign currencies CHF/EUR	 CHF/USD	 CHF/Other
Cash and cash equivalents	206	80	399
Receivables from business unit Payment	21,646	10,213	2,048
Receivables from business unit Consumer Finance	0	0	0
Other trade receivables and other receivables	524	0	0
Payables to counterparties	7,184	9,807	725
Other trade payables	260	86	0
Short-term interest-bearing liabilities	2,422	1,641	311
Other payables	0	0	0
Accrued expenses	17	0	0
Long-term interest-bearing liabilities	0	0	0
Gross balance sheet exposure	**12,493**	**(1,241)**	**1,411**
Derivatives held for trading	(50,225)	(12,823)	(801)
Derivatives used for hedging	0	0	0
Net exposure	**(37,732)**	**(14,064)**	**610**

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 5.9% and for CHF/USD of 9.3%. These assumptions are based on market data from 2016.

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	%	2016 CHF	%	2015 CHF
CHF/EUR	5.9	75	7.0	(2,338)
CHF/USD	9.3	(1,272)	10.8	(1,338)
Total currency sensitivity		**(1,196)**		**(3,676)**

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	2016	2015
Instruments at long-term fixed rates		
Interest bearing liabilities	275,000	625,000
Instruments with variable or short-term fixed rates		
Interest bearing liabilities	840,000	615,000
Interest rate swaps	(41,000)	(290,000)
Bank accounts	(10,512)	(5,340)
Total exposure from variable rate instruments	**788,488**	**319,660**

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 per 31 December 2016, the post-tax profit of the Group would have been CHF 0.7 million higher with all other variables held constant (2015: CHF 0.3 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 expense on variable borrowings.

Fair value sensitivity analysis
The Group uses interest rate swaps to reduce its interest rate risk. If interest rates had been 10 basis points lower, the negative fair value after tax of the hedges would have been CHF 0.7 million higher (2015: CHF 0.2 million higher). If interest rates had been 10 basis points higher, the same but inverted amounts would have occurred. The effects would have been accounted for through other comprehensive income.

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 percent increase in the Dow Jones Industrial at the reporting date would have increased equity by CHF 0.4 million after tax (2015 none); an equal change in the opposite direction would have decreased equity by CHF 0.4 million after tax (2015 none).

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	Carrying amount	2016 Fair value	Carrying amount	2015 Fair value
Cash and cash equivalents	41,489	41,489	90,002	90,002
Receivables from business unit Payment	549,213	549,213	435,681	435,681
Receivables from business unit Consumer Finance	1,269,519	1,269,519	1,277,714	1,277,714
Other trade receivables and other receivables	81,498	81,498	87,158	87,158
Total loans and receivables	**1,941,718**	**1,941,718**	**1,890,555**	**1,890,555**
Financial investments available for sale	18,732	18,732	0	0
Derivatives held for trading	49	49	131	131
Total financial assets	**1,960,499**	**1,960,499**	**1,890,687**	**1,890,687**
Payables to counterparties	286,898	286,898	227,167	227,167
Other trade payables	10,407	10,407	12,590	12,590
Short-term interest-bearing liabilities	848,253	853,218	524,637	524,087
Other payables	16,770	16,770	15,043	15,043
Accrued expenses	67,609	67,609	37,863	37,863
Long-term interest-bearing liabilities	275,678	288,008	722,634	748,035
Total financial liabilities at amortised cost	**1,505,614**	**1,522,909**	**1,539,934**	**1,564,785**
Derivatives held for trading	(255)	(255)	(234)	(234)
Derivatives used for hedging	(289)	(289)	(1,991)	(1,991)
Total financial liabilities	**1,505,071**	**1,522,366**	**1,537,709**	**1,562,560**

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.

The fair value 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 in the interest-bearing liabilities (short-term as well as long-term) is caused by the unsecured bond issues and amounting to a total of CHF 21.8 million in 2016 (2015: CHF 25.8 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 –0.80% and –0.65% for the current year and of –0.80% and –0.71% for 2015.

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

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)**

2015 **In 1,000 CHF**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments available for sale	0	0	0	0
Derivative financial instruments	0	131	0	131
Total financial assets carried at fair value	**0**	**131**	**0**	**131**
Derivative financial instruments	0	(2,225)	0	(2,225)
Total financial liabilities carried at fair value	**0**	**(2,225)**	**0**	**(2,225)**

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 when appropriate. Level 2 fair values for available for sale financial instruments are based on market prices multiple without any unobservable input.

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

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**

2015 In 1,000 CHF	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	90,002	0	0	90,002
Receivables from business unit Payment	0	435,681	0	435,681
Receivables from business unit Consumer Finance	0	1,277,714	0	1,277,714
Other trade receivables and other receivables	0	87,158	0	87,158
Total financial assets	**90,002**	**1,800,553**	**0**	**1,890,555**
Payables to counterparties	0	227,167	0	227,167
Other trade payables	0	12,590	0	12,590
Short-term interest-bearing liabilities	124,450	399,637	0	524,087
Other payables	0	15,043	0	15,043
Accrued expenses	0	37,863	0	37,863
Long-term interest-bearing liabilities	748,035	0	0	748,035
Total financial liabilities at amortised cost	**872,485**	**692,300**	**0**	**1,564,785**

Offsetting
An offsetting agreement is in place between Mastercard and different group companies ("offsetting agreement"). In its normal course of business as an acquirer, 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 allows the Group to offset the respective credit and debit balances through the payments to or from Mastercard.

As per 31 December 2016, the outstanding amount in favour of the Group amounted to CHF 66.1 million (2015: CHF 66.8 million) included in "Receivables from business unit Payment, net" while the Group had an outstanding obligation of CHF 39.7 million (2015: CHF 30.9 million) included in "Payables to counterparties", resulting in a net amount of CHF 26.4 million (2015: CHF 35.9 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 onto 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, SwissWallet AG and Contovista AG.

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

Part of share capital in % held at 31 December	2016	2015
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%
BSI SA (Member of EFG International)	3.6%	3.6%
Zuger Kantonalbank	1.4%	1.4%
Freiburger Kantonalbank	1.0%	1.0%
Total related parties	**67.3%**	**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 expense with related parties as stated in the following table is included in the Group's consolidated statement of comprehensive income.

In 1,000 CHF	2016	2015
Interest income	45	217
Interest expenses	4,594	7,264
Distribution, advertising and promotion expenses	14,092	7,936
Other expenses	147	583
Total income (–) and expenses (+) with related parties	**18,787**	**15,566**

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 has the following balance sheet exposure with its related parties:

In 1,000 CHF	2016	2015
Cash and cash equivalents	39,892	89,766
Other receivables and other assets	49	131
Prepaid expenses and accrued income	9,270	9,270
Short-term interest-bearing liabilities	157,174	158,305
Other payables	525	1,876
Accrued expense and deferred income	2,272	16,942
Total exposure to related parties	**209,181**	**276,290**

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 2016 and 2015 respectively, transactions with associates concerned mainly scanning services provided by Accarda AG to the Group as well as fees for consulting services provided to Accarda AG 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	2016	2015
Other income	38	37
Processing and service expenses	897	221
Total income (–) and expenses (+) with associated parties	**859**	**184**

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

In 1,000 CHF	2016	2015
Other payables	540	70
Total exposure with associated parties	**540**	**70**

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	2016	2015 represented
Base salaries and other short-term benefits	4,876	4,640
Long-term benefits	3,014	3,035
Contribution to retirement benefits plan and social security	856	860
Other personnel benefits	240	239
Total compensation to key management	**8,986**	**8,774**

In 2016 the Group has reassessed its key management structure. The 2015 figures have been represented accordingly.

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, AdunoKaution and SmartCaution offer rental guarantees. In the case of the running business, employees and also key management can apply for those credits and facilities.

The conditions and the 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 2016	Share capital 2015	Ownership interest 2016	Ownership interest 2015
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%
Aduno SA, Bedano (TI)	Switzerland	CHF	120	120	100%	100%
cashgate AG, Zurich (ZH)	Switzerland	CHF	35,000	35,000	100%	100%
Contovista AG, Schlieren (ZH)**	Switzerland	CHF	140	-	14.3%	-
SmartCaution SA, Geneva (GE)	Switzerland	CHF	500	-	100%	-
SwissWallet AG, Zurich (ZH)**	Switzerland	CHF	105	105	33.3%	33.3%
Vibbek AG, Urdorf (ZH)	Switzerland	CHF	1,300	1,300	67%	74.6%
Vibbek GmbH, Hamburg	Germany	EUR	25	25	67%	74.6%*
Viseca Card Services SA, Zurich (ZH)	Switzerland	CHF	20,000	20,000	100%	100%

* Vibbek GmbH is fully owned by Vibbek AG.

** Associates, the Group has significant influence.

35. Subsequent events

There are no subsequent events to be reported.

Zurich, 10 April 2017

Dr Pierin Vincenz
Chairman of the Board of Directors

Martin Huldi
Chief Executive Officer

Conrad Auerbach
Chief Financial Officer

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 2016 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 2016, 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.

KPMG

Revenue recognition

Key Audit Matter

Aduno offers its clients means of cashless payment, infrastructure for electronic payment operations 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) and card acceptance (Acquiring), providing payment terminals to consumer credits, leasing and 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 clients in all business lines. 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 areas Issuing and Acquiring 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 and Acquiring with those of the relevant third parties.
- We performed sample tests of the master data in Consumer Finance (retail) as well as Acquiring 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 2016, the Group disclosed a goodwill amounting to CHF 136.0m. No impairment of goodwill was recorded in 2016.

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

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.

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 2016, the Group disclosed capitalized receivables for the areas leasing and consumer credits amounting to CHF 1,294.3m as well as allowances for doubtful debts for credit defaults amounting to CHF 24.8m.

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

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.

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

KPMG

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.

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 and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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.

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 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, 10 April 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich [7]

Income statement

In 1,000 CHF	2016	2015
Cost/revenue category		
Dividend income	26,500	20,575
Interest income from third parties	0	2
Interest income from other Group companies	17,939	18,720
Total revenue	**44,439**	**39,297**
Other income	5,454	5,211
Operating income	**49,893**	**44,508**
Interest expenses to third parties	(15,374)	(15,922)
Interest expenses to other Group companies	(1,100)	(1,022)
Distribution, advertising and promotion expenses	(6)	(11)
Other expenses	(3,051)	(4,061)
Depreciation on property and equipment	(605)	(423)
Depreciation on intangible assets	(127)	(124)
Operating expenses	**(20,263)**	**(21,563)**
Results from operating activities	**29,630**	**22,945**
Depreciation on associated companies	(5,000)	0
Profit/loss before income tax	**24,630**	**22,945**
Income tax expenses	(151)	(486)
Profit/loss for the year	**24,479**	**22,459**

Balance sheet

In 1,000 CHF	2016	2015
Assets		
Cash and cash equivalents	32,929	79,991
Short-term receivables from other Group companies	1,044,297	669,863
Other short-term receivables	1,251	3,796
Prepaid expenses	1,720	2,474
Total current assets	**1,080,198**	**756,124**
Investments	222,480	215,520
Long-term receivables from other Group companies	275,000	725,000
Property, plant and equipment	3,148	3,754
Intangible assets	6	133
Total non-current assets	**500,635**	**944,407**
Total assets	**1,580,832**	**1,700,531**
Liabilities		
Other trade payables	176	620
Short-term interest-bearing liabilities	840,000	515,000
Other payables	85	6
Accrued expenses	3,786	4,656
Short-term provisions	7	90
Total current liabilities	**844,054**	**520,372**
Long-term interest-bearing liabilities	276,929	725,000
Long-term provisions	761	550
Total non-current liabilities	**277,690**	**725,550**
Total liabilities	**1,121,744**	**1,245,922**
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	306,240	306,240
Accumulated losses/profit brought forward	1,671	(788)
Net profit/loss for the year	24,479	22,459
Total equity	**459,088**	**454,609**
Total liabilities and equity	**1,580,832**	**1,700,531**

Cash flow statement

In 1,000 CHF	2016	2015
Profit/loss for the year	**24,479**	**22,459**
Depreciation/amortisation and impairment losses on non-current assets	5,732	547
Changes in other short-term receivables and prepaid expenses	3,299	1,088
Changes in short-term receivables from other Group companies	(374,434)	258,989
Changes in other trade payables	(445)	26
Changes in other liabilities, accrued expenses and deferred income	(791)	1,300
Changes in provisions	129	185
Changes in long-term receivables from other Group companies	450,000	(75,000)
Cash flow from operating activities	**107,970**	**209,593**
Acquisition of subsidiaries	(12,620)	(2,215)
Proceeds from sale of subsidiaries	660	0
Acquisition of property, plant and equipment	0	(1,824)
Acquisition on intangible assets	0	(9)
Cash flow from investing activities	**(11,960)**	**(4,048)**
Dividends paid	(20,000)	(20,000)
Changes in short-term interest-bearing liabilities	325,000	(180,570)
Changes in long-term interest-bearing liabilities	(448,071)	75,000
Cash flow from financing activities	**(143,071)**	**(125,570)**
Change in cash and cash equivalents	**(47,061)**	**79,975**
Cash flow from operating activities	107,970	209,593
Cash flow from investment activities	(11,960)	(4,048)
Cash flow from financing activities	(143,071)	(125,570)
Cash and cash equivalents at beginning of period	79,991	16
Cash and cash equivalents at the end of period	**32,929**	**79,991**

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	14.3%	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.

Property, equipment and intangible assets

Fire insurance

Property and equipment are insured for CHF 3.9 million (2015: CHF 2.6 million).

Other disclosures

Guarantee obligations

As per 31 December 2016, 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 (2015: CHF 1.3 million)
- Guarantees for prepayments of credit card owners of Viseca Card Services SA, amounting to CHF 14.5 million (2015: CHF 14.5 million)
- Guarantees for prepayments of prepaid credit card owners of Viseca Card Services SA, amounting to CHF 66.0 million (2015: CHF 66.0 million)
- Instalments option of consumer credit customers of Viseca Card Services SA, amounting to CHF 0.5 million (2015: CHF 0.5 million)
- Rental liabilities of Aduno SA for its premises in Bedano, amounting to CHF 0.2 million (2015: CHF 0.2 million)
- Warranty claims to consumer finance customers of cashgate AG, amounting to CHF 0.5 million (2015: CHF 0.5 million)
- Keep-well guarantee in favour of Aduno Finance AG, amounting to CHF 2,475 million (2015: CHF 2,600 million)
- Rental liabilities of cashgate AG for its premises in Geneva, Lausanne and Neuchâtel, amounting to CHF 0.1 million (2015: CHF 0.1 million)

Unsecured bond issues

In 1,000 CHF	Nominal interest rate	Maturity	Due date	Accrued interest at 31.12.2016	Accrued interest at 31.12.2015
125 million bond issue	variable	2014–2016	15.07.2016	0	0
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	1,011	1,003
275 million bond issue	1.125%	2014–2021	16.07.2021	1,431	1,431

Contingent liabilities

As per 01.01.2014 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 5 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 complies with the underlying accounting principles and proper corporate reporting, the company has introduced further operative internal control and steering systems that are regularly examined. 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 Statement.

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, 10 April 2017

Dr Pierin Vincenz
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	2016	2015
Appropriation of retained earnings		
Balance carried forward from prior year	1,671,247	(787,597)
Profit after tax	24,479,498	22,458,844
Total retained earnings	**26,150,745**	**21,671,247**
Withdrawal from free reserves	14,000,000	0
Dividend payment	40,000,000	20,000,000
Balance to be carried forward	150,745	1,671,247
Total appropriation of retained earnings	**26,150,745**	**21,671,247**

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

On behalf of the Board of Directors

Dr Pierin Vincenz
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 2016, 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 2016 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.

KPMG

Investments

Key Audit Matter	Our response
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.	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

KPMG

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.

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, 10 April 2017

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich [6]

CONTACT

Headquarters of the Aduno Group

Zurich
Hagenholzstrasse 56
P.O. Box 7007
8050 Zurich

Bedano
Via Argine 5
6930 Bedano

T +41 58 958 60 00
info@aduno-gruppe.ch
www.aduno-gruppe.ch

Investor Relations

Conrad Auerbach
Chief Financial Officer

Karin Broger
Head Corporate Communications

investorrelations@aduno-gruppe.ch

PUBLISHING DETAILS

Annual report 2016

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