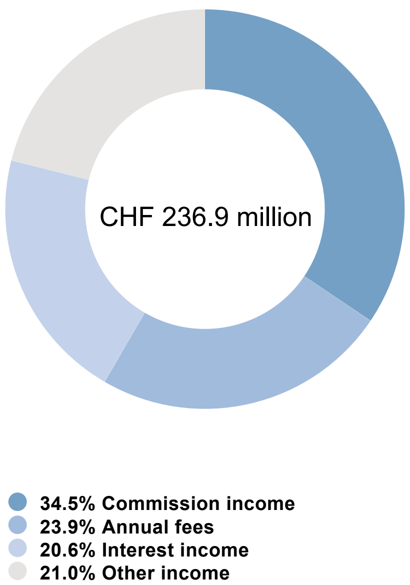
Half Year Report 2018

Aduno Group
the smart way to pay

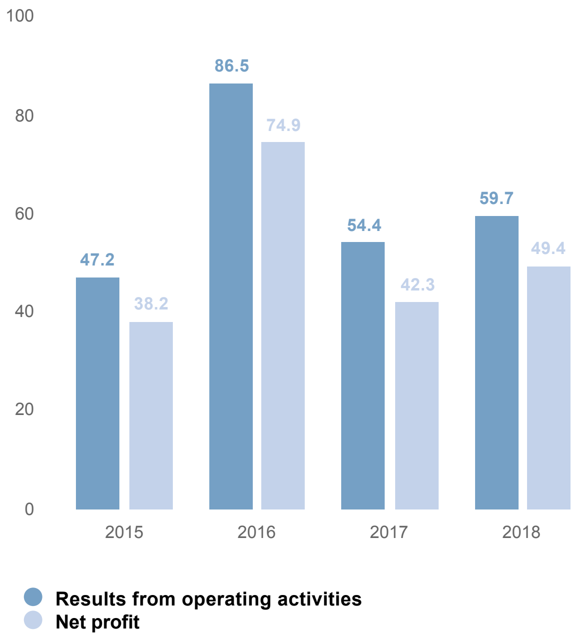
AT A GLANCE

Financial Year		1st half year 2018	1st half year 2017 restated	1st half year 2016 restated	1st half year 2018/2017
Total revenue	in million CHF	236.9	221.6	259.1	6.9%
Results from operating activities	in million CHF	59.7	54.4	86.5	9.8%
in % of revenue		25.2%	24.5%	33.4%	
Profit for the period	in million CHF	49.4	42.3	74.9	16.6%
in % of revenue		20.8%	19.1%	28.9%	
Total assets	in million CHF	2,220	2,252	2,296	(1.4%)
Total equity	in million CHF	714.5	647.7	598.4	10.3%
in % of total assets		32.2%	28.8%	26.1%	
Profit per share	in CHF	1,988	1,697	3,002	17.2%
Number of issued cards	in 1,000	1,532	1,459	1,401	5.0%
Transactions volume	in billion CHF	4.8	4.3	4.0	11.3%
Consumer Finance portfolio	in million CHF	1,400	1,285	1,259	8.9%
Number of employees (as at 30 June 2018)	in FTE	731	823	806	(11.2%)

Distribution of revenue 30.06.2018 by source
[in CHF million]



Operating result and net profit from 2015 to 2018
[in CHF million]



EDITORIAL


Conrad Auerbach

Dear shareholders,

The Aduno Group can once again look back on a pleasing first half of the year. Positive consumer sentiment, low interest rates and a euro exchange rate that remains low despite the recent rise made for continued good operating conditions in the first six months of 2018. The Aduno Group made good use of these conditions and significantly increased both the number of cards issued and its transaction volumes. Livelier customer activity was reflected in a 6.9 per cent rise in turnover compared to the first half of last year to reach CHF 236.9 million. Net operating income, at CHF 59.7 million, and net profit, at CHF 49.4 million, also exceeded the prior-year figures.

In addition to a good set of numbers, the Aduno Group can also point to good progress in its strategic projects: first and foremost, the launch of the Debit Mastercard® and Mastercard® Flex in conjunction with our partners Freiburger Kantonalbank and Neuenburger Kantonalbank. These unique payment cards are two in one – they combine the familiar advantages of traditional debit cards with the modern functions of a credit card, such as online shopping, global acceptance at 43 million points of sale, security and full visibility of expenditure, including in real time using a mobile app. We are proud to be the first issuer in Switzerland to offer this new generation of debit card.

The digital transformation of our business continued to keep us hard at work in the period under review. We launched new digital services in connection with our credit, debit and prepaid cards. For instance, at the end of March the mobile payment solutions Fitbit Pay and Garmin Pay were introduced. Customers of all partner banks can use these smartwatches at all contactless payment terminals to make secure and swift payments around the world. In April, the mobile payment solution for Android smartphones, developed by the Aduno Group in collaboration with the joint venture SwissWallet, was launched at some initial partner banks. This means that customers with an Android smartphone can likewise make secure and convenient contactless payments around the world. The solution is based on NFC and tokenisation technology, supports biometric authentication by means of fingerprints and works via our popular VisecaOne app. The latter has been expanded further. As one of a number of planned self-service functions, customers can order a new PIN code using the app. This process is automated from end to end and is therefore not only customer-friendly and secure but also cost-efficient. The success story of the VisecaOne app continues unabated: 60 per cent of our customers actively use the app, many of them doing so daily. This level of penetration is outstanding for the financial sector. Using the app, customers can approve e-commerce payments simply and securely on a smartphone, check card transactions in real time and receive a push notification for each transaction.

Another success story is the software for finance management made available by our subsidiary Contovista. Already 20 shareholder banks of the Aduno Group are using the solution in order to offer their customers additional services in e-banking and thereby ultimately provide them with a more attractive customer experience. In this way, the Aduno Group is able to give effective support to its shareholder banks in the digitisation of their business. In order to enable our partner banks to integrate our products and services into their own banking applications even more easily in the future, in June the Aduno Group introduced an IT platform with open programming interfaces (Application Programming Interface, API). The API platform is already being used by a number of banks to obtain card services from Viseca and to integrate them into their own digital channels such as mobile and online banking.

Internally, further steps were taken in implementing the project “the smart way to work”, which will offer our employees solutions for working methods of the future. Along with new forms of collaboration and a modern technical infrastructure, the focus in the first six months of 2018 was on creating optimal spaces, such as for the call centre in Zurich, and on extending options for collaboration both internally and externally.

The first half of 2018 brought a change in the top management of the Aduno Group. After seven years as CEO of the Aduno Group, Martin Huldi decided to take up a new role outside the company. As a result, I assumed the CEO position on an interim basis until a successor takes over. This successor has been appointed by the Board of Directors in the person of Max Schönholzer. Max Schönholzer has many years of management experience in the financial sector and, among other things, worked for Zurich Financial Services for 15 years, most recently as Chief Claims Officer at Zurich Switzerland with around 900 staff. Between 2017 and 2018 he was CEO of the health insurer Sanitas. He will take up office on 1 September 2018.

The Aduno Group looks towards the second half of 2018 with confidence. It is likely that consumer sentiment will remain positive, interest rates low and exchange rates stable. Thus the conditions are right for another very good year in 2018. The Aduno Group will continue on its growth path, develop the business in conjunction with our partners and drive forward our strategic projects. Among other things, the plan in the second half is to launch the Debit Mastercard products at additional banks and to add further self-service functions to VisecaOne such as card blocking.

Our employees have once again put in a great deal of work for the Aduno Group. I would like to thank them for this on behalf of the Management. My thanks also go to our customers for the trust they have placed in us.

Conrad Auerbach
Chief Financial Officer
Chief Executive Officer a.i.

ADUNO GROUP RECORDS ROBUST GROWTH IN THE FIRST HALF OF 2018

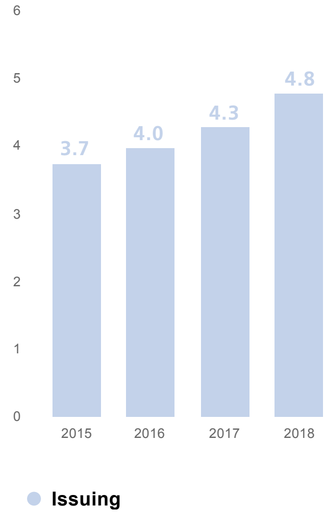
The Aduno Group recorded a successful performance in the first half of 2018. Bolstered by positive consumer sentiment and strong international business, the Payment business grew significantly and for the first time exceeded the 1.5 million mark in cards issued. The Consumer Finance business posted growth in both its personal credit and its leasing business. The low interest rate environment was utilised to place another bond.

In the first half of 2018 the Aduno Group increased its turnover by 6.9 per cent compared to the prior-year period to reach CHF 236.9 million (on a like-for-like basis, without the acquiring business divested in 2017). Both divisions – Payment with the issuing business of Viseca Card Services SA (Viseca), the rental deposit business of AdunoKaution AG and SmartCaution SA, and the finance management solutions and analytics in which Contovista AG specialises, as well as the Consumer Finance division with cashgate AG (cashgate) – recorded growth compared to the same period last year.

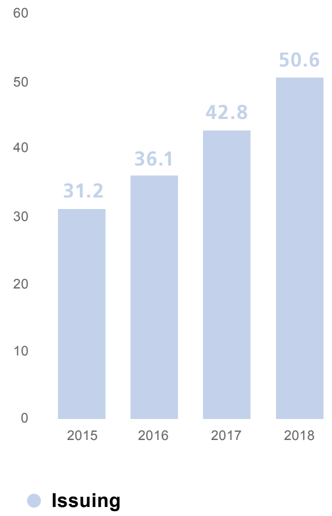
The main engine of growth was Payment with a significant expansion in business volumes. This also brought an increase in commission income, despite the domestic interchange fee of 0.44 per cent applying for a full half-year for the first time after being reduced by the regulator. New sales in the cards business remained at a gratifyingly high level, which creates a good basis for future earnings growth. More cards were sold within a half-year period than at any time since Viseca was established. Income from annual fees was below that in the prior-year period despite record new sales, though this is attributable solely to the switch to two differing bank remuneration models and the income is therefore recorded differently. This means that comparability is limited. The main driver of the significant growth in other income was remuneration for services that the Aduno Group is still providing temporarily to the buyer of the acquiring business.

Net operating income for the first half of 2018 amounted to CHF 59.7 million, compared to CHF 54.4 million in the prior-year period. The operating margin also improved over the prior-year level, from 24.5 per cent to 25.2 per cent. Net profit in the first half of 2018 amounted to CHF 49.4 million.

Transaction volume
[in CHF billion]



Card transactions
[in million transactions]



As at mid-2018, the Aduno Group employed 731 staff (full-time equivalents), compared to 823 staff as at mid-2017. Personnel expenses were nonetheless higher in the first half of 2018, resulting from the fact that last year's basis for comparison has been reduced to remove the expenses for all employees of the divested acquiring business. Those employees performing central services such as IT or call centre services were transferred back to the Aduno Group up to the end of 2017. Accordingly, personnel expenses for the first half of 2018 derive from a different personnel basis and cannot be compared with the first half of last year.

Payment business benefits from cash substitution and online commerce

In the first six months of 2018 the Payment business registered robust growth and increased its transaction volume by 11.3 per cent to CHF 4.8 billion. While domestic volumes were up by 9.5 per cent, volumes abroad rose by 13.3 per cent. This considerable expansion reflected both the increase in the euro exchange rate and, in particular, above-average growth in the consumer, transport, entertainment and tourism sectors. A large part of this growth was achieved through online business. In the domestic bricks-and-mortar business, a significant rise in contactless transactions was recorded.

Consumers like being able to make quick and easy contactless payments for their everyday purchases using a card, including for relatively small amounts. While 28.8 per cent of all transactions at payment terminals were contactless in 2017, the proportion rose to 38.5 per cent in the first half of 2018. The average transaction volume per card rose, too, which underlines ongoing cash substitution.

New sales of credit cards were also at a record level, with credit card package solutions in particular enjoying increasing popularity with bank customers. Thanks to a solid performance in new sales, the number of cards in circulation rose above the 1.5 million mark for the first time.

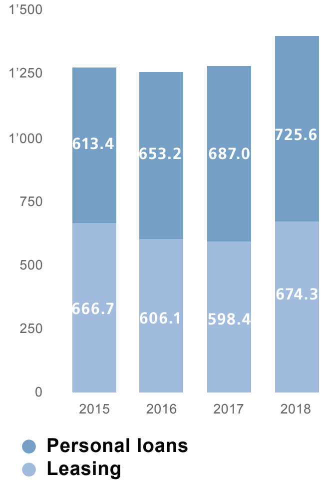
Consumer Finance business defies challenging market environment

The Consumer Finance division, with the personal credit and leasing products offered by cashgate, posted an increase in new business in the first half of 2018 of 8.2 per cent to CHF 499.2 million. This enabled cashgate to maintain its position in a hard-fought market. In view of the fierce competition, strict cost control remained a focal point of attention. Through systematic digitisation and automation of processes, cashgate aims to handle expanding business volumes with existing resources.

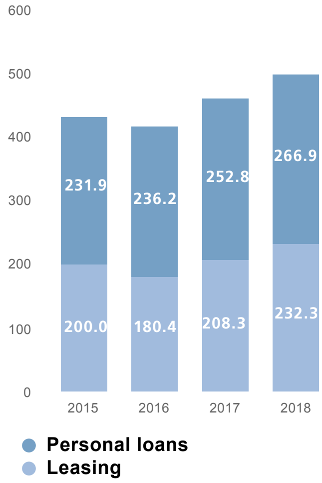
In the personal credit segment, the volume of new business rose by 5.5 per cent. Overall volumes rose by 5.6 per cent, a somewhat sharper increase than in the prior-year period. Branch and direct business as well as new business coming via the credit broker channel registered particularly gratifying rates of expansion.

The leasing segment increased the volume of new business by 11.5 per cent in the first half of 2018, while the growth in overall volumes accelerated appreciably at 12.7 per cent. The collaboration with an innovative car producer launched last year proved particularly fruitful. Overall, the leasing business remains under heavy competitive pressure owing to the strong position of producers' own leasing companies (captives).

Consumer Finance portfolio
[in CHF million]



Consumer Finance new business
[in CHF million]



Bond placed for CHF 150 million

Aduno Holding AG made use of the favourable environment on the capital market and in June 2018 placed a bond privately for CHF 150 million. The bond has a coupon of 0.0 per cent and a term lasting until May 2019.

Financial Report
1st Half Year 2018

Financial Report First Half Year 2018

Condensed consolidated income statement

For the period ended 30 June

In 1,000 CHF	Note	2018 unaudited	2017 unaudited restated 1)
Commission income	3	81,640	77,319
Annual fees		56,686	59,179
Interest income	4	48,706	48,048
Other income	5	49,889	37,030
Total revenue		**236,921**	**221,576**
Processing and service expenses		29,532	27,477
Distribution, advertising and promotion expenses		52,125	50,412
Interest expenses	4	5,427	10,433
Expected credit losses for financial assets	6	4,366	0
Impairment losses from Payment and Consumer Finance	6	689	7,262
Personnel expenses		53,135	44,254
Other expenses	7	21,464	19,142
Depreciation		1,758	2,552
Amortisation		8,696	5,661
Total expenses		**177,193**	**167,192**
Results from operating activities		**59,729**	**54,384**
Income from associates		1,718	1,343
Profit from continuing operations before income tax		**61,447**	**55,727**
Income tax expenses	15	12,056	6,750
Profit from continuing operations		**49,391**	**48,977**
Loss from discontinued operations	17	0	(6,632)
Profit for the period		**49,391**	**42,346**

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

For the period ended 30 June

In 1,000 CHF	Note	2018 unaudited	2017 unaudited restated 1)
Profit attributable to:			
Owners of the Company		49,712	42,426
Non-controlling interests		(321)	(80)
Earnings per share			
Basic earnings per share (in CHF)		1,988.47	1,697.06
Diluted earnings per share (in CHF)		1,988.47	1,697.06
From continuing operations			
Basic earnings per share (in CHF)		1,988.47	1,962.34
Diluted earnings per share (in CHF)		1,988.47	1,962.34
From discontinued operations			
Basic earnings per share (in CHF)		0.00	(265.28)
Diluted earnings per share (in CHF)		0.00	(265.28)

Condensed consolidated statement of comprehensive income

For the period ended 30 June

In 1,000 CHF	Note	2018 unaudited	2017 unaudited
Profit for the period as per the condensed consolidated income statement		**49,391**	**42,346**
Other comprehensive income / (loss)			
Items that will not be reclassified to the income statement			
Financial assets at fair value through other comprehensive income (FVOCI)		4,525	0
Remeasurement of employee benefit obligations		9,110	793
Income tax relating to items not reclassified		(2,851)	(166)
Total items that will not be reclassified to the income statement, net of tax		**10,785**	**627**
Items that may be reclassified subsequently to the income statement			
Currency translation differences of foreign Group companies		0	3
Net unrealised gains / (losses) on financial investments available for sale		0	2,362
Effective portion of changes in fair value of IRS cash flow hedges		22	174
Income tax relating to items that may be reclassified		(3)	(513)
Total items that may be reclassified subsequently to the income statement, net of tax		**20**	**2,027**
Other comprehensive income / (loss)		**10,805**	**2,655**
Total comprehensive income for the period*		**60,196**	**45,001**
thereof attributable to:			
Owners of the Company		60,472	45,077
Non-controlling interests		(276)	(76)

* The results of the discontinued operations, which are part of the comprehensive income, are disclosed in note 17.

Condensed consolidated statement of financial position

In 1,000 CHF	Note	30.06.2018 unaudited	31.12.2017 audited
Assets			
Cash and cash equivalents		25,954	22,146
Short-term receivables from business unit Payment, net	8	404,386	450,867
Short-term receivables from business unit Consumer Finance, net	9	471,925	465,238
Inventories	10	2,168	2,540
Other receivables	11	6,410	14,090
Prepaid expenses		53,238	52,129
Total current assets		**964,082**	**1,007,010**
Long-term receivables from business unit Payment, net	8	0	4,685
Long-term receivables from business unit Consumer Finance, net	9	943,414	891,144
Property and equipment		9,733	11,202
Goodwill		128,434	128,434
Other intangible assets		84,257	85,341
Investments in associates		44,533	43,815
Financial investments available for sale		0	26,131
Financial assets at fair value through other comprehensive income (FVOCI)		30,656	0
Deferred tax assets		14,617	13,937
Total non-current assets		**1,255,644**	**1,204,688**
Total assets		**2,219,726**	**2,211,698**

In 1,000 CHF	Note	30.06.2018 unaudited	31.12.2017 audited
Liabilities			
Payables to counterparties		180,886	163,901
Other trade payables		22,784	7,144
Short-term interest-bearing liabilities	12	777,616	592,275
Other payables		16,109	16,285
Provisions		160	126
Accrued expenses and deferred income		100,583	115,736
Current tax payable		84,844	79,543
Total current liabilities		**1,182,982**	**975,010**
Long-term interest-bearing liabilities	12	274,628	374,614
Provisions		7,951	9,659
Employee benefit obligations		29,658	37,651
Deferred tax liabilities		9,963	7,911
Total non-current liabilities		**322,201**	**429,835**
Total liabilities		**1,505,182**	**1,404,846**
Equity			
Share capital		25,000	25,000
Share premium		94,101	94,101
Reserves		590,851	682,884
Equity attributable to the owners of the Company		**709,952**	**801,985**
Non-controlling interests		4,591	4,867
Total equity		**714,544**	**806,852**
Total equity and liabilities		**2,219,726**	**2,211,698**

Condensed consolidated statement of changes in equity

As at 30 June 2018 (unaudited)

In 1,000 CHF	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Financial assets FVOCI[1)]	Retained earnings	Total[2)]	Non-controlling interests	Total equity
Balance at 31 December 2017, as previously reported		25,000	94,101	0	(51)	5,843	677,092	801,986	4,867	806,852
Impact of changes in accounting policies[3)]		0	0	0	0	0	(2,506)	(2,506)	0	(2,506)
Balance at 1 January 2018		25,000	94,101	0	(51)	5,843	674,586	799,480	4,867	804,346
Profit for the period		0	0	0	0	0	49,712	49,712	(321)	49,391
Unrealised gains / (losses) on financial assets – FVOCI, net of tax		0	0	0	0	3,575	0	3,575	0	3,575
Foreign currency translation differences		0	0	0	0	0	0	0	0	0
Effective portion of changes in fair value of cash flow hedges, net of tax		0	0	0	20	0	0	20	0	20
Remeasurement of employee benefit obligations, net of tax		0	0	0	0	0	7,165	7,165	45	7,210
Total other comprehensive income		**0**	**0**	**0**	**20**	**3,575**	**7,165**	**10,760**	**45**	**10,805**
Total comprehensive income for the period		**0**	**0**	**0**	**20**	**3,575**	**56,877**	**60,472**	**(276)**	**60,196**
								0		
Transaction with non-controlling interests		0	0	0	0	0	0	0	0	0
Dividends to shareholders	13	0	0	0	0	0	(150,000)	(150,000)	0	(150,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**(150,000)**	**(150,000)**	**0**	**(150,000)**
Balance at 30 June 2018		**25,000**	**94,101**	**0**	**(31)**	**9,418**	**581,463**	**709,952**	**4,591**	**714,544**

1) Financial investments available for sale are reclassified to financial assets at fair value through other comprehensive income (FVOCI).

2) Total equity attributable to owner of the Company

3) First-time adoption of IFRS 9 and the new impairment model for expected credit loss (ECL); for details please refer to note 1 “Significant accounting policies”.

As at 31 December 2017 (audited)

In 1,000 CHF	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Financial investments available for sale	Retained earnings	Total [1)]	Non-controlling interests	Total equity
Balance at 1 January 2017		25,000	94,101	(8)	(306)	1,146	523,526	643,460	(724)	642,735
Profit for the period		0	0	0	0	0	191,684	191,684	(54)	191,631
Unrealised gains / (losses) on financial investments available for sale, net of tax		0	0	0	0	5,779	0	5,779	0	5,779
Realised (gains) / losses on financial investments available for sale, net of tax		0	0	0	0	(1,082)	0	(1,082)	0	(1,082)
Foreign currency translation differences		0	0	8	0	0	0	8	4	11
Effective portion of changes in fair value of cash flow hedges, net of tax		0	0	0	256	0	0	256	0	256
Remeasurement of employee benefit obligations, net of tax		0	0	0	0	0	1,881	1,881	(11)	1,870
Total other comprehensive income		**0**	**0**	**8**	**256**	**4,697**	**1,881**	**6,841**	**(8)**	**6,834**
Total comprehensive income for the period		**0**	**0**	**8**	**256**	**4,697**	**193,565**	**198,526**	**(61)**	**198,465**
Transaction with non-controlling interests		0	0	0	0	0	0	0	5,653	5,653
Dividends to shareholders	13	0	0	0	0	0	(40,000)	(40,000)	0	(40,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**(40,000)**	**(40,000)**	**5,653**	**(34,347)**
Balance at 31 December 2017		**25,000**	**94,101**	**0**	**(51)**	**5,843**	**677,092**	**801,986**	**4,867**	**806,852**

1) Total equity attributable to owner of the Company

As at 30 June 2017 (unaudited)

In 1,000 CHF	Note	Share capital	Share premium	Translation reserve	Hedging reserve	Financial investments available for sale	Retained earnings	Total[1)]	Non-controlling interests	Total equity
Balance at 1 January 2017		25,000	94,101	(8)	(306)	1,146	523,526	643,460	(724)	642,735
Profit for the period		0	0	0	0	0	42,426	42,426	(80)	42,346
Unrealised gains / (losses) on financial investments available for sale, net of tax		0	0	0	0	1,866	0	1,866	0	1,866
Foreign currency translation differences		0	0	2	0	0	0	2	1	3
Effective portion of changes in fair value of cash flow hedges, net of tax		0	0	0	158	0	0	158	0	158
Remeasurement of employee benefit obligations, net of tax		0	0	0	0	0	624	624	3	627
Total other comprehensive income		**0**	**0**	**2**	**158**	**1,866**	**624**	**2,651**	**4**	**2,655**
Total comprehensive income for the period[2)]		**0**	**0**	**2**	**158**	**1,866**	**43,051**	**45,077**	**(76)**	**45,001**
Transaction with non-controlling interests		0	0	0	0	0	0	0	0	0
Dividends to shareholders	13	0	0	0	0	0	(40,000)	(40,000)	0	(40,000)
Total transactions with owners		**0**	**0**	**0**	**0**	**0**	**(40,000)**	**(40,000)**	**0**	**(40,000)**
Balance at 30 June 2017		**25,000**	**94,101**	**(6)**	**(149)**	**3,013**	**526,577**	**648,536**	**(800)**	**647,736**

1) Total equity attributable to owner of the Company

2) The share of discontinued operations in other comprehensive income is disclosed in note 17.

Condensed consolidated statement of cash flows

For the period ended 30 June

In 1,000 CHF	Note	2018	2017
Cash flows from operating activities			
Profit for the period		49,391	42,346
Adjustments for non-cash items:			
Interest income	4	(48,706)	(48,057)
Interest expense	4	5,427	10,474
Income tax expenses		12,055	5,985
Depreciation		1,758	2,975
Amortisation		8,696	8,428
(Losses) / gains on disposals of property and equipment and intangible assets		(5)	3
Income from associates		(1,718)	(1,343)
Changes in			
(Increase) / decrease in receivables from business unit Payment, net	8	50,095	59,543
(Increase) / decrease in receivables from business unit Consumer Finance, net	9	(60,395)	(28,817)
(Increase) / decrease in inventories	10	371	22
(Increase) / decrease in other trade receivables and other receivables		(737)	4,882
(Increase) / decrease in prepaid expenses		(1,109)	(18,076)
Increase / (decrease) in payables to counterparties		16,985	(24,268)
Increase / (decrease) in other trade payables		1,990	(5,488)
Increase / (decrease) in other payables		8,309	(8,198)
Increase / (decrease) in accrued expenses and deferred income		(13,770)	3,233
Increase / (decrease) in provisions		(1,674)	(16)
Increase / (decrease) in employee benefit obligations charged to the income statement		1,117	1,492
Foreign exchange and other financial items		(161)	284
Interest received		48,001	47,267
Interest paid		(6,810)	(16,772)
Income tax paid		(7,569)	(6,990)
Net cash from / (used in) operating activities		**61,544**	**28,909**

For the period ended 30 June

In 1,000 CHF	Note	2018	2017
Cash flows from investing activities			
Acquisition of property and equipment		(290)	(595)
Acquisition of other intangible assets		(7,612)	(9,782)
Acquisition of investments in associates		(500)	0
Dividends received from associates		1,500	1,500
Net cash from / (used in) investing activities		**(6,902)**	**(8,877)**
Cash flows from financing activities			
Proceeds from interest-bearing liabilities	12	575,777	593,336
Repayment of interest-bearing liabilities	12	(490,422)	(598,583)
Dividends paid		(136,350)	(40,000)
Net cash from / (used in) financing activities		**(50,995)**	**(45,247)**
Net (decrease) / increase in cash and cash equivalents		3,647	(25,215)
Cash and cash equivalents at 1 January		22,146	41,489
Effect of exchange rate fluctuations on cash held		161	(284)
Cash and cash equivalents at 30 June		**25,954**	**15,990**

1. Significant accounting policies

Aduno Holding AG (Aduno Holding or Company) is a company domiciled in Zurich (Switzerland). The condensed consolidated interim financial statements of the Company as at 30 June 2018 and for the six months ended 30 June 2018 comprise Aduno Holding AG and its subsidiaries (together referred to as the Group).

Statement of compliance
These unaudited condensed consolidated interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2017. The condensed interim financial statements were approved on 15 August 2018.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of these condensed consolidated interim financial statements, the significant judgements made by management in application of the Group's accounting policies and the key sources of estimation were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2017.

Foreign currency transactions
The following exchange rates were applied for significant currency exposures:

	Average rates		Closing rates as per	
CHF	First HY 2018	First HY 2017	30.06.2018	31.12.2017
EUR 1	1.1771	1.0886	1.1655	1.1808
USD 1	0.9774	0.9984	1.0077	0.9883
GBP 1	1.3391	1.2675	1.3171	1.3298

Significant accounting policies
Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017.

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:

– IFRS 9 Financial Instruments
– IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are recognised in the opening balance sheet on 1 January 2018.

(i) Classification and measurement

The following table shows the adjustments recognised for each individual line item. The adjustments are explained in more detail below.

In 1,000 CHF	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount 31.12.2017	Remeasure-ment IFRS 9	Reclassific-ation IFRS 9	Carrying amount 01.01.2018
Cash and cash equivalents	LAR [1)]	AC [1)]	22,146	0	0	22,146
Payment business						
Receivables from cardholders [2)]	LAR	AC	446,843	(236)	0	446,607
Receivables from debt collection	LAR	AC	2,812	(677)	0	2,135
Receivables from fraud and chargeback processes [2)]	LAR	AC	245	0	0	245
Other receivables from business unit Payment	LAR	AC	5,652	0	0	5,652
Consumer Finance						
Short-term receivables from business unit Consumer Finance	LAR	AC	465,238	(636)	0	464,601
Long-term receivables from business unit Consumer Finance	LAR	AC	891,144	(1,506)	0	889,638
Other receivables						
Other trade receivables and other receivables	LAR	AC	14,015	0	0	14,015
Derivatives held for trading	Held for trading	Mandatorily at FVTPL	75	0	0	75
Financial investments available for sale	Available for sale	n/a	26,131	0	(26,131)	0
Financial assets at fair value through other comprehensive income (FVOCI)	n/a	FVOCI -equity instrument	0	0	26,131	26,131
Total assets			**1,874,301**	**(3,055)**	**0**	**1,871,246**
Total financial liabilities at amortised cost	AC	AC	1,211,789	0	0	1,211,789
Derivatives held for trading	Held for trading	Mandatorily at FVTPL	186	0	0	186
Derivatives used for hedging	FVTPL	FVTPL	57	0	0	57
Total liabilities			**1,212,032**	**0**	**0**	**1,212,032**
Retained earnings			677,092	(2,506)		674,586
Total Equity			**806,852**	**(2,506)**		**804,346**

1) LAR: Loans and receivables; AC: Amortised cost

2) For a better comparability receivables from the chargeback process have been grouped together with receivables for which fraud is assumed to the new single line item “Receivables from fraud and chargeback processes”.

(a) Reclassification from “Loans and receivables” (LAR) to “Amortised cost” (AC)

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

(b) Financial instruments held at fair value
The Group continues to measure at fair value all financial assets held at fair value under IAS 39 also at fair value under IFRS 9. Equity shares held as available for sale with gains and losses recorded in other comprehensive income (OCI) are transfered to the new category FVOCI – equity instrument. Derivatives held for trading and used for hedging are measured at fair value. Therefore the application of IFRS 9 has no impact on the measurement.

(c) Financial liabilities at amortised cost
All financial liabilites have been measured at amortised cost under IAS 39 and are still measured at amortised cost under IFRS 9. Therefore the application of IFRS 9 has no impact on the measurement.

(ii) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The Group measures loss allowances at an amount equal to lifetime ECL if credit risk has significantly increased (stage 2) or the financial asset is in default (stage 3), but the following are measured as 12-month ECL (stage 1): financial assets with counterparties that are determined to have low credit risk at the reporting date with an investment grade of BBB or better; and other financial assets for which credit risk has not increased significantly since initial recognition. Loss allowances for accounts receivables are always measured at an amount equal to lifetime ECL.

The Group has five groups of financial assets that are subject to IFRS 9's new ECL model:

1. Receivables from Payment business (receivables from cardholders and receivables from debt collection)
2. Other receivables from business unit Payment
3. Receivables from Consumer Finance
4. Other receivables
5. Cash and cash equivalents

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

1. Receivables from Payment business (receivables from cardholder and receivables from debt collection).
The ECL model for the Payment business (cardholder and debt collection) is based on a collective assessment and the relevant input factors are probability of default (PD), exposure at default (EAD) and loss given default (LGD) which are defined as follows:

– The PD is derived from credit scoring models using survival analysis for private customers and logistic regression techniques for corporate customers. Due to the characteristics of the credit card business (revolving credit facilities) and based on the implemented credit risk mitigation processes, the period of exposure is determined to be four months.
– EAD is based on the amounts the Group expects to be owed at the time of default. This includes the currently drawn balance as well as an expected amount resulting from the undrawn component.
– The LGD represents expected losses on the exposure given the event of default by taking into account the time value of money. LGD varies by availability of collateral (bank guarantees) and – in case of stage 3 – by ageing of the exposure.

The assessment of whether credit risk has increased significantly is performed at each reporting period. The assessment considers both quantitative factors as well as qualitative factors. Unless identified at an earlier stage, a receivable from the Payment business is allocated to stage 2 when it is 60 days past due. Receivables are transferred out of stage 2 back to stage 1 if their credit risk is no longer considered to be significantly increased. The Group considers a customer to be in stage 3 when the debt management actions were unsuccessful and the customer has to be transferred to the pre-collection and legal collection processes. This transfer decision is made for each customer on a case-by-case basis and generally happens when payments are between 60 and 120 days past due. Contracts of customers in the collection process are terminated and hence a movement out of stage 3 is not possible.

2. Other receivables from business unit Payment
Other receivables comprise receivables from the rental guarantee business as well as from the software sales business and a standalone receivable from the Payment business towards Visa International Inc. due in less than 12 months. For these receivables the Group applies a loss rate approach to measuring expected credit losses to a lifetime expected credit loss as they are short term.

To measure the ECL, receivables from the rental guarantee business as well as from the software sales business have been grouped based on shared credit risk characteristics and the days past due. The standalone receivable towards Visa International Inc. was assessed on an individual basis.

3. Receivables from Consumer Finance
The ECL model for Consumer Finance is based on a collective assessment and the relevant input factors are probability of default (PD), exposure at default (EAD) and loss given default (LGD) which are defined as follows:

- The PD is derived from historical default rate analysis and measured either over the next 12 months or over the remaining lifetime of the obligation. Lifetime is defined as the observed effective duration of a contract.
- EAD is based on the amounts the Group expects to be owed at the time of default. This includes expected future amortization payments until the time of default and – in case of leasing contracts – proceeds from the sale of the leasing object.
- The LGD represents expected losses on the exposure given the event of default by taking into account the time value of money. LGD varies by product and – in case of stage 3 – by ageing of the exposure.

The future ECL is discounted back from the expected point of default to the reporting date.

The assessment of whether credit risk has increased significantly considers both quantitative factors as well as qualitative factors. Unless identified at an earlier stage, a consumer loan or a leasing contract is allocated to stage 2 when it is 60 days past due. Receivables are transferred out of stage 2 back to stage 1 if their credit risk is no longer considered to be significantly increased. The Group considers a contract to be in stage 3 when the debt management actions were unsuccessful and the contract has to be transferred to the pre-collection and legal collection processes. This transfer decision is made for each contract on a case-by-case basis and generally happens when payments are between 90 and 150 days past due. Contracts of customers in the collection process are terminated and hence a movement out of stage 3 is not possible.

4. Other receivables
Other receivables consists of ECL relevant positions, such as other accounts receivables, other receivables from partners (schemes) and deposits as well as position out of scope of ECL measurement such as derivative financial instruments, prepayments and other receivables from VAT, withholding tax and salary benefits . The Group applies a loss rate approach to measuring expected credit losses to a lifetime expected credit loss as they are short term for all accounts receivables.

5. Cash and cash equivalents
While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial: all cash and cash equivalents are deposited with banks with a credit rating of at least A, while most of the cash and cash equivalents are deposited with a bank with a credit rating of AAA. All cash and cash equivalent can be withdrawn immediately without any pre-notice period.

For all assets within the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements as at 1 January 2018 results in an additional impairment allowance as follows:

In 1,000 CHF

Loss allowance at 31 December 2017 under IAS 39	**28,953**
Loss allowance not within scope of IFRS 9 1)	(115)
Additional impairment recognised at 1 January 2018 on:	
Receivables from business unit Payment	913
Other receivables from business unit Payment	0
Receivables from business unit Consumer Finance	2,142
Other receivables	0
Cash and cash equivalents	0
Loss allowance at 1 January 2018 under IFRS 9	**31,893**

1) Loss allowances for receivables from fraud and chargeback processes.

IFRS 15 Revenue from Contracts with Customers
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 model covers: 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 recognizing revenue when (or as) the Group satisfies a performance obligation.

The new standard also provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. In addition, enhanced disclosures about revenue are required.

The impact of the new standard on the Group’s financial statements is not material.

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 condensed consolidated interim 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.

New Standard or amendment		Effective date	Planned application by the Group
IFRS 16 Leases		1 January 2019	Reporting year 2019
IFRIC 23 Uncertainty over Income Tax Treatments	*	1 January 2019	Reporting year 2019
Long-term Interests in Associates and Joint Ventures (Amendment to IAS 28)	*	1 January 2019	Reporting year 2019
Plan Amendments, Curtailment or Settlement (Amendment to IAS 19)	*	1 January 2019	Reporting year 2019
Annual Improvement to IFRS 2015 – 2017 Cycle	*	1 January 2019	Reporting year 2019

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

IFRS 16 Leases (effective 1 January 2019)
IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of “low-value” assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

The Group is still assessing the potential effect of IFRS 16 on its consolidated financial statements.

2. Segment reporting

For reporting and managerial purposes, management has divided the Group's business into four segments. The external segment reporting is based on the internal reporting to the chief operating decision maker, who is responsible for allocating resources and assessing 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 and Product Management (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 Card Services SA, as well as through Accarda AG, Vibbek AG, Vibbek GmbH, AdunoKaution AG, SmartCaution SA and Contovista AG. The major revenue streams in the business result from interchange fees and commissions, annual fees for cards and services, income from card transactions in foreign currency and interest income. Until its sale in the second half of 2017, Aduno SA was part of the business unit Payment. The Acquiring and Terminal business is therefore classified as discontinued operations and the prior-year figures have been restated accordingly.

Consumer Finance

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

Internal Financing

As the central treasury centre of the Group (Aduno Finance AG), 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 results of Aduno Holding.

Segments' assets and liabilities

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 (30 June 2017: none).

The following table presents certain information regarding the operating segments, based on management’s evaluation and the internal reporting structure, on 30 June 2018 and 30 June 2017 for the first half year (unaudited).

	Payment		Consumer Finance		Internal Financing		Total operating segments		Corporate Functions/ Consolidation		Consolidated	
In 1,000 CHF	**2018**	2017 restated	**2018**	2017	**2018**	2017	**2018**	2017 restated	**2018**	2017 restated	**2018**	2017 restated
Commission income	72,128	68,669	0	0	9,512	8,650	81,640	77,319	0	(0)	81,640	77,319
Annual fees	56,686	59,180	0	0	0	0	56,686	59,180	0	(1)	56,686	59,179
Interest income	6,445	6,038	42,895	42,759	10,500	13,696	59,841	62,494	(11,135)	(14,445)	48,706	48,048
Other income	26,003	18,089	4,732	4,490	32,957	28,447	63,692	51,026	(13,803)	(13,996)	49,889	37,030
Total revenue	**161,262**	**151,976**	**47,627**	**47,249**	**52,969**	**50,794**	**261,859**	**250,019**	**(24,937)**	**(28,442)**	**236,921**	**221,576**
Processing and service expenses	28,926	27,022	606	612	0	0	29,532	27,634	0	(157)	29,532	27,477
Distribution, advertising and promotion expenses	47,443	46,150	11,550	9,436	0	0	58,994	55,587	(6,869)	(5,174)	52,125	50,412
Interest expenses	3,915	6,125	6,558	7,653	9,831	14,617	20,305	28,395	(14,877)	(17,962)	5,427	10,433
Expected Credit losses for financial assets	442	0	3,925	0	0	0	4,366	0	0	0	4,366	0
Impairment losses from Payment and Consumer Finance	689	1,135	0	6,127	0	0	689	7,261	0	1	689	7,262
Personnel expenses	44,313	34,397	8,331	9,471	384	387	53,028	44,255	108	(1)	53,135	44,254
Other expenses	17,198	22,167	6,384	6,204	2,605	2,178	26,187	30,548	(4,724)	(11,406)	21,464	19,142
Depreciation	1,195	1,261	175	278	2	69	1,372	1,608	386	944	1,758	2,552
Amortisation	7,161	2,930	1,497	1,931	37	1,198	8,695	6,059	2	(398)	8,696	5,661
Total expenses	**151,283**	**141,185**	**39,026**	**41,713**	**12,859**	**18,449**	**203,167**	**201,347**	**(25,975)**	**(34,155)**	**177,193**	**167,192**
Profit from continuing operations before income tax	**9,980**	**10,791**	**8,601**	**5,537**	**40,111**	**32,344**	**58,691**	**48,672**	**1,037**	**5,712**	**59,729**	**54,384**
Income from associates	1,718	1,343	0	0	0	0	1,718	1,343	0	0	1,718	1,343
Profit before income tax	**11,698**	**12,134**	**8,601**	**5,537**	**40,111**	**32,344**	**60,410**	**50,015**	**1,037**	**5,712**	**61,447**	**55,727**
Income tax expenses	5,618	1,843	1,798	1,151	4,334	3,428	11,750	6,421	306	329	12,056	6,750
Profit / (loss) from continuing operations	**6,080**	**10,291**	**6,803**	**4,386**	**35,776**	**28,916**	**48,659**	**43,594**	**732**	**5,383**	**49,391**	**48,977**
Profit / (loss) from discontinued operations	0	(6,632)	0	0	0	0	0	(6,632)	0	0	0	(6,632)
Profit for the period	**6,080**	**3,659**	**6,803**	**4,386**	**35,776**	**28,916**	**48,659**	**36,962**	**732**	**5,383**	**49,391**	**42,346**

3. Commission income

In 1,000 CHF	First half year 2018	First half year 2017 restated
Interchange revenue and related revenue	37,777	39,050
Currency exchange commissions	31,363	27,838
Other commission revenue	12,500	10,431
Commission income	**81,640**	**77,319**

4. Interest income and interest expenses

In 1,000 CHF	First half year 2018	First half year 2017 restated
Interest income	48,706	48,048
Interest expenses	5,427	10,433
Interest income, net	**43,279**	**37,615**

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

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

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

5. Other income

In 1,000 CHF	First half year 2018	First half year 2017 restated
Foreign exchange gains or losses, net	24,768	22,710
Income from services	14,377	12,809
Gain on sale of property and equipment and intangible assets	16	0
Other income	10,728	1,511
Other income	**49,889**	**37,030**

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).

The increase of other income compared to the first half year 2017 is mainly due to income on services rendered based on a transitional service agreement in connection with the sale of the acquiring business.

6. Expected credit loss and impairments Payment and Consumer Finance

In 1,000 CHF	First half year 2018	First half year 2017 restated
Expected credit loss for Payment business	442	0
Expected credit loss for Consumer Finance	3,925	0
Total expected credit losses for Payment and Consumer Finance	**4,366**	**0**
Impairment losses on commission income	689	1,281
Impairment losses on interest income	0	5,981
Total impairment losses for Payment and Consumer Finance	**689**	**7,262**

In 2017 the impairment losses for both the business unit Payment as well as the business unit Consumer Finance were calculated using the old incurred loss model, whereas in 2018 the impairment losses have been calculated based on the expected credit loss model. The impairment losses on commission income in 2018 comprise impairment losses for fraudulent and chargeback transactions, which are not credit losses.

7. Other expenses

In 1,000 CHF	First half year 2018	First half year 2017 restated
Audit and professional services	2,855	5,847
IT expenses	10,635	6,688
Telephone and postage	1,030	507
Premises expenses	3,808	3,056
Travel and representation	359	329
Loss on sale of property and equipment and intangible assets	12	139
Other administration expenses	2,764	2,577
Other expenses	**21,464**	**19,142**

8. Receivables from business unit Payment

In 1,000 CHF	30.06.2018	31.12.2017
Receivable within scope of ECL calculation		
Receivables from cardholders*	397,429	446,843
Receivables from debt collection	3,496	3,744
Other receivables from Payment business	5,335	5,801
Allowance for doubtful debts	(2,086)	(1,080)
Receivables out of scope of ECL calculation		
Receivables from fraud and chargeback processes*	275	360
Allowance for doubtful debts*	(64)	(115)
Total receivables from business unit Payment	**404,386**	**455,552**

* For a better comparability “Receivables from chargeback process” have been grouped together with “Receivables for which fraud is assumed” to the new single line item “Receivables from fraud and chargeback processes”.

Receivables from business unit Payment

Receivables from cardholders consist of regular open balances on the credit card account of credit cardholders. Open balances from cardholders due more than 90 – 120 days are transferred to a dedicated and monitored collection portfolio. The balance of the collection portfolio amounted to CHF 3.5 million as at 30 June 2018 (31 December 2017: CHF 3.7 million) and is shown under “Receivables from debt collection”.

Other receivables from business unit Payment consists of the rental guarantee business as well as the software sales business totalling CHF 0.7 million (year-end 2017: total of CHF 1.1 million) and also a standalone receivable from the business unit Payment of CHF 4.6 million (2017: a long-term receivable of CHF 4.7 million).

If a cardholder transaction tends to be fraudulent or if a cardholder claims a chargeback, the respective balance is transferred to a dedicated portfolio until the case is settled. This portfolio amounted to CHF 0.3 million as at 30 June 2018 (31 December 2017: CHF 0.4 million). An adequate allowance is set up for this portfolio. The respective balance of all fraudulent and chargeback transactions under clarification is shown under “Receivables from fraud and chargeback processes”.

Allowances for doubtful debts are built based on a expected credit loss (ECL) method, described in further detail below.

Allowance for doubtful debts business unit Payment

The allowance for doubtful debts on receivables from cardholders is composed of expected credit loss on receivables from the Payment business as well as impairment on fraudulent payments and non-recoverable chargeback at both the 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 expected credit loss. The allowance for all three categories is determined according to historical data based on sophisticated analytical methods and evaluation models.

For receivables that are collectively assessed, the relevant input factors of the expected credit loss model (ECL = PD x EAD x LGD) are described as follows:

- As explained in the significant accounting policies, the PD is derived from credit scoring models using survival analysis and logistic regression techniques. The scoring model is based on customer-related attributes like card limit, customer income or customer age as well as behavior-related attributes like payment history, card usage or risk related transactions. PD is measured at the customer level.
- The EAD component consists of the currently drawn balance and an expected amount resulting from the undrawn part of the card limit. The expected exposure from the undrawn amount is derived from the analysis of past defaults which show that the default amount of a customer is – on average – between 15-30% higher than their ordinary card usage prior to default. The extent of future draw-downs in the event that the customer defaults is the same regardless of whether customer is allocated to stage 1 or stage 2.
- The ECL model uses an LGD that measures recoveries and losses up to 24 months after default. Receivables in stage 1 and stage 2 are measured with the same LGD as they have not yet defaulted. Receivables in stage 3 are assigned an individual LGD depending on their age and their status within our debt collection process. Receivables that are not fully recovered after 24 months will be written off.

The allowance is adjusted based on 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 business as adequate.

In the Payment business an average of about 99% (31 December 2017: 99%) 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.

Expected credit losses for Payment business as at 30 June 2018

	Gross amount				ECL allowance			
In 1,000 CHF	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Payment business								
Receivables from cardholders	391,573	5,856	0	**397,429**	168	32	0	**200**
Receivables from debt collection	0	0	3,496	**3,496**	0	0	1,674	**1,674**

Expected credit losses for Payment business as at 01 January 2018

	Gross amount				ECL allowance			
In 1,000 CHF	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Payment business								
Receivables from cardholders	442,625	4,218	0	**446,843**	220	16	0	**236**
Receivables from debt collection	0	0	3,744	**3,744**	0	0	1,609	**1,609**

Allowance for doubtful debts other receivables from the Payment business
The Group applies a loss rate approach to measuring expected credit losses which uses a lifetime expected loss allowance for the other receivables from the Payment business.

In 1,000 CHF	Current	Due less than 1 year	Past due 1–10 days	Past due 11–24 days	Past due over 24 days	Total
30.06.2018						
Expected loss rate	0.0%	0.0%	15.0%	20.0%	40.0%	
Other receivables from business unit Payment	146	4,625	49	17	498	**5,335**
Loss allowance	0	0	7	3	199	**210**
Net	**146**	**4,625**	**42**	**14**	**299**	**5,125**

In 1,000 CHF	Current	Due less than 1 year	Past due 1–10 days	Past due 11–24 days	Past due over 24 days	Total
01.01.2018						
Expected loss rate	0.0%	0.0%	15.0%	20.0%	40.0%	
Other receivables from business unit Payment	384	4,686	562	19	151	**5,801**
Loss allowance	0	0	84	4	60	**148**
Net	**384**	**4,686**	**478**	**15**	**91**	**5,653**

Disclosure of the comparabale figures for receivables from the Payment business as at 31 December 2017 in line with IAS 39

The following table shows the aging of the receivables contained in the balance sheet that are not individually impaired as at the reporting date:

	Gross amount	Allowance
In 1,000 CHF	**2017**	**2017**
Receivables from cardholders and from debt collection		
Not past due	443,927	0
Past due 1–30 days	2,017	0
Past due 31–60 days	723	0
Past due 61–90 days	260	0
Past due for more than 90 days	3,661	(932)
Total	**450,587**	**(932)**
Receivables from fraud and chargeback processes		
Past due 1–30 days	330	(85)
Past due 31–60 days	25	(25)
Past due 61–90 days	5	(5)
Past due for more than 90 days	0	0
Total	**360**	**(115)**
Receivables from card schemes and others		
Past due	199	(68)
Due on sight	826	(81)
Due within 1–3 years	4,775	0
Total	**5,801**	**(148)**

9. Receivables from Consumer Finance

In 1,000 CHF	30.06.2018	31.12.2017
Short-term receivables from Consumer Finance	482,070	474,714
Short-term allowance for doubtful debts	(10,145)	(9,477)
Short-term receivables from Consumer Finance	**471,925**	**465,238**
Long-term receivables from Consumer Finance	963,731	909,425
Long-term allowance for doubtful debts	(20,317)	(18,281)
Long-term receivables from Consumer Finance	**943,414**	**891,144**
Total receivables from Consumer Finance	**1,415,339**	**1,356,382**

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

Open balances from the business unit Consumer Finance due for more than 90-150 days are transferred to a dedicated and monitored collection portfolio. Allowances for doubtful debts are built based on an expected credit loss (ECL) method, as described in more detail below.

In 1,000 CHF	30.06.2018	31.12.2017
Receivables from consumer loans	771,579	738,885
Receivables from finance leases	674,222	645,255
Total receivables from business unit Consumer Finance, gross	**1,445,801**	**1,384,139**

Receivables from finance leases

In 1,000 CHF	30.06.2018	31.12.2017
Current receivables from finance leases		
Gross investment in finance leases	292,478	289,728
Unearned finance income	66,916	66,458
Present value of minimum lease payments	**225,563**	**223,270**
Non-current receivables from finance leases		
Gross investment in finance leases	493,556	464,227
Unearned finance income	44,897	42,243
Present value of minimum lease payments	**448,659**	**421,984**
Gross receivables from finance leases		
Due within up to 1 year	292,478	289,728
Due within 1–5 years	493,556	464,227
Unearned finance income	111,813	108,701
Present value of minimum lease payments	**674,222**	**645,255**

Allowance for doubtful debts Consumer Finance
The allowance for doubtful debts on receivables from Consumer Finance is composed of impairments on receivables due to late payment and also comprises a portion of those found not to be specifically impaired but which are then collectively assessed for any impairment that will be incurred but is not yet identified.

The collective allowance is determined for clusters of customers by combining historical data based on sophisticated analytical methods and evaluation models that consider the particular risks of each cluster. For receivables that are collectively assessed, the relevant input factors of the expected credit loss model (ECL = PD x EAD x LGD) are described as follows:

- For the measurement of the PD for consumer loans the portfolio is segmented into different sub-portfolios according to pricing criteria. PD for the leasing business is measured at portfolio level. The expected credit loss model uses a PD based on a moving average with a time period of 12 months.
- For receivables that have a significant increase in credit risk their respective lifetime is defined as the observed effective duration of a contract. For consumer loans this lifetime is on average 19 months and for leasing business 32 months.
- Receivables in stage 1 and stage 2 are measured with the same LGD as they have not yet defaulted. Receivables in stage 3 are assigned an individual LGD depending on their age and their status within our debt collection process. Receivables will be written off when the debt collection procedures have not led to a full recovery of the outstanding amount. The majority of the receivables are written off within the first three years after default.

The allowance is adjusted based on 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 business unit Consumer Finance. Management qualifies the allowance for doubtful debts in the business unit Consumer Finance as adequate.

In the Consumer Finance an average of about 98% (31 December 2017: 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.

Expected credit losses for Consumer Finance as at 30 June 2018

	Gross amount				ECL allowance			
In 1,000 CHF	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Consumer Finance								
Receivables from finance leases	660,215	9,822	4,185	**674,222**	815	2,552	3,365	**6,731**
Receivables from consumer loans	732,760	17,214	21,605	**771,579**	4,415	4,747	14,568	**23,730**

Expected credit losses for Consumer Finance as at 01 January 2018

	Gross amount				ECL allowance			
In 1,000 CHF	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Consumer Finance								
Receivables from finance leases	631,875	8,916	4,464	**645,255**	568	2,316	3,578	**6,462**
Receivables from consumer loans	701,752	15,057	22,076	**738,885**	4,381	4,646	14,411	**23,438**

Disclosure of the comparabale figures as at 31 December 2017 in line with IAS 39
The following table shows the aging of the receivables contained in the balance sheet that are not individually impaired as at the reporting date:

	Gross amount	Allowance
In 1,000 CHF	**2017**	**2017**
Receivables from business unit Consumer Finance		
Past due	35,086	(974)
Due on sight	13,725	(390)
Due within up to 3 months	135,901	(2,350)
Due within 4–12 months	290,003	(5,763)
Total current receivables	**474,714**	**(9,477)**
Due within 1–3 years	634,681	(12,939)
Due after more than 3 years	274,744	(5,342)
Total non-current receivables	**909,425**	**(18,281)**
Total	**1,384,139**	**(27,758)**

10. Inventories

In 1,000 CHF	30.06.2018	31.12.2017
Raw materials	2,138	2,540
Work in progress	30	0
Total inventories	**2,168**	**2,540**

In the first six months of 2018 inventory costs of CHF 1.7 million were recognised as an expense (first six months of 2017: CHF 1.9 million).

11. Other receivables

In 1,000 CHF	30.06.2018	31.12.2017
Receivables within scope of ECL calculation		
Other accounts receivables	2,084	8,113
Other receivables from partners	0	140
Deposits	90	188
Allowance	(2)	0
Total	**2,173**	**8,441**
Receivables out of scope of ECL calculation		
Other receivables from VAT, withholding tax and salary benefits	3,335	1,515
Prepayments	781	4,055
Derivative financial instruments, held for trading	122	75
Total	**4,238**	**5,646**
Total other receivables	**6,410**	**14,090**

Other receivables consists of credit risk-related positions, such as other accounts receivables, other receivables from partners (schemes) and deposits as well as positions not within the scope of ECL measurement such as derivative financial instruments, prepayments and other receivables from VAT, withholding tax and salary benefits.

To measure the expected credit loss, the receivables within the scope of ECL calculation have been grouped together based on shared credit risk characteristics and the days past due.

In 1,000 CHF	Current	Due in 1–4 years	Past due 1–30 days	Past due more than 30 days	Total
30.06.2018					
Expected loss rate	0.0%	0.0%	10.0%	20.0%	
Other receivables within scope of ECL calculation	2,076	90	0	8	2,175
Loss allowance	0	0	0	2	2
Net	**2,076**	**90**	**0**	**6**	**2,173**

In 1,000 CHF	Current	Due in 1–4 years	Past due 1–30 days	Past due more than 30 days	Total
01.01.2018					
Expected loss rate	0.0%	0.0%	10.0%	20.0%	
Other receivables within scope of ECL calculation	8,205	236	0	0	8,441
Loss allowance	0	0	0	0	0
Net	**8,205**	**236**	**0**	**0**	**8,441**

Other receivables within the scope of ECL calculation consists mainly of very short-term receivables from a counterparty with a credit rating of AA-. The high rating, the short term and past experience (no default at all) result in a very low expected loss rate. The receivables due in 1-4 years consist of rental deposits at Zürcher Kantonalbank and Credit Suisse, both with a very high credit rating and therefore a very low ECL is expected.

12. Interest-bearing liabilities

In 1,000 CHF	30.06.2018	31.12.2017
Other bank liabilities	37,020	102,181
Current portion of syndicated loan	390,000	390,000
Current portion of unsecured bond issues	350,596	100,094
Short-term interest-bearing liabilities	**777,616**	**592,275**
Unsecured bond issue	274,161	374,024
Other long-term liabilities	468	590
Long-term interest-bearing liabilities	**274,628**	**374,614**
Total interest-bearing liabilities	**1,052,244**	**966,889**

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

Terms and debt repayment schedule

In 1,000 CHF	Currency	Nominal interest rate	Year of maturity	Nominal value 30.06.2018	Carrying amount 30.06.2018	Nominal value 31.12.2017	Carrying amount 31.12.2017
Syndicated loan	CHF	0.68%	2018	300,000	300,000	300,000	300,000
Syndicated loan	CHF	0.68%	2018	90,000	90,000	90,000	90,000
Unsecured bond issue	CHF	0.00%	2018	0	0	100,000	100,094
Unsecured bond issue	CHF	3 M Libor[1)]	2019	100,000	100,215	0	0
Unsecured bond issue	CHF	3 M Libor[1)]	2019	100,000	100,000	100,000	100,000
Unsecured bond issue	CHF	0.00%	2019	150,000	150,381	0	0
Unsecured bond issue	CHF	1.125%	2021	275,000	274,161	275,000	274,024
Other bank liabilities	CHF	0.78%	2018	37,020	37,020	101,820	101,820
Other bank liabilities	CHF	0.78%	current account	0	0	301	301
Other bank liabilities	various	0.78%	current account	0	0	60	60
Other long-term liabilities	CHF	0.00%	2021	468	468	590	590
Total				**1,052,489**	**1,052,244**	**967,771**	**966,889**

1) Floor at 0.0% and Cap at 0.05%

Syndicated loan
As at 30 June 2018 the Group has a syndicated loan facility of CHF 600 million headed by Zürcher Kantonalbank (ZKB) (31 December 2017: CHF 600 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 at 30 June 2018 the syndicated loan amounted to CHF 390 million nominal (31 December 2017: CHF 390 million).

Unsecured bond issues
In 2018 two bonds were issued. These include a bond of CHF 100 million featuring of a floating rate based on the Libor interest rate with a floor at 0.0% and a cap at 0.05% with an effecftive interest rate of -0.38% expiring in 2019, as well as a fixed-rate bond of CHF 150 million with its maturity in 2019 and with a coupon of 0.00% with an effective interest rate of -0.26%.

Two bonds were issued in 2017. These included a bond of CHF 100 million featuring of a floating rate based on the Libor interest rate with a floor at 0.0% and a cap at 0.05% expiring in 2019, and a fixed-rate bond of CHF 100 million maturing in 2018 with a coupon of 0.00% and an effective interest rate of -0.3% which expired in April 2018.

A fixed-rate bond of CHF 275 million issued in 2014 maturing in 2021 featuring a nominal interest rate of 1.125%. Including fees, the effective interest rate amounts to 1.241%.

Other bank liabilities
As at 30 June 2018 the Group has access to bilateral credit facility with ZKB of CHF 700 million (31 December 2017: 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. Thereof the Group used an overnight tranche of CHF 37 million (31 December 2017: 101.8 million) and current accounts of CHF 0.1 thousands (31 December 2017: CHF 0.36 million).

13. Share capital and reserves

Dividends

The following dividends were declared by the Group.

In 1,000 CHF	2018	2017
Total dividend	150,000	40,000
Dividend per share in CHF	6,000	1,600

14. Financial risk management

Fair values

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

In 1,000 CHF	30.06.2018 Carrying amount	30.06.2018 Fair value	31.12.2017 Carrying amount	31.12.2017 Fair value
Cash and cash equivalents	25,954	25,954	22,146	22,146
Receivables from business unit Payment	404,386	404,386	455,552	455,552
Receivables from business unit Consumer Finance	1,415,339	1,415,339	1,356,382	1,356,382
Other trade receivables and other receivables	2,953	2,953	12,500	12,500
Total loans and receivables	**1,848,632**	**1,848,632**	**1,846,579**	**1,846,579**
Financial investments available for sale	0	0	26,131	26,131
Financial assets at FVOCI	30,656	30,656	0	0
Derivatives held for trading	122	122	75	75
Total financial assets	**1,879,410**	**1,879,410**	**1,872,786**	**1,872,786**
Payables to counterparties	180,886	180,886	163,901	163,901
Other trade payables	22,784	22,784	7,144	7,144
Short-term interest-bearing liabilities	777,616	777,612	592,275	592,517
Other payables	14,733	14,733	14,744	14,744
Accrued expenses	39,038	39,038	59,110	59,110
Long-term interest-bearing liabilities	274,628	285,191	374,614	387,503
Total financial liabilities at amortised cost	**1,309,686**	**1,320,246**	**1,211,789**	**1,224,920**
Derivatives held for trading	(258)	(258)	(186)	(186)
Derivatives used for hedging	(35)	(35)	(57)	(57)
Total financial liabilities	**1,309,393**	**1,319,953**	**1,211,545**	**1,224,676**

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 statement of financial position at their carrying value less impairment allowance. Due to their short-term nature, receivables from card activities are assumed to approximate their fair value.

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

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

The difference between the carrying amount and the fair value of the interest-bearing liabilities (short-term as well as long-term) is caused by the unsecured bond issues and amounted to a total of CHF 10.6 million as at end-June 2018 (end-June 2017: CHF 13.1 million). These unsecured bonds are categorised in Level 1 of the fair value hierarchy.

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

	30.06.2018				31.12.2017			
In 1,000 CHF	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial investments available for sale	0	0	0	**0**	0	26,131	0	**26,131**
Financial assets at FVOCI	0	30,656	0	**30,656**	0	0	0	**0**
Derivative financial instruments	0	122	0	**122**	0	75	0	**75**
Total financial assets carried at fair value	**0**	**30,778**	**0**	**30,778**	**0**	**26,206**	**0**	**26,206**
Derivative financial instruments	0	(294)	0	**(294)**	0	(244)	0	**(244)**
Total financial liabilities carried at fair value	**0**	**(294)**	**0**	**(294)**	**0**	**(244)**	**0**	**(244)**

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 “Financial assets at FVOCI” (2017: “Financial investments available-for-sale”) are based on market price multiples without any unobservable input.

15. Income taxe expenses

As published in the annual report 2017, in 2011 the Aduno Group transferred the areas of cash management, payment transactions, financing, foreign currency management and brand management to the newly incorporated Aduno Finance AG, which is headquartered in Nidwalden, with offices in Freienbach (Schwyz). The cantonal tax authorities in Zurich question the transfer prices applied. After being confident to find an agreement with the Zurich tax authorities, the group had to reassess this case at the end of 2017 and the Group recognised additional tax provisions amounting to CHF 23.7 million for financial years 2011 to 2016, and CHF 7.3 million for the 2017 financial year. For the first six months 2018 the Group had to recognise additional provisions for current income tax in the amount of CHF 3.6 million.

16. Group companies

In 1,000	Country of incorpo-ration	Currency	Share capital 30.06.2018	Share capital 31.12.2017	Ownership interest 30.06.2018	Ownership interest 31.12.2017
Aduno Holding AG, Zurich (ZH), parent company	Switzerland	CHF	25,000	25,000	-	-
Accarda AG, Brüttisellen (ZH)*	Switzerland	CHF	18,500	18,500	30%	30%
Aduno Finance AG, Stans (NW)	Switzerland	CHF	1,000	1,000	100%	100%
AdunoKaution AG, Zurich (ZH)	Switzerland	CHF	1,365	1,365	100%	100%
cashgate AG, Zurich (ZH)	Switzerland	CHF	35,000	35,000	100%	100%
Contovista AG, Schlieren (ZH)	Switzerland	CHF	140	140	70.0%	70.0%
SmartCaution SA, Geneva (GE)	Switzerland	CHF	500	500	100%	100%
SwissWallet AG, Zurich (ZH)*	Switzerland	CHF	105	105	33.3%	33.3%
Vibbek AG, Urdorf (ZH)	Switzerland	CHF	1,300	1,300	67%	67%
Vibbek GmbH, Hamburg**	Germany	EUR	25	25	67%	67%
Viseca Card Services SA, Zurich (ZH)	Switzerland	CHF	20,000	20,000	100%	100%

* Associates, the Group has significant influence.

** Vibbek GmbH is fully owned by Vibbek AG.

17. Discontinued operations

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

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

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

Result from discontinued operations for the period ended 30 June

In 1,000 CHF	2017
Commission income	33,772
Annual fees	1,391
Interest income	8
Other income	7,184
Operating Income	**42,356**
Processing and service expenses	23,179
Distribution, advertising and promotion expenses	1,403
Interest expenses	42
Impairment losses from Payment and Consumer Finance	147
Personnel expenses	14,312
Other expenses	7,480
Depreciation	423
Amortisation	2,767
Total expenses	**49,753**
Result from operating activities	**(7,397)**
Income tax expenses	(765)
Profit form discontinued operations, net of tax	**(6,632)**
Other comprehensive income of discontinued operations	
Items that will not be reclassified to the income statement	
Remeasurement of employee benefit obligations	(149)
Income tax relating to items not reclassified	31
Total items that will not be reclassified to the income statement, net of tax	**(118)**
Items that may be reclassified subsequently to the income statement	
Net unrealised gains / (losses) on financial investments available for sale	1,081
Income tax relating to items that may be reclassified	(227)
Total items that may be reclassified subsequently to the income statement, net of tax	**854**
Other comprehensive income / (loss) of discontinued operations	**736**

In 1,000 CHF	30.06.2017
Cashflow from / (used) discontinued operations	
Cash at 1 January 2017	**950**
Net cash from / (used in) operating activities	(2,132)
Net cash from / (used in) investing activities	2,602
Net cash from / (used in) financing activities	5
Net cashflow for the period	**475**
Cash at 30 June 2017	**1,425**

18. Subsequent events

There are no subsequent events to be reported.

Zurich, 15 August 2018

Pascal Niquille
Chairman of the Board of Directors

Conrad Auerbach
Chief Financial Officer
Chief Executive Officer a.i.

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PUBLISHING DETAILS

Half Year Report 2018

This Half Year Report is published in German and English. The German version is binding for the condensed consolidated financial statements.

Exclusion of liability

This report contains forward-looking statements that do not give any guarantees of 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

Technical implementation

NeidhartSchön