

Swiss Credit Card Issuance 2016-1 AG,  
Horgen

**Auditor's Report  
on the Audit of the Financial Statements  
to the General Meeting**

**March 16, 2018**



# Auditor's Report

To the General Meeting of Swiss Credit Card Issuance 2016-1 AG, Horgen

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Swiss Credit Card Issuance 2016-1 AG, which comprise the balance sheet, the income statement, cash flow statement, statement of changes in equity and notes to the financial statements for the years ended December 31, 2016 and December 31, 2017.

In our opinion the financial statements (pages 5 to 26) give a true and fair view of the financial position as at December 31, 2017, and its financial performance and cash flows for the year then ended December 31, 2017 in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

### Basis for Opinion

We conducted our audit in accordance with U.S. Generally Accepted Auditing Standards (GAAS). Our responsibilities under those 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 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



#### Valuation of investment securities HTM

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.



## Valuation of investment securities HTM

### Key Audit Matter

### Our response

As per December 31, 2017, the value of the investment securities HTM (consisting of the issuer certificate and deferred interest) amounted to CHF 200.2 million (representing 99.8% of total assets).

We assessed and tested the design and operating effectiveness of the controls over the valuation of the issuer certificate, including key controls over the breach of conditions determined in the prospectus.

The valuation of the issuer certificate contains a counterparty risk with the co-subsiary Swiss Payment Assets AG, which legally owns the customer receivables and is the counterparty to the issuer certificate. Due to the counterparty risk and the significance of the issuer certificate to the financial statements, this is considered a key audit matter.

For a sample of the daily control, we critically inspected if the defined triggers for actions in securitizations were breached.

Furthermore, we substantively tested that the nominal value stated in general ledger agrees to the initial invested amount in the issuer certificate.

For further information on Investment securities HTM and the structure of the SPV refer to the following:

- Disclosure No. 2.3 “Investment Securities HTM
- Disclosure No. 8 “Related Parties”

## 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 governing the preparation of financial statements for banks, 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 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 Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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



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

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

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

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

KPMG AG

Cataldo Castagna  
*Licensed Audit Expert*  
*Auditor in Charge*

Philipp Bertschinger  
*Licensed Audit Expert*

Zurich, March 16, 2018

Enclosures:

- Financial statements (balance sheet, income statement, cash flow statement, statement of changes in equity and notes)

## Swiss Credit Card Issuance 2016-1 AG

Balance sheet as at

	<u>Note</u>	<u>December 31, 2017</u> CHF	<u>December 31, 2016</u> CHF
<b>Assets</b>			
Cash and due from banks	2.2	382'387	371'482
Investment securities HTM	2.3 / 2.4	200'220'041	200'193'428
<b>Total assets</b>		<b>200'602'428</b>	<b>200'564'910</b>
<b>Liabilities and shareholders' equity</b>			
Due to affiliated company		174'095	143'774
Accrued expenses	2.5	258'195	259'564
Income tax payable		3'946	2'293
Long-term debt	2.6	200'000'000	200'000'000
<b>Total liabilities</b>		<b>200'436'236</b>	<b>200'405'631</b>
<b>Shareholders' equity</b>			
Common stock, CHF 1.00 par value (Authorized 100,000 shares, issued and outstanding 100,000 shares in 2016 as well in 2017)	1.5	100'000	100'000
General reserves	1.5	50'000	50'000
Retained earnings		16'192	9'279
<b>Total shareholders' equity</b>		<b>166'192</b>	<b>159'279</b>
<b>Total liabilities &amp; shareholders' equity</b>		<b>200'602'428</b>	<b>200'564'910</b>

See accompanying notes to the financial statements

**Swiss Credit Card Issuance 2016-1 AG**

Statement of earnings for the period

	<u>Note</u>	<u>For the year ended December 31, 2017</u> CHF	<u>May 10 to December 31, 2016</u> CHF
Interest income	2.8	2'692'149	1'601'707
Interest expense	2.8	(2'595'046)	(1'551'043)
<b>Net interest income</b>		<b>97'103</b>	<b>50'664</b>
<b>Net revenues</b>		<b>97'103</b>	<b>50'664</b>
General and administrative expenses	9	(77'103)	(38'997)
<b>Income before income taxes</b>		<b>20'000</b>	<b>11'667</b>
Income tax expense	4	(4'087)	(2'388)
<b>Net income</b>		<b>15'913</b>	<b>9'279</b>

See accompanying notes to the financial statements

## Swiss Credit Card Issuance 2016-1 AG

Statement of changes in shareholders' equity for the period

May 10 to December 31, 2016 and January 1 to December 31, 2017

	Common shares		Additional paid in capital	Retained earnings	Total
	Shares	Amount CHF	CHF	CHF	CHF
<b>Balance at 1 January 2017</b>	<b>100'000</b>	<b>100'000</b>	<b>50'000</b>	<b>9'279</b>	<b>159'279</b>
Issuance of common shares	-	-	-	-	-
Net income	-	-	-	15'913	15'913
Dividends paid	-	-	-	(9'000)	(9'000)
<b>Balance at 31 December 2017</b>	<b>100'000</b>	<b>100'000</b>	<b>50'000</b>	<b>16'192</b>	<b>166'192</b>

See accompanying notes to the financial statements

	Common shares		Additional paid in capital	Retained earnings	Total
	Shares	Amount CHF	CHF	CHF	CHF
<b>Balance at 10 May 2016</b>	-	-	-	-	-
Issuance of common shares	100'000	100'000	50'000	-	150'000
Net income	-	-	-	9'279	9'279
Dividends paid	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>100'000</b>	<b>100'000</b>	<b>50'000</b>	<b>9'279</b>	<b>159'279</b>

See accompanying notes to the financial statements

## Swiss Credit Card Issuance 2016-1 AG

Statement of cash flows for the period

	<u>For the year ended December 31, 2017</u>	<u>May 10 to December 31, 2016</u>
	CHF	CHF
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>15'913</b>	<b>9'279</b>
<b>Changes in operating assets and liabilities</b>		
Increase/(decrease) in due to affiliated company	30'321	143'774
Increase/(decrease) accrued expenses	(1'369)	259'564
Increase/(decrease) in income tax payable	1'653	2'293
<b>Net cash (used in)/provided operating activities</b>	<b>46'518</b>	<b>414'910</b>
<b>Cash flows from investing activities</b>		
Purchase of investment securities held to maturity	(26'613)	(200'193'428)
<b>Net cash (used in)/provided by investing activities</b>	<b>(26'613)</b>	<b>(200'193'428)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt / short-term borrowings	-	200'000'000
Proceeds from issuance of common shares	-	150'000
Dividends paid	(9'000)	-
<b>Net cash (used in)/provided in financing activities</b>	<b>(9'000)</b>	<b>200'150'000</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>371'482</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>382'387</b>	<b>371'482</b>

	<u>For the year ended December 31, 2017</u>	<u>May 10 to December 31, 2016</u>
	CHF	CHF
<b>Supplemental cash flow information</b>		
<b>Cash paid for income taxes and interest</b>	<b>2'435</b>	<b>95</b>
Cash paid for income taxes	2'435	95
Cash paid for interest	-	-

See accompanying notes to the financial statements



## Notes Swiss Credit Card Issuance 2016-1 AG

### 1 Background

#### 1.1 General

Swiss Credit Card Issuance 2016-1 AG (the Corporation), a share corporation (*Aktiengesellschaft*) founded in accordance with Article 620 et seq. of the Swiss Code of Obligation (CO), was incorporated as a special purpose vehicle under the laws of Switzerland with register number CHE-193.199.639.

Swiss Credit Card Issuance 2016-1 AG was registered with the commercial register of the Canton of Zurich on 10 May 2016 with Swisscard AECS GmbH (Swisscard) as its founder.

#### 1.2 Registered office

The Corporation's registered office is c/o Swisscard AECS GmbH at Neugasse 18, 8810 Horgen, Switzerland.

#### 1.3 Purpose and principal activities

The articles of incorporation of the Corporation are dated 10 May 2016 and the principal objects of the Swiss Credit Card Issuance 2016-1 AG are set out in Article 2 (*purpose*) thereof. The Corporation's principal activities are the issue of the class A notes, the class B notes and the class C notes, utilisation of the proceeds of those notes to acquire the corresponding Collateral Certificate, the execution and performance of the Transaction documents (collectively, the Transaction) to which it is a party and the exercise of related rights and powers and other activities reasonably incidental thereto.

The Corporation may not engage in any commercial, financial or other activities which do not directly or indirectly serve the purpose of the Transaction. The Corporation may not purchase shares or invest in other companies. The Corporation may not, for its own account or for the account of third parties, provide security, nor may it enter into guarantees, sureties or the like in favour of third parties.

The Corporation has no subsidiaries or employees.

Since its incorporation, the Corporation has not carried on any business or activities other than those incidental to its incorporation, the authorisation and issue of the class A notes, the class B notes and the class C notes and activities incidental to the exercise of its rights and compliance with its obligations under the Transaction documents and any other documents entered into in connection with the issue of the class A notes, the class B notes and the class C notes.

## 1.4 Members of the Board of Directors

The Board of Directors consists of one or several members, provided that at all times, there is and will be at least one member who is independent from Swisscard AECS GmbH (in accordance with the Swiss Code of Best Practice for Corporate Governance). The members of the Board of Directors of the Corporation are:

Name	Position
Daniel Bürchler	Chairman of the Board of Directors
Damian Weiss	Member and Secretary of the Board of Directors
Özlem Civelek	Member of the Board of Directors
Stephan Lohnert	Member of the Board of Directors
Jürgen Gölz	Member of the Board of Directors
Günter Haag (independent director)	Member of the Board of Directors

Pursuant to the terms of the Swiss Credit Card Issuance 2016-1 AG's Corporate Services Agreement, Swisscard AECS GmbH has and will provide directors and certain other corporate and administration services to the Corporation in consideration for the payment by the Corporation of an annual fee.

## 1.5 Capital, shares and capitalisation

The stated share capital of the Swiss Credit Card Issuance 2016-1 AG amounts to CHF 100'000 and is divided into 100'000 registered shares with a par value of CHF 1.00 each. The issue price for each share was CHF 1.50, CHF 150'000 in total. Swisscard AECS GmbH holds 98 per cent of the Swiss Credit Card Issuance 2016-1 AG's shares with the remaining two per cent being held by two independent shareholders.

## 1.6 Dividend

The General Assembly decided on the Board meeting of April 25, 2017 based on the proposal of the Board of Directors to distribute the dividend to shareholders as proposed on February 13, 2017. Hence Swiss Credit Card Issuance 2016-1 AG has paid CHF 8'820 to Swisscard AECS GmbH and CHF 180 to the independent shareholders whereof the related withholding tax was remitted to the Swiss tax authority.

## **1.7 Group structure and control of the Swiss Credit Card Issuance 2016-1 AG**

The Corporation was incorporated as a wholly owned subsidiary of Swisscard and two per cent of the shares were subsequently transferred to two persons who are not affiliated with Swisscard in any way (the "**Swiss Credit Card Issuance 2016-1 AG's Independent Shareholders**") (each holding one per cent. of the shares in the Swiss Credit Card Issuance 2016-1 AG). The Swiss Credit Card Issuance 2016-1 AG's Board of Directors consists of six directors of which one director is independent from Swisscard AECS GmbH. Certain measures have been implemented to mitigate any potential concerns regarding Swisscard's controlling position as the majority shareholder and on the Board of Directors, including the addition of provisions in the Swiss Credit Card Issuance 2016-1 AG's Articles of Association that:

- (a) shareholder resolutions in respect of the Shareholder Reserved Matters will require the consent of Swisscard and at least one Swiss Credit Card Issuance 2016-1 AG Independent Shareholder (i.e. 99 per cent of all shares of the Issuer SPV); and
- (b) any decisions by the board of directors relating to the Board Reserved Matters require the consent of an independent director.

## **1.8 The Shareholders' Agreement**

Swisscard AECS GmbH and the two independent shareholders have entered into a shareholders agreement dated 19 May 2016 (the "**Swiss Credit Card Issuance 2016-1 AG Shareholders Agreement**") pursuant to which the parties have agreed, *inter alia*, that:

- (a) the Swiss Credit Card Issuance 2016-1 AG's Independent Shareholders will act and vote independently from Swisscard;
- (b) Swisscard AECS GmbH will not vote for certain resolutions in the shareholders' meeting, including but not limited to
  - (i) the amendment of the Swiss Credit Card Issuance 2016-1 AG's Articles of Association;
  - (ii) the disposition of all or a substantive part of the assets of the Asset SPV, if such a disposition entails a factual liquidation of the Swiss Credit Card Issuance 2016-1 AG;
  - (iii) resolutions pursuant to the Swiss Merger Act; and
  - (iv) the removal of the auditors and members of the Swiss Credit Card Issuance 2016-1 AG Board of Directors, in each case,

unless at least one Swiss Credit Card Issuance 2016-1 AG's Independent Shareholder votes in favour of the relevant resolution;

- (c) following the occurrence of an Event of Default Swisscard AECS GmbH will procure that the members of the Swiss Credit Card Issuance 2016-1 AG's Board of Directors (other than the independent director) resign and that their signatory authority is withdrawn; and
- (d) following the resignation of a member of the board of directors (other than the independent director), the Swiss Credit Card Issuance 2016-1 AG's Independent Shareholder and Swisscard AECS GmbH shall elect without delay an additional member of the Board of Directors.

## **1.9 Financial statements and independent auditors**

The Corporation will not prepare interim financial statements. The financial year of the Corporation ends on 31 December in each calendar year.

The annual financial statements of the Corporation have to comply with US GAAP and the CO, its articles of incorporation and Article 7 of the Directive on Financial Reporting issued by SIX Swiss Exchange.

The independent auditors of the Corporation are obliged to have their domicile or a registered subsidiary in Switzerland and in accordance with Articles 728 and 729 et seq. CO, the auditors have to be independent.

## **2 Significant accounting policies**

The financial statements of the Corporation are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are stated in Swiss Francs (CHF). The financial year ends on December 31.

### **2.1 Use of estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **2.2 Cash and due from banks**

Cash and due from banks consists of currency on hand, demand deposits with banks or other financial institutions and cash equivalents. Cash equivalents are defined as short-term, highly liquid instruments with original maturities of three months or less, which are held for cash management purposes.

The following accounts are restricted as to the purposes described below:

## **2.2.1 Swiss Credit Card Issuance 2016-1 AG Distribution Account**

### **(1) Available Finance Charge collections**

On each Distribution Date prior to the occurrence of an Enforcement Event, the Swiss Credit Card Issuance 2016-1 AG Cash Manager has and will advise the Swiss Credit Card Issuance 2016-1 AG to apply and transfer available Finance Charge collections credited to the Swiss Credit Card Issuance 2016-1 AG Finance Charge ledger in or towards the satisfaction of the payments, transfers and provisions set out, and in the order specified, in the Finance Charge priority of payments.

### **(2) Available Principal collections**

On each Distribution Date prior to the occurrence of an Enforcement Event, following the application of the available Finance Charge collections and the reallocated Principal collections and any adjustments to the nominal liquidation amounts of the notes, the Swiss Credit Card Issuance 2016-1 AG cash manager has and will advise the Swiss Credit Card Issuance 2016-1 AG to distribute all remaining available Principal collections standing to the credit of the Swiss Credit Card Issuance 2016-1 AG Principal ledger in accordance with the Principal priority of payments.

### **(3) Reallocated Principal collections**

On each Distribution Date, following the application of the available Finance Charge collections in accordance with the Finance Charge priority of payments, the Swiss Credit Card Issuance 2016-1 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) has and will determine and calculate any shortfalls due to there being insufficient available Finance Charge collections for payment of any of the senior costs, the class A monthly interest amount, the class B monthly interest amount and the class C monthly interest amount, in each case, for such Distribution Date. If any such shortfall exists on the applicable Distribution Date, the Swiss Credit Card Issuance 2016-1 AG cash manager will advise the Swiss Credit Card Issuance 2016-1 AG to reallocate available Principal collections standing to the credit of the Swiss Credit Card Issuance 2016-1 AG Distribution Account on such Distribution Date in the order of priority outlined under the Transaction documents.

### **(4) Interest ledger**

The Swiss Credit Card Issuance 2016-1 AG's cash manager has and will maintain the interest ledger with sub-ledgers for each class of notes. On each Interest Payment Date, the Swiss Credit Card Issuance 2016-1 AG's cash manager, will debit the amount standing to the credit of the interest ledger and pay such amount in the following order of priority: (A) to the holder(s) of the class

A notes, (B) the holder(s) of the class B notes and (C) the holder(s) of the class C notes.

### **2.2.2 Accumulation Reserve Account**

The Swiss Credit Card Issuance 2016-1 AG has established and will maintain the Accumulation Reserve Account to assist with the payment by the Swiss Credit Card Issuance 2016-1 AG of the monthly interest amount payable on each note during the Controlled Accumulation Period.

On each Distribution Date following the Accumulation Reserve Account Funding Date and before the termination of the Accumulation Reserve Account, the Swiss Credit Card Issuance 2016-1 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) will apply the available Finance Charge collections in the order of priority described above under the Transaction documents to increase the amount credited to the Accumulation Reserve Account to equal the accumulation reserve required amount for such Distribution Date.

If the servicer determines, pursuant to the Collateral Certificate Trust Deed that the Controlled Accumulation Period is only required to be one monthly period, the Swiss Credit Card Issuance 2016-1 AG will not be required to fund the Accumulation Reserve Account. The Swiss Credit Card Issuance 2016-1 AG cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) may make withdrawals from the Accumulation Reserve Account in certain circumstances as outlined the Transaction documents.

### **2.2.3 Spread Account**

To assist with the payment by Swiss Credit Card Issuance 2016-1 AG of amounts payable on the class C notes, the Swiss Credit Card Issuance 2016-1 AG has established and will maintain the Spread Account. On each Distribution Date following the Spread Account Funding Date and before the termination of the Spread Account, the Swiss Credit Card Issuance 2016-1 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) will (A) deposit in the Spread Account an amount from the available Finance Charge collections which is equal to the required spread amount over the amount on deposit in the Spread Account on such Distribution Date; and (B) make withdrawals from the Spread Account as outlined under the Transaction documents.

### **2.2.4 Principal Funding Account**

On each Distribution Date (A) during the Controlled Accumulation Period, the Swiss Credit Card Issuance 2016-1 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) will accumulate, in the Principal Funding Account, available Principal collections received by the Swiss Credit Card Issuance 2016-1 AG to be applied towards payment of principal on the notes at the end of the Controlled Accumulation Period; and (B) during the Early Amortization Period, payments of Principal will not be accumulated by the Swiss Credit Card Issuance 2016-1 AG in the

Principal Funding Account for the notes and will instead be paid by the Swiss Credit Card Issuance 2016-1 AG to the relevant noteholder on each Distribution Date.

In addition, the Swiss Credit Card Issuance 2016-1 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) may make withdrawals from the Principal Funding Account as outlined under the Transaction documents.

## 2.2.5 Liquidity Reserve Account

On each Distribution Date falling on and following the occurrence of a Liquidity Trigger Event and before the termination of the Liquidity Reserve Account, the Swiss Credit Card Issuance 2016-1 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) will apply the available Finance Charge collections in the order of priority described above under the Transaction documents to increase the amount credited to the Liquidity Reserve Account to an amount equal to the sum of the liquidity amount.

The Swiss Credit Card Issuance 2016-1 AG's cash manager, (acting on behalf of the Swiss Credit Card Issuance 2016-1 AG) may make a withdrawal from the Liquidity Reserve Account on any Distribution Date in an amount sufficient to make up any shortfalls in the available Finance Charges according to the Transaction documents.

## CASH AND DUE FROM BANKS

	<u>As of</u> <u>December 31, 2017</u> CHF	<u>As of</u> <u>December 31, 2016</u> CHF
Current Account Issuer SPV	150'000	150'000
Issuer Distribution Account	232'387	221'482
Principal Funding Account	-	-
Spread Account	-	-
Accumulation Reserve Account	-	-
Liquidity Reserve Account	-	-
Issuer SPV Securities Account	-	-
<b>Total cash and due from banks</b>	<b>382'387</b>	<b>371'482</b>

All accounts listed in the table above (beside the Current Account Issuer SPV) are restricted as described in the Transaction documents.

### **2.3 Investment securities HTM**

Investment securities at December 31, 2017 include debt securities classified as held-to-maturity (HTM) and debt. Debt securities where the Corporation has the positive intent and ability to hold such securities to maturity are classified as HTM and are carried at amortized cost, net of any unamortized premium or discount. Premiums and discounts on debt securities are amortized over the life of the related HTM security and recorded in the "interest income" line in the statement of earnings using the effective yield method.

The Swiss Payments Assets AG has issued the "**Collateral Certificates**". The primary source of funds for the payment of principal of and interest on the notes will be the Collateral Certificate. The issuance of the certificate has been funded by the proceeds of the notes issuance of Swiss Credit Card Issuance 2016-1 AG. The Collateral Certificates are considered Investment securities HTM and have been accounted for as such in the financial statements as outlined above.

### **2.4 Deferred interest (Issuer Disbursement Amount)**

"Issuer Disbursement Amount" means, for each Monthly Period in respect of Issuer Certificate No. 5, the aggregate of all net Finance Charge collections allocated thereto from the Group I Finance Collections Ledger and transferred to the finance charge ledger in the Issuer Distribution Account on each Transfer Date following such monthly period for payment of the amounts set out under the Finance Charge priority of payments. Generally, Issuer Disbursement Amount is the contribution attributable to the Issuer Certificate No. 5 from the proceeds of the securitized portfolio to cover the expenses and to provide the profit of the Corporation.

The deferred interest (Issuer Disbursement Amount) for the month of December 2017 was calculated as follows and accounted in the "investment securities HTM" line of the balance sheet:



## DEFERRED INTEREST ISSUER CERTIFICATE NO. 5

	<u>As of</u> <u>December 31, 2017</u> CHF	<u>As of</u> <u>December 31, 2016</u> CHF
Senior costs	25'524	29'232
Class A's monthly interest amount	10'978	10'978
Class B's monthly interest amount	3'333	3'333
Class C's monthly interest amount	4'444	4'444
Current Issuer charge-offs	174'095	143'774
Issuer's monthly profit amount	1'667	1'667
<b>Deferred interest Issuer Certificate No. 5</b>	<b>220'041</b>	<b>193'428</b>

The deferral made on December 31, 2017 will be reversed on the immediately following Transfer Date, i.e. January 12, 2018.

### 2.5 Accrued expenses

Accrued expenses include accruals for general and administrative expenses as well as for interest expenses on the notes.

#### Accrued general and administrative expenses

Accruals have been set up for the Cash Management Fee (amount of CHF 540), audit fee (amount of CHF 26'838) and payroll expenses (amount CHF 1'062) as at December 31, 2017.

#### Accrued interest expenses notes

Accruals for interest expenses on the notes (class A: CHF 134'478; class B: CHF 40'833; class C: CHF 54'444) have been set up for the period from June 15, 2017 to December 31, 2017 and will be reversed on the next Interest Payment Date, i.e. June 15, 2018 (together with any accrued interest for the period January 1 to June 14, 2018).

## 2.6 Long-term debt

More information to the notes issued by Swiss Credit Card Issuance 2016-1 AG is provided in note 10.

### LONG-TERM DEBT

#### Notes

	<u>As of December 31, 2017</u> CHF	<u>As of December 31, 2016</u> CHF
Class A notes - nominal	190'000'000	190'000'000
Class B notes - nominal	6'000'000	6'000'000
Class C notes - nominal	4'000'000	4'000'000
<b>Total notes</b>	<b>200'000'000</b>	<b>200'000'000</b>

## 2.7 Fair value

The class A notes were traded on the Swiss Stock Exchange (SIX) at a price of 100.50 at the end of December 2017. The determination of the fair value for class A Notes is based on the last trading day of the class A notes with turnover (December 29, 2017).

For class B & C notes there was no adequate market data available as of December 2017. Hence a price of 100.00 has been taken for the determination of the fair value.

### FAIR VALUE BONDS

	<u>As of December 31, 2017</u>			<u>As of December 31, 2016</u>		
	Nominal CHF	Fair value CHF	Carrying value CHF	Nominal CHF	Fair value CHF	Carrying value CHF
Class A notes	190'000'000	190'950'000	190'000'000	190'000'000	191'045'000	190'000'000
Class B notes	6'000'000	6'000'000	6'000'000	6'000'000	6'000'000	6'000'000
Class C notes	4'000'000	4'000'000	4'000'000	4'000'000	4'000'000	4'000'000
<b>Total notes</b>	<b>200'000'000</b>	<b>200'950'000</b>	<b>200'000'000</b>	<b>200'000'000</b>	<b>201'045'000</b>	<b>200'000'000</b>

## 2.8 Interest income and interest expenses

The interest income of the Corporation mainly contains interest proceeds from the Issuer Certificate No. 5.

Interest expenses in general contain all interest expenses of the Corporation in relation to interest paid to the noteholders of the class A, B & C-notes.

## 3 Concentration of credit risk

Based on the Corporation structure and the nature of business, the Corporation is economically closely related to Swiss Payments Assets AG (a subsidiary of Swisscard AECS GmbH). The major asset of the Corporation consists of the Issuer Certificate No. 5 that entitles the Corporation in its share of the securitized portfolio held by Swiss Payments Assets AG. There are several structural risk mitigation factors in place to protect the bondholders of the Corporation from the risk of credit losses and as a result from impairment of the certificates. These risk mitigation factors were also required by rating agencies in order to provide a investment grade rating. Swisscard AECS GmbH as current Originator of the receivables has certain risk policies, controls and procedures in place to manage and mitigate credit risk as part of its servicing activities.

## 4 Income taxes

Currently, the Corporation has a tax ruling in place with the relevant tax authorities of Switzerland for income taxes. The tax ruling defines the required minimum profit for the taxation of income taxes in Horgen, canton Zurich (incl. cantonal and federal taxes). Due to the concept of deferred interest (Issuer Disbursement Amount), the Corporation only receives the revenues and the cash flows needed in order to obtain the minimum profit amount and to cover all its expenses.

Based on the Corporation's business there are no valuation differences between US GAAP and CO which is also the basis for the tax financial statements as a result there are no deferred taxes for the year 2017.

### INCOME TAX EXPENSE

	<u>As of</u> <u>December 31, 2017</u> CHF	<u>As of</u> <u>December 31, 2016</u> CHF
Current income tax expense	4'087	2'388
Deferred income tax expense	-	-
<b>Total income tax expense</b>	<b>4'087</b>	<b>2'388</b>

## **5 Credit facilities**

There are no credit facilities in place for Swiss Credit Card Issuance 2016-1 AG with any financial institution to provide liquidity reserves or similar credit facilities.

Concerning refinancing of the Corporation, please refer also to note 10 Commercial paper outstanding / notes.

## **6 Derivative financial instruments**

No derivative financial instruments are used by the Corporation.

## **7 Financial instruments (leveling)**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value and categorizes instruments into three broad levels for disclosure purposes. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs used in model-based valuation techniques (Level 3). The fair value hierarchy level in which an individual instrument falls should be determined based on the lowest level input that is significant to the fair value measurement of the instrument in its entirety. Instruments that are not measured at fair value, e.g., accrual-based instruments, bifurcated hybrid instruments where the host remains at accrual value, and items in hedge accounting relationships, need not be included in the fair value hierarchy level disclosures. However, instruments that are measured at fair value on a nonrecurring basis, e.g., assets held at the lower of cost or fair value or assets with other-than-temporary impairment, would be included in the hierarchy level disclosures only in the period in which the measurement to fair value was recorded and separately disclosed as part of nonrecurring disclosures.

### **Level 1**

Level 1 instruments are defined as those with prices that are quoted in active markets. An active market is a market characterized by high volume, either for a specific security or an entire exchange. Usually, active markets are more liquid and have small bid/ask spreads. Assessing whether an instrument or an entire market is active is a subjective determination. In considering the application of this definition, a number of factors (e.g. volume, sufficient frequency, volume transparency, liquidity, spreads) can be considered.

### **Level 2**

An instrument that does not meet the definition of Level 1 or Level 3 will be classified as Level 2. Generally, Level 2 instruments include fair value amounts of assets or liabilities that are priced by using:

- a) Quoted prices for identical assets or liabilities in markets that are not active, adjusted for concentration risk and market illiquidity (i.e., stale reserve) etc., or
- b) Quoted prices for similar assets or liabilities in active markets, adjusted as appropriate provided that adjustments are objectively determinable (e.g., restricted securities, or private placements), or
- c) Valuation techniques (modeling) that are based on significant market-observable inputs:
- 1) Inputs other than quoted prices that are observable for the assets/liabilities, or
  - 2) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

### **Level 3**

Level 3 inputs are defined as those that are unobservable. For an instrument to be classified as Level 3, the unobservable input(s) must be significant to the fair value measurement of the instrument in its entirety. Unobservable inputs are those where there are no reliable quotes or transparent activity information available in the marketplace. The use of significant unobservable quotes does not disqualify the use of fair value measurement.

The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the balance sheet. Beginning in January 2012, US GAAP requires the disclosure of the fair values of these financial instruments within the fair value hierarchy prospectively.

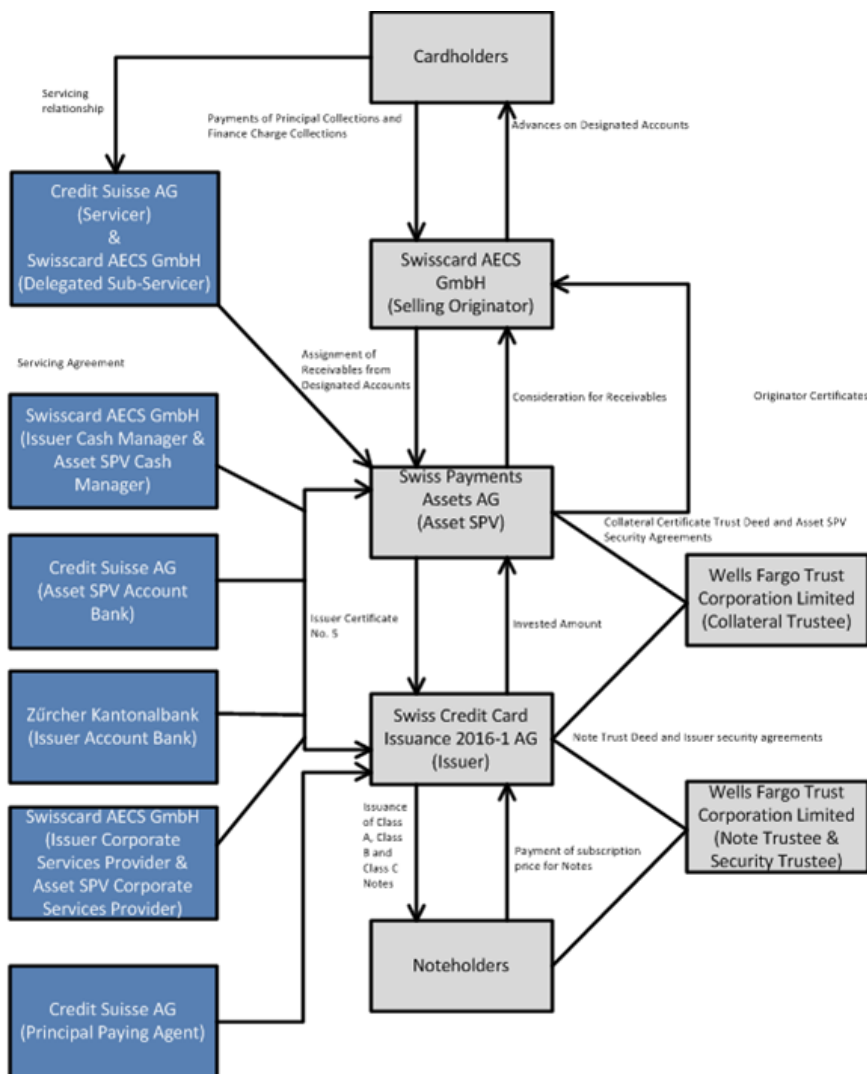
### **LEVELING**

<b>As of December 31, 2017</b>					
	<b>Carrying value</b>	Level 1	Level 2	Level 3	<b>Fair value Total</b>
<b>Financial assets (in CHF)</b>					
Issuer investment / Issuer Certificate No. 5	200'000'000	-	200'950'000	-	200'950'000
<b>Financial liabilities (in CHF)</b>					
Notes - class A (bonds)	190'000'000	190'950'000	-	-	190'950'000
Notes - class B (bonds)	6'000'000	-	6'000'000	-	6'000'000
Notes - class C (bonds)	4'000'000	-	4'000'000	-	4'000'000

	Carrying value	Level 1	Level 2	Level 3	Fair value Total
<b>Financial assets (in CHF)</b>					
Issuer investment / Issuer Certificate No. 5	200'000'000	-	201'045'000	-	201'045'000
<b>Financial liabilities (in CHF)</b>					
Notes - class A (bonds)	190'000'000	191'045'000	-	-	191'045'000
Notes - class B (bonds)	6'000'000	-	6'000'000	-	6'000'000
Notes - class C (bonds)	4'000'000	-	4'000'000	-	4'000'000

## 8 Related parties

Major related parties to the Corporation are:



## **8.1 Credit Suisse AG**

In connection with the Transaction, Credit Suisse AG has been appointed as:

- Servicer pursuant to the Servicing Agreement
- Principal Paying Agent pursuant to the Principal Paying Agency Agreement

## **8.2 Swisscard AECS GmbH**

In connection with the Transaction, Swisscard AECS GmbH has been appointed as:

- an Originator pursuant to the Receivables Sale and Purchase Agreement
- an Originator Certificate holder pursuant to the Collateral Certificate Trust Deed
- Cash Manager (Swiss Credit Card Issuance 2016-1 AG's Cash Manager) under the Issuer SPV Cash Management Agreement and pursuant to the Collateral Certificate Trust Deed
- Corporate Services Provider (Swiss Credit Card Issuance 2016-1 AG's SPV Corporate Services Provider) pursuant to the Issuer Corporate Services Agreement

## **8.3 Wells Fargo Trust Corporation Ltd**

Wells Fargo Trust Corporation Limited ("WFTCL") has been appointed as the Collateral Trustee under the Collateral Certificate Trust Deed, the Note Trustee under the Note Trust Deed and the Security Trustee under the Security Trust Deed. WFTCL is a private limited corporation registered in England and Wales, registration number 4409492 with its registered office at One Plantation Place, 30 Fenchurch Street, London, EC3M 3BD. Established on 4 April 2002, WFTCL is an indirect wholly-owned subsidiary of Wells Fargo & Co. WFTCL falls within Wells Fargo's Corporate Trust Services business line, which provides fiduciary, agency and trustee services on structured and vanilla debt securities issued by public and private corporations, government entities, financial institutions and special purpose vehicles, as well as providing other corporate trust and agency services.

## **8.4 Swiss Payments Assets AG**

Swiss Payments Assets AG (the "Asset SPV") is a special purpose entity with limited permitted activities. In order to purchase receivables, the Asset SPV will use the proceeds of the issue of Collateral Certificates pursuant to a Collateral Certificate Trust Deed to be entered into between, amongst others, the Asset SPV, the collateral trustee and the holders of the Collateral Certificates.

## 9 Administrative fee reimbursement

As the Corporation has no employees, most of the services are provided externally by the related parties (see note 8). The related parties provide their services on an at arm's length principle to the Corporation. The independent director of the Board is compensated for his efforts. The following chart shows all major fee flows to the related parties.

### ADMINISTRATIVE FEE REIMBURSEMENT

Related party	Fee	as of	as of
		December 31, 2017	December 31, 2016
		CHF	CHF
Swisscard AECS GmbH	Cash Management Fee	6'480	3'240
<b>Total</b>		<b>6'480</b>	<b>3'240</b>

Pursuant to the Corporate Services Agreement, the Corporation has appointed Swisscard AECS GmbH as the corporate services provider to provide certain corporate and administrative functions.

## 10 Commercial paper outstanding / notes

The Swiss Credit Card Issuance 2016-1 AG has issued the following classes of notes:

Class	Principal amount	Interest rate
Class A notes	CHF 190'000'000	0.130 per cent
Class B notes	CHF 6'000'000	1.250 per cent
Class C notes	CHF 4'000'000	2.500 per cent

### 10.1 Denomination

CHF 5'000 (and integral multiples thereof) with respect to the class A notes and CHF 100'000 (and integral multiples thereof) with respect to the class B notes and the class C notes.

### 10.2 Listing

The notes are listed on the SIX Swiss Exchange.

### 10.3 Issue Date

15 June 2016



## **10.4 Distribution Date**

15<sup>th</sup> day of each month and where the relevant distribution date is not a business day, the immediately following business day. On the Distribution Date, the Issuer Disbursement Amount on the Issuer Certificate No. 5 is paid to the Corporation.

## **10.5 Interest Payment Date**

15<sup>th</sup> day of June of each year or, following the occurrence of an Early Amortization Event according to the Transaction, each Distribution Date, provided that, in each case, if such day is not a business day, the next following business day.

On June 15, 2017 Swiss Credit Card Issuance 2016-1 AG paid pursuant to the contracts the first coupon (incl. principal agency fee and withholding tax) to the noteholders as follows:

Class A noteholders: CHF 266'000

Class B noteholders: CHF 75'600

Class C noteholders: CHF 100'400

## **10.6 Scheduled Redemption Date and Final Redemption Date**

The Scheduled Redemption Date is set to be on the 15<sup>th</sup> of June 2019 and the Final Redemption date is set to be on the 15<sup>th</sup> of June 2021.

If the nominal liquidation amount of any class of notes is not paid in full by the Final Redemption Date (subject to any applicable grace period), an Event of Default will occur with respect to that note. However, if the nominal liquidation amount of any class of notes is paid in full as of the final Redemption Date (or within any applicable grace period), but the outstanding Principal amount of such class of notes is not (after giving effect to all distributions in accordance with the applicable priority of payments on such date), then, on the immediately following business day, the remaining outstanding Principal amount shall cease to be due and payable by the Swiss Credit Card Issuance 2016-1 AG.

## **10.7 Status, ranking and payment**

The notes constitute direct, secured and unconditional asset backed debt obligations of the Swiss Credit Card Issuance 2016-1 AG. The notes are secured, among other things (*inter alia*), by payments received by the Swiss Credit Card Issuance 2016-1 AG under and pursuant to Issuer Certificate No. 5. The Swiss Credit Card Issuance 2016-1 AG's ability to make payments of interest and principal to noteholders will ultimately be dependent upon collections of the underlying credit card receivables in the securitized portfolio.

Such payments will, if paid in full, be sufficient for the Swiss Credit Card Issuance 2016-1 AG to meet the amounts required

- a. to pay the fees, costs and expenses of the Swiss Credit Card Issuance 2016-1 AG, the note trustee and the security trustee,
- b. to make payments of interest on the notes,
- c. to make payments of Principal on the notes on the relevant Distribution Date,
- d. to pay certain amounts representing profit for the Swiss Credit Card Issuance 2016-1 AG in the conduct of its business, and
- e. to make other payments required to be made by the Swiss Credit Card Issuance 2016-1 AG from time to time.

The notes will be constituted by the Note Trust Deed. The class A notes will rank in priority of payment to the class B notes and the class C notes; and the class B notes will rank in priority of payment to the class C notes.

### **10.8 Measurement of the notes**

As the notes do not contain any embedded derivatives and management of the Corporation decided not to elect the fair value option, the notes will be accrual accounted. The notes have been issued with no premium.

### **11 Subsequent events**

There are no subsequent events. Subsequent events have been evaluated through 16 March 2018, which is the date the financial statements were available to be issued.