

Annual Report

2013

Swiss Credit Card Issuance No. 2 AG

Financial statements as of and for the period
February 12 to December 31, 2013
(with independent Auditor's Report thereon)

Swisscard Credit Card Issuance No. 2 AG

Financial statements as of and for the period
February 12 to December 31, 2013

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Independent Auditors' Report

The Board of Directors

Swiss Credit Card Issuance No. 2 AG, Horgen

Report on the Financial Statements

We have audited the accompanying financial statements of Swiss Credit Card Issuance No. 2 AG, which comprise the balance sheet as of December 31, 2013 and the related statements of income, changes in shareholders' equity, and cash flows for the period February 12 to December 31, 2013 and the related notes to the financial statements.

Board of Directors Responsibility for the Financial Statements

The board of directors is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles and Swiss law; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Swiss Credit Card Issuance No. 2 as of December 31, 2013 and the results of its operations and its cash flows for the period February 12 to December 31, 2013 in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

KPMG AG



Marianne Müller
*Licensed Audit Expert
Auditor in Charge*



Juliane Schraps
Licensed Audit Expert

Zurich, March 24, 2014

Enclosures:

- Financial statements (balance sheet, statement of earnings, changes in shareholders' equity, cash flows and the related notes)

Swiss Credit Card Issuance No.2 AG

Balance sheet as at

	<u>Note</u>	<u>December 31, 2013</u> CHF
Assets		
Cash and due from banks	2.2	808'379
Other assets	2.3	141
Investment securities HTM	2.4 / 2.5	200'788'739
Total assets		201'597'259
Liabilities and shareholders' equity		
Due to affiliated company		289'427
Accrued expenses	2.6	720'963
Income tax payable		5'035
Long-term debt	2.7	200'421'466
Total liabilities		201'436'891
Shareholders' equity		
Common stock, CHF 1.00 par value (Authorized 100,000 shares, issued and outstanding 100,000 shares in 2013)	1.5	100'000
General reserves	1.5	50'000
Retained earnings		10'368
Total shareholders' equity		160'368
Total liabilities & shareholders' equity		201'597'259

See accompanying notes to the financial statements

Swiss Credit Card Issuance No.2 AG

Statement of earnings for the period

	<u>Note</u>	<u>February 12 to December 31, 2013</u> CHF
Interest income	2.10	2'873'242
Interest expense	2.10	-2'801'308
Net interest income		71'934
<hr/>		
Net revenues		71'934
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General and administrative expenses	9	-56'531
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Income before income taxes		15'403
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Income tax expense	4	-5'035
<hr/>		
Net income		10'368

See accompanying notes to the financial statements

Swiss Credit Card Issuance No.2 AG

Statement of changes in shareholders' equity for the period
February 12 to December 31, 2013

Balance at 12 February 2013

Issuance of common shares

Net income

Balance at 31 December 2013

	Common shares		Additional paid in capital CHF	Retained earnings CHF	Total CHF
	Shares	Amount CHF			
Balance at 12 February 2013	-	-	-	-	-
Issuance of common shares	100'000	100'000	50'000	-	150'000
Net income	-	-	-	10'368	10'368
Balance at 31 December 2013	100'000	100'000	50'000	10'368	160'368

See accompanying notes to the financial statements

Swiss Credit Card Issuance No.2 AG

Statement of cash flows for the period

February 12 to
December 31, 2013
CHF**Cash flows from operating activities**

Net income 10'368

Changes in operating assets and liabilities

(Increase)/decrease other assets -141
(Increase)/decrease in due to affiliated company 289'427
(Increase)/decrease accrued expenses 720'963
(Increase)/decrease in income tax payable 5'035

Net cash provided by operating activities 1'025'652**Cash flows from investing activities**

Purchase of investment securities held to maturity -200'788'739

Net cash used in investing activities -200'788'739**Cash flows from financing activities**

Proceeds from issuance of long-term debt 200'421'466
Proceeds from issuance of common shares 150'000

Net cash provided by financing activities 200'571'466

Cash and cash equivalents at the beginning of the period -

Cash and cash equivalents at the end of the period 808'379February 12 to
December 31, 2013
CHF**Supplemental cash flow information****Cash paid for income taxes and interest 133**

Cash paid for income taxes 133

Cash paid for interest -

See accompanying notes to the financial statements

Notes Swiss Credit Card Issuance No.2 AG

1 Background

1.1 General

Swiss Credit Card Issuance No. 2 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 CH-020.3.038.850-9.

Swiss Credit Card Issuance No. 2 AG was registered with the commercial register of the Canton of Zurich on 12 February 2013 with Swisscard as its founder. Therefore, the financial statements for the period from February 12 to December 31st, 2013 represent the first business year with no previous business activity.

1.2 Registered office

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

1.3 Purpose and principal activities

The articles of incorporation of the Corporation are dated 5 February 2013 and the principal objects of the Swiss Credit Card Issuance No. 2 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 AG (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
Klaus Rixecker	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 No. 2 AG's Corporate Services Agreement, Swisscard AECS AG 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 No. 2 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 AG holds 98 per cent of the Swiss Credit Card Issuance No. 2 AG's shares with the remaining two per cent being held by two independent shareholders.

1.6 Group structure and control of the Swiss Credit Card Issuance No. 2 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 No. 2 AG's Independent Shareholders**") (each holding one per cent. of the shares in the Swiss Credit Card Issuance No. 2 AG). The Swiss Credit Card Issuance No. 2 AG's Board of Directors consists of six directors of which one director is independent from Swisscard AECS AG. 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 No. 2 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 No. 2 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.

1.7 The Shareholders' Agreement

Swisscard AECS AG and the two independent shareholders have entered into a shareholders agreement dated 18 February 2013 (the "**Swiss Credit Card Issuance No. 2 AG Shareholders Agreement**") pursuant to which the parties have agreed, *inter alia*, that:

- (a) the Swiss Credit Card Issuance No. 2 AG's Independent Shareholders will act and vote independently from Swisscard;
- (b) Swisscard AECS AG will not vote for certain resolutions in the shareholders' meeting, including but not limited to
 - (i) the amendment of the Swiss Credit Card Issuance No. 2 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 No. 2 AG;
 - (iii) resolutions pursuant to the Swiss Merger Act; and
 - (iv) the removal of the auditors and members of the Swiss Credit Card Issuance No. 2 AG Board of Directors, in each case,unless at least one Swiss Credit Card Issuance No. 2 AG's Independent Shareholder votes in favour of the relevant resolution;
- (c) following the occurrence of an Event of Default Swisscard AECS AG will procure that the members of the Swiss Credit Card Issuance No. 2 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 No. 2 AG's Independent Shareholder and Swisscard AECS AG shall elect without delay an additional member of the Board of Directors.

1.8 Financial statements and independent auditors

The Corporation publishes its first financial statements in respect of the period from February 12 to 31 December 2013. 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 No. 2 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 No. 2 AG Cash Manager has and will advise the Swiss Credit Card Issuance No. 2 AG to apply and transfer available Finance Charge collections credited to the Swiss Credit Card Issuance No. 2 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 No. 2 AG cash manager has and will advise the Swiss Credit Card Issuance No. 2 AG to distribute all remaining available Principal collections standing to the credit of the Swiss Credit Card Issuance No. 2 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 No. 2 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 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 No. 2 AG cash manager will advise the Swiss Credit Card Issuance No. 2 AG to reallocate available Principal collections standing to the credit of the Swiss Credit Card Issuance No. 2 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 No. 2 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 No. 2 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 No. 2 AG has established and will maintain the Accumulation Reserve Account to assist with the payment by the Swiss Credit Card Issuance No. 2 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 No. 2 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 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 No. 2 AG will not be required to fund the Accumulation Reserve Account. The Swiss Credit Card Issuance No. 2 AG cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 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 No. 2 AG of amounts payable on the class C notes, the Swiss Credit Card Issuance No. 2 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 No. 2 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 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 No. 2 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 AG) will accumulate, in the Principal Funding Account, available Principal collections received by the Swiss Credit Card Issuance No. 2 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 No. 2 AG in the Principal Funding Account for the notes and will instead be paid by the Swiss Credit Card Issuance No. 2 AG to the relevant noteholder on each Distribution Date.

In addition, the Swiss Credit Card Issuance No. 2 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 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 No. 2 AG's cash manager (acting on behalf of the Swiss Credit Card Issuance No. 2 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 No. 2 AG's cash manager, (acting on behalf of the Swiss Credit Card Issuance No. 2 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

	<u>As of</u> <u>December 31, 2013</u> CHF
Current Account Issuer SPV	149'963
Issuer Distribution Account	658'416
Principal Funding Account	-
Spread Account	-
Accumulation Reserve Account	-
Liquidity Reserve Account	-
Issuer SPV Securities Account	-
Total cash and due from banks	808'379

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

2.3 Other assets

The position "other assets" CHF 141 in the balance sheet consists of (only) one receivable account which represents the withholding tax of 35 per cent on the interest earned on bank accounts.

In January 2014 Swiss Credit Card Issuance No. 2 AG has requested a refund of the withholding tax due (CHF 141).

2.4 Investment securities HTM

Investment securities at December 31, 2013 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 No. 2 AG. The Collateral Certificates are considered Investment securities HTM and have been accounted for as such in the financial statements as outlined above.

2.5 Deferred interest (Contingent Interest)

"Contingent Interest" means, for each Monthly Period in respect of Issuer Certificate No. 2, 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, Contingent Interest is the contribution attributable to the Issuer Certificate No. 2 from the proceeds of the securitized portfolio to cover the expenses and to provide the profit of the Coporation.

The deferred interest (Contingent Interest) for the month of December 2013 was calculated as follows and accounted in the "investment securities HTM" line of the balance sheet:

CONTINGENT INTEREST

Deferred interest Issuer Certificate No. 2

	As of December 31, 2013 CHF
Senior costs	35'396
Class A's monthly interest amount	31'633
Class B's monthly interest amount	4'650
Class C's monthly interest amount	4'500
Current Issuer charge-offs	289'427
Issuer's monthly profit amount	1'667
Deferred interest Issuer Certificate No. 2	367'273

The deferral made on December 31, 2013 will be reversed on the immediately following Transfer Date, i.e. January 14, 2014.

2.6 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 34'020) and payroll expenses (amount CHF 1'243) as at December 31, 2013.

Accrued interest expenses notes

Accruals for interest expenses on the notes (class A: CHF 531'440; class B: CHF 78'120; class C: CHF 75'600) have been set up for the period from April 19, 2013 to December 31, 2013 and will be reversed on the next Interest Payment Date, i.e. June 16, 2014 (together with any accrued interest for the period January 1 to June 15, 2014).

2.7 Long-term debt

More information to the notes issued by Swiss Credit Card Issuance No. 2 AG is provided in note 10.

LONG-TERM DEBT

Notes class A

	<u>As of</u> <u>December 31, 2013</u> CHF
Class A notes - nominal	189'800'000
Premium	525'746
Amortisation premium	-124'519
Total class A (bonds)	190'201'227

Notes class B

	<u>As of</u> <u>December 31, 2013</u> CHF
Class B notes - nominal	6'200'000
Premium	18'600
Amortisation premium	-4'405
Total class B (bonds)	6'214'195

Notes class C

	<u>As of</u> <u>December 31, 2013</u> CHF
Class B notes - nominal	4'000'000
Premium	7'920
Amortisation premium	-1'876
Total class C (bonds)	4'006'044

2.8 Premium and Premium Amortisation

The notes have been issued above face value resulting in a premium of CHF 552'266 recorded in the "long-term debt" line item of the balance sheet. The premium will be amortized over the maturity of the notes, i.e. 3 years. For additional information regarding the notes issued by Swiss Credit Card Issuance No. 2 AG we refer to note 10.

	<u>Class A notes</u>	<u>Class B notes</u>	<u>Class C notes</u>	<u>Total</u>
	CHF	CHF	CHF	
Principal amount (nominal)	189'800'000	6'200'000	4'000'000	200'000'000
Issue price	100.277%	100.300%	100.198%	100.276%
Premium on the notes	525'746	18'600	7'920	552'266

2.9 Fair value

The class A notes were traded on the Swiss Stock Exchange (SIX) at a price of 99.95 at the end of December 2013. 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 30, 2013).

FAIR VALUE BONDS

	As of December 31, 2013		
	Nominal CHF	Fair value CHF	Carrying value CHF
Class A notes	189'800'000	189'705'100	190'201'227
Class B notes	6'200'000	6'200'000	6'214'195
Class C notes	4'000'000	4'000'000	4'006'044
Total notes	200'000'000	199'905'100	200'421'466

2.10 Interest income and interest expenses

The interest income of the Corporation mainly contains interest proceeds from the Issuer Certificate No. 2.

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 AG). The major asset of the Corporation consists of the Issuer Certificate No.2 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. Credit Suisse AG as 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 Contingent Interest, 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 period February 12 to December 31, 2013.

	<u>As of</u> <u>December 31, 2013</u> CHF
Current income tax expense	5'035
Deferred income tax expense	-
Total income tax expense	5'035

5 Credit facilities

There are no credit facilities in place for Swiss Credit Card Issuance No. 2 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.

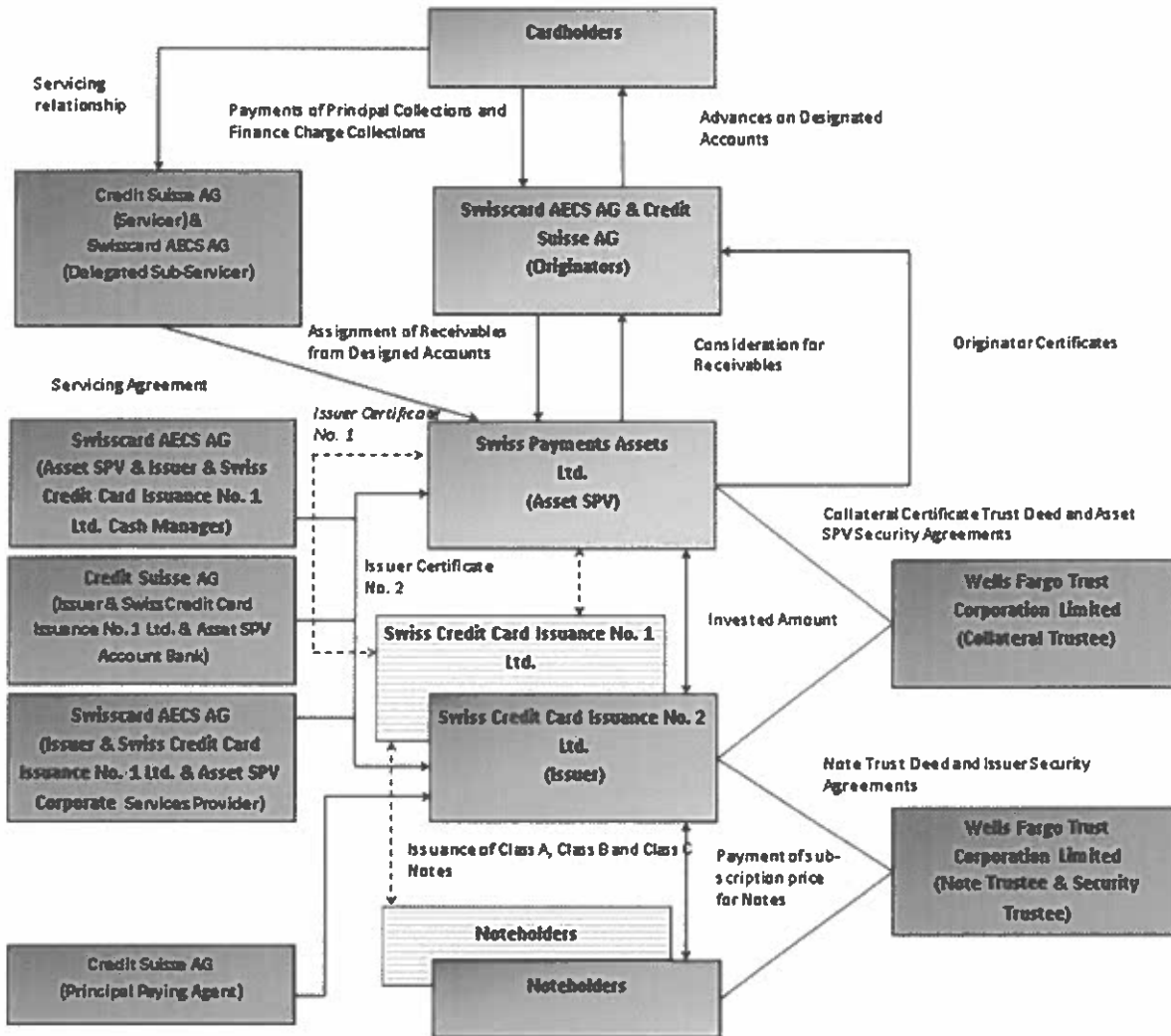
The following table provides the carrying value and fair value of financial instruments which are not carried at fair value in the balance sheet. Beginning in January 2012, US GAAP requires the disclosure of the fair values of these financial instruments within the fair value hierarchy prospectively.

As of December 31, 2013

	Carrying value	Level 1	Level 2	Level 3	Fair value Total
Financial assets (in CHF)					
Issuer investment / Issuer Certificate No.2	200'421'466	-	199'905'100	-	199'905'100
Financial liabilities (in CHF)					
Notes - class A (bonds)	190'201'227	189'705'100	-	-	189'705'100
Notes - class B (bonds)	6'214'195	-	6'200'000	-	6'200'000
Notes - class C (bonds)	4'006'044	-	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:

- Arranger;
- a Selling Originator pursuant to the Receivables Sale and Purchase Agreement
- an Originator Certificateholder pursuant to the Collateral Certificate Trust Deed

- Servicer pursuant to the Servicing Agreement
- Principal Paying Agent pursuant to the Principal Paying Agency Agreement and
- Account Bank pursuant to the Account Bank Agreement

8.2 Swisscard AECS AG

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

- an Originator pursuant to the Receivables Sale and Purchase Agreement although it was not a Selling Originator as at the Closing Date or at December 31, 2013.
- an Originator Certificate holder pursuant to the Collateral Certificate Trust Deed
- Cash Manager (Swiss Credit Card Issuance No. 2 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 No. 2 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 6-8 Underwood Street, London N1 7JQ. 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.

8.5 Swiss Credit Card Issuance No. 1 AG

Swiss Credit Card Issuance No. 1 AG (the "Issuer" or "Issuer SPV No.1") is a special purpose entity with limited permitted activities including, amongst other things, issuing the CHF 351'100'000 class A notes, 2012-1 due June 2015, the CHF 11'500'000 class B notes, 2012-1 due June 2015 and the CHF 7'400'000 class C notes, 2012-1 due June 2015. On the Closing Date, the Issuer will utilise the proceeds of the issuance of the notes to fund its initial investment under a Collateral Certificate ("Issuer Certificate No. 1").

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 and are reported as part of the position general and administrative expenses

ADMINISTRATIVE FEE REIMBURSEMENT

Related party	Fee	as of
		December 31, 2013
		CHF
Swisscard AECS AG	Cash Management Fee	4'860
Credit Suisse AG	Account Bank Fee	7'500
Total		12'360

Credit Suisse AG (in its capacity as "Issuer SPV Account Bank") provides the Corporation with certain banking services including the establishment and operation of the Issuer SPV bank accounts pursuant to an Account Bank Agreement (to be entered into between, among others, the Issuer SPV and the Issuer SPV Account Bank).

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

10 Commercial paper outstanding / notes

The Swiss Credit Card Issuance No. 2 AG has issued the following classes of notes:

Class	Principal amount	Interest rate
Class A notes	CHF 189'800'000	0.400 per cent
Class B notes	CHF 6'200'000	1.800 per cent
Class C notes	CHF 4'000'000	2.700 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

19 April 2013.

10.4 Distribution Date

15th 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 Contingent Interest on the Issuer Certificate No. 2 is paid to the Corporation.

10.5 Interest Payment Date

15th 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

10.6 Scheduled Redemption Date and Final Redemption Date

The Scheduled Redemption Date is set to be on the 15th of June 2016 and the Final Redemption date is set to be on the 15th of June 2018.

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 No. 2 AG.

10.7 Status, ranking and payment

The notes constitute direct, secured and unconditional asset backed debt obligations of the Swiss Credit Card Issuance No. 2 AG. The notes are secured, among other things (*inter alia*), by payments received by the Swiss Credit Card Issuance No. 2 AG under and pursuant to Issuer Certificate No. 2. The Swiss Credit Card Issuance No. 2AG'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 No. 2 AG to meet the amounts required

- a. to pay the fees, costs and expenses of the Swiss Credit Card Issuance No. 2 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 No. 2 AG in the conduct of its business, and
- e. to make other payments required to be made by the Swiss Credit Card Issuance No. 2 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 a premium (class A notes issue price 100.277%, class B notes issue price 100.300%, class C notes issue price 100.198%). Premiums on debt instruments that are not carried at fair value in their entirety are included as a component of the yield (interest expense) on the instrument and amortized using the effective interest method. For details, please also refer to note 2.8

11 Subsequent events

There are no subsequent events. Subsequent events have been evaluated through 24 March 2014, which is the date the financial statements were available to be issued.