SUCCESSFUL FIRST HALF OF 2016 FOR THE ADUNO GROUP

Supported by persistently good consumer sentiment, the Aduno Group posted considerable growth in the Payment division and broke through the mark of 1.4 million issued cards for the first time. The Group continued to forge ahead with the digital transformation of the cards business. Consumer Finance held up very well in a competitive market.

The Aduno Group was in good shape in the first half of 2016 and increased its revenue by 28.5 per cent on the prior-year period to CHF 315.1 million. This growth was supported by the solid performance of the Payment division comprising the Issuing business of Viseca Card Services SA (Viseca), the Acquiring business of Aduno SA (Aduno) and AdunoKaution AG (AdunoKaution). The revenue also includes a substantial one-off contribution paid to the Aduno Group as a member of Visa Europe Ltd. following the latter’s takeover by Visa Inc. The Payment division expanded its business volume considerably to partially compensate for the decline in commission income following the regulatory reduction of the domestic interchange fee from 0.95 per cent to 0.7 per cent in August 2015. The increase in new card sales is also encouraging, as this will grow the annual fees and generate higher commission income in future.

Consumer Finance with cashgate AG (cashgate) faced a market that is continuing to shrink in the first half of 2016. In this environment, the increase in new volumes for the personal credit business is particularly reassuring and compensated more or less for the margin decline resulting from the prescribed reduction in the maximum interest rate for personal credits, which was implemented early on 1 April 2016, as well as falling volumes in the leasing business.

The Aduno Group continued to invest heavily in digital transformation and mobile payment projects in the reporting period. This is also reflected in the number of employees: in the middle of 2016, the Aduno Group employed 806 full-time equivalents, 50 more than at the beginning of the year, as a result of which personnel expenses were also up from the same period last year. The operating result for the first half of 2016 was CHF 89.6 million, which is more than double the amount posted in the prior-year period, although this was largely due to the extraordinary contribution by Visa. The net profit was CHF 74.9 million.
Digital services are popular

In the reporting period, the Payment division continued to push ahead with the digital transformation of credit and PrePaid cards and its digital payment solutions. The launch of VisecaOne and Viseca MasterPass was a big success and more than 400,000 Viseca cardholders have already registered for these digital services and installed the free VisecaOne app. These customers now benefit from a simple but very secure authentication process for online payments. They can also use Viseca MasterPass, a digital wallet developed in collaboration with MasterCard. In contrast to other digital wallets, Viseca MasterPass is available globally. As it has already been launched in 34 countries, Viseca customers can also use this solution in foreign online shops. In Switzerland, Viseca MasterPass is supported by more than 2,500 online merchants.

The credit card interface for its personal finance management (PFM) solution developed in collaboration with the fintech start-up Contovista AG has also met with a positive response from customers and partner banks. Customers who activate this service in the e-banking portal of their house bank can view a list of all credit card transactions, search all transactions in e-banking and create diagrams to visualise all transactions, making it very easy for individual customers to keep track of their transactions. Given the enormous potential of such data analytics solutions, the Aduno Group acquired a stake of 14.3 per cent in Contovista AG.

Cardholders and merchants still favour the surprize rewards programme, which is also based on the intelligent linking of digital data. As many new partners from the consumer goods, clothing and transport sectors joined the programme in the first half of the year, cardholders have access to an even bigger selection of attractive rewards. Currently, more than 300,000 customers are registered with surprize and benefit from the offers of 49 partners.

Payment division as driver of Group growth

In the first six months of 2016, the Payment division increased its sales volume by 6.4 per cent to CHF 7.9 billion, with the Issuing and Acquiring segments each contributing about 50 per cent of this volume. The number of transactions increased by as much as 14.7 per cent to 90.7 million.

In the Issuing business, Viseca reported a transaction volume of CHF 4.0 billion, 6.6 per cent more than in the first half of 2015. Domestic sales improved more strongly at 8.6 per cent than sales transacted abroad, which improved by 4.5 per cent. To some extent this signals a return to “normality”. In the previous year, shopping tourism boosted by a strong franc supported a substantially stronger increase in sales transacted abroad, a situation that eased only with the weaker franc in the first half of 2016.

The increase of 14.2 per cent in new credit card sales is very encouraging. Viseca further enhanced the attractiveness of its credit cards in the first half of 2016 by expanding its insurance services for cardholders and optimising its fee structure. Thanks to this momentum in new sales, the total number of cards issued rose to a record 1.4 million, enabling Viseca to increase its market share over the prior-year period as measured against transaction volume and number of issued cards.

In step with the Issuing business, Aduno’s Acquiring volume rose by 6.2 per cent in the first half year to CHF 3.9 billion. The good news is that this growth was spread across all units: debit card sales volumes grew by 6.5 per cent and credit card sales volumes by 5.9 per cent. Turnover increased noticeably for domestic as well as foreign cardholders.
The Group’s product portfolio was completed by the Aduno Anypay mobile payment solution (mPOS) in the second quarter. Anypay is a high-performance mobile card reader that uses Bluetooth to connect to an app on a smartphone or tablet, making it possible to accept all commonly issued cards, including Postcard. Anypay can be used for contactless and mobile payment transactions and is particularly suited for smaller businesses looking for a simple, secure and cost-efficient cashless payment solution.

The subsidiary Vibbek AG did very well in the reporting period. It acquired a major Swiss customer and other new international customers for its cloud-based software for payment terminals. More than 10,000 terminals already use Vibbek’s software. The cloud solution greatly simplifies processes, in particular for large merchants with many points of sale.

At the beginning of July 2016, the Aduno Group took over SmartCaution SA, a company that operates mainly in the Geneva region. With this acquisition, AdunoKaution is now also active in the market for deposit bonds in French-speaking Switzerland. SmartCaution will continue to operate under its own name as part of the Payment division. Nothing will change for its customers, and all its employees will continue to work for SmartCaution. During the reporting period, AdunoKaution’s guarantee deposit business was integrated more strongly with the Aduno Group’s activities in Zurich. The company operates in the market with a new corporate image.

<table>
<thead>
<tr>
<th>Payment turnover [in billion CHF]</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------</td>
</tr>
<tr>
<td>3.3</td>
</tr>
<tr>
<td>3.5</td>
</tr>
<tr>
<td>2.0</td>
</tr>
<tr>
<td>4.0</td>
</tr>
</tbody>
</table>

Consumer Finance faces challenging market conditions

In the first half of 2016, Consumer Finance – including the cashgate personal credit and leasing business – was confronted with a challenging market environment. This is reflected in the new business volume, which was down on the first half of the previous year by CHF 416.6 million or 3.5 per cent. Both the market for personal credits and the leasing market were in decline.

The good news is that cashgate managed to continue on the path of growth for personal credits with new volumes improving by 1.9 per cent and the credit portfolio growing by 6.5 per cent. This further growth in market share was supported by the early adjustment of its successful two-tier pricing model to the maximum interest rate for personal credits of 10 per cent that took effect in the middle of the year. The new pricing model that has been in use since April was adjusted to the new requirements and applies transparent interest rates of 7.9 and 9.9 per cent. A special interest rate of
4.9 per cent was also introduced for customers who own residential property.

The leasing market was still very challenging in the first half of the year. Car prices remained stubbornly low and margins came under pressure from the aggressive pricing policies of manufacturers’ own leasing companies. As a result, cashgate’s new leasing business was down 9.8 per cent on the prior-year period. The portfolio contracted by 9.1 per cent. In May, cashgate added an innovative new product to its portfolio: Revi Leasing Senior helps to improve the mobility of retired people, thus targeting a new customer segment.

**Consumer Finance new business**

[in million CHF]