Notes (unaudited)

Information about this report

Viseca Holding AG is a company domiciled in Zurich (Switzerland) which, together with its subsidiaries (the group called Viseca), provides financial services in the business field of cashless payment solutions.

Subsidiary	Services
Viseca Card Services SA	Viseca Card Services SA offers services for cashless payments. It issues payments cards (Issuing) under the brands of the credit card organisations (schemes) Mastercard and Visa and operates in the business of customer cards with a payment function. These are issued to personal and corporate customers, for Swiss retail banks, for a number of co-branding partners and in Viseca's own name. It provides all associated customer services.
Viseca Card Services II AG	This company is currently still inactive. It will be the issuer for credit cards and customer cards with payment function from October.
Contovista AG (Contovista)	Contovista develops software for both finance management and analytics and makes it available to banks.

As a result of the bonds issued (Bonds CHF domestic), Viseca Holding AG is listed in Switzerland on the Swiss Reporting Standard of SIX Swiss Exchange with ISIN number CH0246921537.

Key accounting principles

These unaudited, consolidated financial statements give a true and fair view of the Viseca's financial performance and financial position. They have been prepared in abbreviated form according to Swiss GAAP FER 31. These interim financial statements do not include all information and disclosures that are required in the annual financial statements. It should therefore be read in conjunction with the consolidated financial statements at 31 December 2019.

The consolidated financial statements are based on the financial statements of the Viseca companies prepared in accordance with uniform accounting principles as at 30 June. They follow the principle of historical cost unless a standard prescribes a different measurement basis for a financial statement item or a different measurement basis is applied if this is provided as an option. The relevant accounting policies for understanding the consolidated financial statements are set out in the specific notes to the financial statements.

Assets are reviewed each year for indications of impairment. If there are any indications, the recoverable amount is determined and if this exceeds the carrying amount, an appropriate posting is made in the income statement.

The consolidated financial statements are presented in Swiss francs, the Company's functional currency. Unless noted otherwise, all financial data in Swiss francs have been rounded to the nearest thousand. This may result in rounding differences.

Consolidation principles

Group companies include those companies that are directly or indirectly controlled by Viseca Holding AG. Control is defined as the power to govern the financial and operating policies of an entity so as to benefit from them. This is usually the case when the Group holds more than half of the voting rights in an entity's share capital. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries held for sale are excluded from the scope of consolidation from the date on which control ceases.

Capital consolidation is based on the purchase method. This means that the purchase price or carrying amount of the interests is offset against the Group's share in the revalued equity of the consolidated companies at the time of acquisition or first-time consolidation. Any goodwill from the purchase of interests is capitalised and amortised over five years. All intercompany transactions, balances and unrealised gains and losses from transactions between Group companies are eliminated in full.

Non-controlling interests in equity and the Group's profit for the period are shown separately in the balance sheet and income statement.

Changes in the scope of consolidation

The following changes to the scope of consolidation took place in the reporting period:

In April 2020 the company for future issuing credit cards (issuing business) was founded and in May 2020 the mergers of Accarda AG and Aduno Finance AG with Viseca Card Services SA took place.

Cashgate AG, which was responsible for the private credit and leasing business, was sold on 2 September 2019.

The detailed information can be found under section 4.1.

Foreign currency translation

Foreign currency transactions in Group companies

The foreign currency transactions and items contained in the separate financial statements of the consolidated companies are translated as follows: Foreign currency transactions are translated into the posting currency at the exchange rate as at the transaction date (spot rate). At period-end, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the reporting date and booked to the income statement.

Translation of financial statements to be consolidated

The consolidated financial statements are presented in Swiss francs. Assets and liabilities of Group companies with different currencies are translated at period-end rates (closing rates), equity at historical rates, and the income statement and cash flow statement at average rates for the period. The resulting translation differences are recognised directly in equity. If a foreign Group company is sold, the associated cumulative foreign currency differences are transferred to the income statement.

The following principal exchange rates have been used:

	Average 1st half year 2020	Average 1st half year 2019	Balance at 30.06.2020	Balance at 30.06.2019
EUR 1	1.0758	1.1392	1.0805	1.1202
USD 1	0.9746	1.0083	0.9607	0.9856
GBP 1	1.2250	1.3061	1.1823	1.2484

Assumptions and estimations of the management

In order to prepare the consolidated financial statements in accordance with Swiss GAAP FER, the management must make estimations, evaluations and assumptions that have an impact on the application of accounting and valuation methods and on the amounts shown for assets, liabilities, income and expenses. The estimations and associated assumptions are based on previous experience and various other factors deemed useful. The actual results may differ from these estimations.

The estimations and underlying assumptions are regularly reviewed. Changes in estimations relating to the financial reporting are recognised in the periods currently under review and future periods affected.

Impact of COVID-19 on reporting as of 30 June 2020

The lockdown ordered by the Swiss government and the global restrictions imposed by the COVID-19 pandemic led to massive losses in the consumer business. Viseca recorded massive revenue losses in the first half of 2020, and as a result deviates significantly from the expected consolidated earnings.

The company's assets are monitored by management. A value adjustment of CHF 1.5 million was made on the intangible assets "Customer Relationships"; no further value adjustments were made as of the balance sheet date 30 June 2020.

A more comprehensive statement on the effects of the COVID-19 pandemic on the receivables from the payment area cannot yet be made on the balance sheet date. The receivables and the general bad debt provision model will be subjected to an in-depth analysis in the 3rd quarter of 2020.

1 Performance

This section describes the operational performance of Viseca. The segment reporting reflects the segment results used at the highest management level.

1.1 Segment reporting (unaudited)

External segment reporting is based on the internal reporting that is used by the Executive Board to guide the company.

Due to the sale of cashgate AG (Consumer Finance business unit), internal management reporting and external segment reporting were adjusted in 2019. This means that the former Internal Financing segment is no longer reported separately.

Segment	Activity
Payment	The business unit Payment provides services for cashless payments via credit, prepaid, debit and customer cards to private and corporate customers, and also the associated transaction and customer services in this area. The majority of the business is linked to the Mastercard and Visa brands. The Payment division consists of Viseca Card Service SA and Contovista AG. The business unit’s main revenue streams come from interchange fees and commission, annual fees for cards, services, income from card transactions in foreign currencies and interest income. Contovista provides software solutions for banks and generates revenues from this business through projects and licences.
Consumer Finance	The Consumer Finance business offers leasing contracts and loans for consumer goods to personal and corporate customers. The business unit Consumer Finance is operated by cashgate. The main revenue streams are interest income, commission income and fees for chargeable services. This business unit was sold in 2019.
Corporate Functions	The result of Viseca Holding and the treasury services of Aduno Finance, which include the handling of payments and the processing of foreign currency transactions, are reported in this segment. The income from the sale of Group companies as well as cross-company consolidation items and reclassifications are also shown in this segment.

The following table contains information about the business segments at 30 June:

In 1,000 CHF	Payment		Consumer Finance		Corporate Functions		Consolidated	
	1st half year 2020	1st half year 2019	**1st half year 2020**	1st half year 2019	**1st half year 2020**	1st half year 2019	**1st half year 2020**	1st half year 2019
Operating income [1]	190,121	230,313	0	50,300	78	639	190,199	281,252
Operating expenses [2]	(197,787)	(203,941)	0	(38,362)	(4,043)	(2,967)	(201,830)	(245,270)
Operating result	**(7,666)**	**26,371**	**0**	**11,938**	**(3,965)**	**(2,328)**	**(11,631)**	**35,982**
Ordinary result	**(7,698)**	**38,341**	**0**	**11,116**	**(4,005)**	**(4,148)**	**(11,703)**	**45,308**
Non-operating result [1/2]	(279)	(906)	0	(112)	279	2,157	0	1,139
Income taxes	(143)	(5,816)	0	(2,431)	0	(3,896)	(143)	(12,143)
Result for the period	**(8,120)**	**31,619**	**0**	**8,573**	**(3,726)**	**(5,888)**	**(11,846)**	**34,305**

1 The gain on sale of subsidaries in the previous year of CHF 1,139 thousand was reclassified from operating income to non-operating result.

2 The book loss in the previous year of CHF 24 thousand from sale of fixed assets was reclassified from non-operating result to operating expenses.

1.2 Further information on selected revenue items

Additional information on commission income

In 1,000 CHF	1st half year 2020	1st half year 2019
Interchange revenue and related revenue	36,048	44,177
Currency exchange commissions	20,524	32,586
Other commission revenue	10,745	14,977
Commission income	**67,317**	**91,739**

Additional information on other income

In 1,000 CHF	1st half year 2020	1st half year 2019
Foreign exchange gains or losses	15,496	25,810
Income from services	22,603	31,448
Other income [1]	6,080	6,895
Other operating income	**44,180**	**64,153**

1 The gain on sale of subsidaries in the previous year of CHF 1,139 thousand was reclassified from other income to non-operating result.

Accounting principles

Category	Accounting principle
Commission income	Commission income consists of transaction-based fees charged net to clients in all business segments. They are recorded on a transaction basis and already adjusted for fees at the time of the transaction.
Annual fees	Annual fees are recognised on a straight-line basis over the term of the service contract and deferred accordingly.
Interest income	Interest income is comprised of interest on short-term credit for credit card holders. In the cards business, credit card holders can convert the balance on their credit card to personal credit, for which Viseca charges interest over its short-term duration. In addition, interest income includes interest on leasing finance granted to personal and corporate customers.
Other operating income	Other income is chiefly comprised of net foreign currency gains, income from services and other income. Foreign exchange gains and losses are recognised on a transaction basis at the time of the transaction. Customers in the Group's cards business are billed based on a typical exchange rate close to the spot rate, whereas the Group is billed near the interbank rate (interbank rate plus credit spread). Most of the income from services originates from customer card business. The revenues from Contovista AG's software business are shown in other income.

1.3 Further information on selected operating expenses items

In 1,000 CHF	1st half year 2020	1st half year 2019
Card processing expenses	21,578	22,890
Service expenses	13,988	17,512
Processing and service expenses	**35,566**	**40,402**
Distribution channel remuneration	36,340	43,096
Expenses for customer retention	6,007	5,568
Advertising expenses	2,843	7,463
Distribution expenses	59	53
Distribution, advertising and promotion expenses	**45,249**	**56,181**
Interest expenses	**4,757**	**6,507**
Expected credit losses in the Payment business, credit cards	1,520	763
Expected credit losses in the Payment business, other payment cards	984	1,985
Expected credit losses in Consumer Finance	0	4,601
Impairment losses on commission income	706	750
Expected credit losses and impairment losses	**3,211**	**8,099**
Wages and salaries	45,961	53,147
Social insurance expenses	4,450	5,112
Employee pension benefit expenses	2,876	3,742
Other personnel expenses	4,621	4,171
Personnel expenses	**57,908**	**66,173**
Audit and professional services	20,889	20,385
Information technology expenses	12,386	12,515
Telephone and postage	984	1,135
Premises expenses	4,044	4,828
Travel and representation expenses	148	330
Gain/Loss on sale of property and equipment and intangible assets [1]	(25)	24
Other administration expenses	3,328	3,375
Other operating expenses	**41,754**	**42,592**

1 The book loss in the previous year of CHF 24 thousand from sale of fixed assets was reclassified from non-operating result to other operating expenses.

Accounting principles

Expenses are recognised on an accrual basis, i.e. at the time they are incurred. The table below provides information on selected expense items.

Category	Accounting principle
Processing and service expenses	Processing and service expenses comprise processing fees for service partners, fees for the use of the global network of card organisations and other service fees.
Distribution, advertising and promotion expenses	The Group offers a customer loyalty programme in which customers collect points through their card transactions that are credited to special points accounts. Customers can exchange the points for gifts, vouchers and annual fee credits. The estimated future expense increases accrued expenses and deferred income. In cases in which bonus programmes are run by third parties, the associated costs are recognised directly in the income statement.
Interest expenses	Interest expenses consist of the expense of refinancing the areas of business that generate interest income. Interest expenses are recognised using the effective interest method.
Expected credit losses on financial assets	The expected credit losses on financial assets arise principally from defaults on receivables and from the increase in expected credit losses in the Payment business and the Consumer Finance business.
Impairement losses on commission income	The impairment losses on commission income consist of impairments on fraudulent and chargeback transactions that do not represent a credit loss.

2 Operational assets

The following section presents the receivables from the Payment business.

2.1 Receivables from the business unit Payment

In 1,000 CHF	30.06.2020	31.12.2019
Receivables within the scope of the ECL calculation*		
Receivables from cardholders, credit card business	615,522	447,660
Receivables from debt collection, credit card business	4,458	4,105
Receivables from cardholders, other payment cards	184,985	221,873
Receivables from debt collection, other payment cards	10,403	9,816
Other receivables in the Payment business, other payment cards	149	2,019
Impairments	(13,297)	(11,529)
Receivables outside the scope of the ECL calculation*		
Receivables from fraud and chargeback	709	403
Impairments	(126)	(81)
Total receivables in the Payment business	**802,802**	**674,265**

* Allowances for doubtful accounts are calculated on the basis of the expected credit loss (ECL) model.

The level of receivables from cardholders, credit card business fluctuates as of the balance sheet date. A customer pays his credit card bill once a month. The time of payment fluctuates from month to month and depends, among other things, on when the banks process the LSV collections. If an LSV collection is terminated after the end of the month, an increased level of receivables may result. This fluctuation has no correlation either with the credit quality of customers or with payment behaviour.

Receivables Payment	Description
Receivables from the business unit Payment – credit cards	Receivables from credit cardholders (credit card business) comprise open balances on credit card accounts. Open cardholder balances that have been past due for more than 90–120 days are transferred to a dedicated collection portfolio, which is reported under “Receivables from debt collection – credit cards”.
Receivables from the Payment business – other payment cards	Receivables from cardholders consists of open balances on other payment card accounts. The vast majority of these other payment cards is a homogeneous retail card portfolio with a long tracking history. A small part of the other payment card accounts comprises a heterogeneous corporate portfolio and a retailcard portfolio with a short tracking history. Open cardholder balances that fulfil the transfer criteria are transferred to a dedicated collection portfolio, which is included under “Receivables from debt collection, other payment cards”.
Receivables from fraud and chargeback	If a cardholder is suspected of making a fraudulent transaction or claims a chargeback, the balance is transferred to a dedicated portfolio until the case is settled. Suitable allowances are set aside for all receivables in the portfolio, although these are not subject to the expected credit loss model. The balance of all currently investigated fraudulent and chargeback transactions is shown under “Receivables from fraud and chargeback”.

Management of credit risk in the Payment business

It is in the nature of the credit card business that private or corporate customers have temporary liabilities with the card company.

Risk and credit management is a core process in the credit card business and Viseca therefore runs sophisticated risk assessment tools and delinquency reports to monitor and assess risk exposure. All incoming payments of customers are closely monitored.

Viseca issues credit cards on behalf of various distribution partners. Viseca has entered into agreements with some of its partners, so that the partner bears the risk of default for any receivable outstanding from cardholders. If a cardholder becomes delinquent, the outstanding amount is paid in full by the partner. If a cardholder has a direct relationship with Viseca and not via a partner, Viseca bears the default risk.

Accounting principles

Receivables from cardholders and others are measured at fair value. The effective interest rate method is used for customers with an instalment facility or customers in default.

Impairment losses are booked to the allowance accounts for receivables unless Viseca is of the view that the amount owed is not recoverable. In this case the amount deemed uncollectible is written off directly against the receivable.

Expected credit loss model

Allowances for doubtful accounts are calculated on the basis of the expected credit loss (ECL) model. Receivables are placed into one of the three stages on the basis of which the ECL is calculated.

Receivables are allocated from Stage 1 to Stage 2, when it is 60 days past due. Viseca allocates a customer to Stage 3 after debt management reminders have proved unsuccessful and the customer has had to be transferred to the pre-collection and legal collection processes. Receivables in Stage 3 that are older than 2 years are written off.

The loss allowance is adjusted based on management's judgement as to whether actual losses are likely to fall above or below historical trends given current economic and loan conditions. Management deems the loss allowance for doubtful debts for the business unit Payment to be adequate.

3 Financing and risk management

The following describes the guidelines and procedures that are applied in managing the capital structure and financial risks. Viseca seeks to ensure that it has an appropriate equity base in order to retain the trust of investors, creditors and the market.

3.1. Interest-bearing liabilities

In 1,000 CHF	30.06.2020	31.12.2019
Other bank liabilities	0	144
Current portion of syndicated loan	0	0
Current portion of unsecured bond issues	0	0
Short-term interest-bearing liabilities	**0**	**144**
Unsecured bond issues	274,712	274,575
Other long-term liabilities	0	0
Long-term interest-bearing liabilities	**274,712**	**274,575**
Total interest-bearing liabilities	**274,712**	**274,719**

Changes in interest-bearing liabilities are mainly changes to cash flows from financing activities and are disclosed in the consolidated cash flow statement.

Terms and debt repayment schedule

In 1,000 CHF	Currency	Nominal interest rate	Year of maturity	Nominal value 30.06.2020	Carrying amount 30.06.2020	Nominal value 31.12.2019	Carrying amount 31.12.2019
Unsecured bond issue	CHF	1.125%	2021	275,000	274,712	275,000	274,575
Other bank liabilities	CHF	various	current account	0	0	144	144
Total				**275,000**	**274,712**	**275,144**	**274,719**

Accounting principles

Interest-bearing financial liabilities are generally recorded at nominal value. Non-current financial liabilities (bonds) are recognized at amortized cost.

3.2 Share capital and reserves

Share capital

At 30 June 2020, the share capital of the parent company Viseca Holding AG consisted of 25,000 registered shares with a nominal value of CHF 1,000 each.

Reserves

The statutory reserves not available for distribution amounted to CHF 5.0 million as at 30 June 2020.

Dividends

The following dividends were declared and paid by Viseca:

In 1,000 CHF or as indicated	2020	2019
Number of registered shares eligible for dividends (in pieces)	25,000	25,000
Ordinary dividend per registered share (in CHF)	2,400	1,600
Dividends paid	**60,000**	**40,000**

Capital management

The Board’s policy is to maintain an adequate equity base so as to maintain the confidence of investors, creditors and the market. The Board of Directors monitors the return on capital, which Viseca defines as the total shareholders, equity and the development of dividends paid to shareholders.

3.3 Risk management

As a financial services provider Viseca is subject to constant change and is thus also confronted with opportunities and risks that can have a decisive influence on its ability to achieve its strategies and goals.

Overall responsibility for risk management lies with the Board of Directors, which approves the principles for risk management. The Audit and Risk Committee and the internal auditors support the Board of Directors in the execution of its responsibilities. The Executive Board is responsible for the implementation of the risk management standards defined in the risk management regulations and the design, implementation and continuous review of the Internal Control System (ICS).

The following risks have been identified as significant risks for Viseca:

Overall risks

The overall risks include environmental, business and operational risks, which are systematically identified and either accepted or mitigated using suitable measures within the scope of risk affinity.

Financial risks: Credit risk

Viseca is exposed to the risk of counterparty default as a result of its operating activities. This risk exists mainly in relation to receivables from customers of Viseca and depends primarily on the individual characteristics of each customer. Geographically, credit risk is concentrated in Switzerland where Viseca mainly operates.

Financial risks: Liquidity risk

Liquidity risk is the risk that Viseca will not be able to meet its financial obligations as they fall due. Liquidity risk arises if Viseca is unable to obtain under economic conditions the funds needed to carry out its operations. Viseca closely monitors its liquidity needs and also maintains liquidity forecasts and validates its validation models.

Financial risks: Market risk

Market risk is the risk of losses arising from movements in market prices in on-balance and off-balance sheet items. The definition includes risks from interest rate instruments and equities as well as foreign currency risks.

Viseca uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities.

In 1,000 CHF	30.06.2020 Assets	30.06.2020 Liabilities	31.12.2019 Assets	31.12.2019 Liabilities
Foreign currency derivatives	120	(183)	94	(78)

The positive and negative values of derivatives are recognised in other receivables and other liabilities.

Risks in the preparation of the financial statements

To ensure that the consolidated financial statements comply with the applicable accounting standards and that reporting is correct, Viseca has set up internal control and management systems which are regularly reviewed. In accounting and valuation, estimates and assumptions are made with regard to the future. These are based on the knowledge of the respective employees and are critically reviewed on a regular basis.

4 Group structure

This section sets out the structure of the Viseca including significant changes and resulting effects on the consolidated financial statements.

4.1 Change in scope of consolidation

Foundation of new subsidiary
Viseca Card Services II AG was founded on 28 April 2020 with a share capital of CHF 100,000. It will be active from 1 October 2020 and will act as an issuer of credit cards and cards with payment functions.

Merger of subsidiaries
Accarda AG and Aduno Finance AG were merged with Viseca Card Services SA on 29 May 2020, with retroactive effect from 1 January 2020.

Disposal of subsidiaries and at-equity companies
The 100% shares in the Loyalty Group including Sanavena GmbH was sold on 30 October 2019, the 55% shares in Zaala AG on 27 September 2019 and the 60% shares in Paycoach AG on 4 March 2019.

The 33% at-equity investment in SwissWallet AG was sold on 13 December 2019 and the 20% at-equity investment in Loyalty Services AG on 9 May 2019.

Discontinued business units
The Consumer Finance division, which included cashgate AG, was sold to Cembra Money Bank AG on September 2, 2019.

Future changes
In October Viseca Card Services SA will spin off the issuing unit of its business to Viseca Card Services II AG. Both companies will then be renamed. The Viseca Card Services SA will be the Viseca Payment Services SA and the Viseca Card Services II AG will be the Viseca Card Services AG.

Viseca Payment Services SA will operate the processing business and Viseca Card Services AG the issuing business.

4.2 Group companies

In 1,000	Country of incorporation	Currency	Share capital 30.06.2020	Share capital 31.12.2019	Ownership interest 30.06.2020	Ownership interest 31.12.2019
Viseca Holding AG, Zurich (ZH), parent company	Switzerland	CHF	25,000	25,000	-	-
Accarda AG, Brüttisellen (ZH)	Switzerland	CHF	n/a	18,500	n/a	100%
Aduno Finance AG, Stans (NW)	Switzerland	CHF	n/a	1,000	n/a	100%
Contovista AG, Schlieren (ZH)	Switzerland	CHF	140	140	100%	100%
Viseca Card Services SA, Zurich (ZH)	Switzerland	CHF	20,000	20,000	100%	100%
Viseca Card Services II AG, Zurich (ZH)	Switzerland	CHF	100	n/a	100%	n/a

Accounting principles

Consolidation of subsidiaries
The consolidated financial statements are based on individual financial statements of all subsidiaries prepared in accordance with uniform principles. Subsidiaries are entities controlled by the Group. Control is assumed to exist if the Group holds more than half of the voting rights in the subsidiary or it has control in another way. Consolidation is based on the purchase method. Group-internal balance sheet assets and liabilities and unrealised gains and losses or income and expenses from Group-internal transactions are eliminated when preparing the consolidated financial statements.

Investments in associates
Associates are recognised in the balance sheet using the equity method and initially at fair value. Associates are those entities in which the Group has significant influence on their financial and business policy but does not control them. The Group's share in the profit or loss of the associate is included in the income statement.

5. Subsequent events

Up to the issue of this report, the company was not aware of any significant new event that would affect the financial statements as of 30 June 2020.