

First Swiss Mobility 2017-1 AG
Annual Report and Financial statements 2018
Zurich, Switzerland

First Swiss Mobility 2017-1 AG
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1. Directors' report

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1.1 Activities and results

Principal activities

First Swiss Mobility 2017-1 AG ("the Company") was incorporated 28 February 2017 as a financing company and as part of a securitisation transaction.

The transaction involves the securitisation of an auto lease portfolio originated by Multilease AG ("the Originator" or "the Servicer" or "the Seller"), a leasing company registered and operating in Switzerland (the transaction is hereafter referred to as "the Transaction"). According to the Prospectus issued prior to the issuance of the asset-backed notes, the Servicer in its role provides the following services (not exhaustive):

- Acquisition of new or used leased vehicles from dealers;
- Origination of the leases in accordance with the Originator's underwriting standards;
- Approval of all applications for a lease contract through a combination of an automated and a manual process;
- Determination of the residual value by reference to the type, age and mileage at the scheduled expiry date of the Lease Contracts;
- Collection and monitoring of monthly instalments due from lease contracts;
- Transfer of all collections received to the Company.

On 13 April 2017, the Company issued CHF 260,700,000 Class A Notes, CHF 22,200,000 Class B Notes and CHF 14,100,000 Class C Notes (collectively "the Notes"), all with fixed interest rates and a final maturity date of 16 April 2027. The proceeds from the issue of the Notes were used to fund the initial acquisition of a portfolio of auto lease assets ("the Lease Assets") from the Originator. The Lease Assets comprise leased vehicles and all associated receivables. The Notes are limited recourse obligations of the Company, meaning that the recourse of the Noteholders is limited to the Issuer's Assets available to meet such obligations from time to time and as applied pursuant to the relevant priority of payments.

The terms of the Transaction allow for a period during which the Company will reinvest principal income from the Lease Assets portfolio in new such assets with similar characteristics ("the Revolving Period"). The Revolving Period is scheduled to end in December of 2019 from which point the Originator will have the option to repurchase the Lease Assets portfolio ("the Repurchase Option" or "Optional Redemption"). If the Repurchase Option is not exercised, the proceeds from the collection of principal amounts from the Lease Assets portfolio will be used to redeem the Notes.

The Notes were issued to investors and are listed on the SIX Swiss Exchange. Additionally, a subordinated loan of CHF 39,930,000 ("the Subordinated Loan") was issued to the Originator and the proceeds have been used as a credit enhancement as well as for the purchase of Lease Assets, and deposited in bank accounts in accordance with the terms of the Transaction.

All income and expenses are allocated to the parties involved in the Transaction on a pre-determined basis. Broadly speaking, the Company's revenues are used to pay its expenses and its obligations to Noteholders within a strict order of priority of payments set out in the Transaction documentation. The taxable result of the Company is subject to a corporate income tax ruling as agreed with the Swiss tax authorities. Reference is made to the notes to the Financial statements for further details and the offering memorandum governing the Transaction, dated 11 April 2017 ("the Prospectus") and which is available on <https://cm.intertrustgroup.com/> as well from Bloomberg.

As this is the Company's first Annual report and Financial statements, the reporting period encompasses the 22 month period from the date of incorporation to 31 December 2018. The Company indicated to potential investors in the Prospectus submitted to SIX Swiss Exchange that it would be preparing its first set of financial statements at the end of the financial year 2018, in accordance with the Company's articles of association.

Results

The audited Financial statements accompany this report. The profit for the period ended 31 December 2018 was CHF 38,265. The Company's total equity as at the balance sheet date was CHF 188,265.

Key performance indicators

The Company monitors the performance of the Lease Assets portfolio on a monthly basis, paying particular attention to the key performance indicators and risks identified in the Prospectus. These are reported each month to investors through investor reports. The most important key performance indicators as at the reporting date are as follows:

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Delinquencies on lease customers in excess of 90 days (CHF)	158,106
Defaulted Lease Assets - Cumulative (CHF)	1,407,309
Net losses on lease contracts (CHF)	40,960
Gross loss ratio (%)	0.23%

The investor reports incorporate a review of ratings applied to the Company's various classes of Notes, as well as those assigned to the Company's significant counterparties, as published by the Company's official rating agencies. None of these ratings have changed since the Transaction commenced and no trigger events identified in the Prospectus and Transaction documents have occurred.

The provisions of IFRS 9 (Financial Instruments) have been introduced for mandatory implementation for financial statements with an effective date of 1 January 2018 or later. However, the Company has chosen to implement the provisions in the Financial statements now presented. Most specifically, the provision for impairment of the Servicer receivables and the other receivables complies with IFRS 9. The provisions of IFRS 16 (Leases) has similarly been early adopted.

Principal risks and uncertainties

The Company's activities are exposed to a variety of financial risks, principally credit risk, concentration risk, interest rate risk and liquidity risk. The Company does not use derivative financial instruments to mitigate these risks.

Credit risk

Credit risk reflects the risk that the underlying borrowers or other parties to the Transaction may not meet their obligations as they fall due, or not at all.

The value of the Lease Assets portfolio may become impaired as a result of a number of factors. Those factors include the general economic conditions in the Company's operating territory, being Switzerland. Deteriorating economic conditions in Switzerland or regions within Switzerland may lead to increased delinquencies from the underlying borrowers and early terminations of contracts. Moreover, the Company is dependent on the contracted dealers for realising residual values of the Lease Assets and the inability of a dealer to meet such obligations may lead to losses for the Company.

Both the current condition and the immediate outlook for the Swiss economy and the automotive sector are generally favourable. However, there are a variety of factors that are beyond the control of the Company that may alter that within a very short timeframe.

Concentration risk

Concentration risk reflects the risk that the inability of a single or relatively small number of contractual partners to meet their current or future obligations may lead to substantial losses to the Company.

The Company's borrowers are generally well spread in terms of their share of the total obligation under the Lease Assets portfolio, as well as other diversifications such as spread between private and business lessees, geographical spread within the country and the sectors in which the business lessees operate.

The Company's major contract counterparties such as bankers, cash manager and corporate servicer are subject to strict financial monitoring procedures under the Transaction documentation.

The Company is exposed to a certain degree to a dealer network (the Emil Frey Group). Details are set out in the disclosure note in the Financial statements relating to financial instruments.

Interest rate risk

Interest rate risk exists as the Company's interest rate obligations due on the Notes do not match those on the Lease Assets portfolio in terms of rates and/or reset dates.

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Liquidity risk

Liquidity risk reflects the risk that the Company may encounter difficulty in raising funds to meet commitments associated with its financial instruments, should the actual cash flows from its assets differ from those expected.

The Company's lease vehicle portfolio is principally financed by the issuance of the Notes. The Transaction has been structured in such a manner that the Company's cash flow from the assets match the obligations due on the Notes. Moreover, the Company's obligations under the Notes funding is of a limited recourse nature.

The Subordinated Loan issued by the Company to the Originator functions as a credit enhancement and the resulting cash reserve is at the Company's disposal to address liquidity issues that may arise.

1.2 Future developments

The prospects of the Swiss economy and the auto leasing market are generally favourable. The Company does not anticipate any major change in the level of its activities and expects to re-invest principal repayments in new lease vehicles as envisaged in the Transaction documentation. The Company is prohibited from undertaking activities that are not in line with those envisaged in the Transaction documentation.

As described in above paragraphs, there are financial risks for the Company but management believes that under the terms of the Transaction, as disclosed in the Prospectus, these risks are adequately mitigated.

Zurich, 29 April 2019

Rolf Werner Aeberli

Josip Milardovic

2. FINANCIAL STATEMENTS

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2.1 Statement of financial position as at 31 December 2018

ASSETS	31 December 2018	
	CHF	CHF
Non-current assets		
<i>Tangible fixed assets</i>		
Lease vehicle portfolio	1 <u>328,988,096</u>	328,988,096
Current assets		
<i>Receivables</i>		
Servicer receivable	2 1,854,657	
Other receivables (restricted)	3 <u>10,000,000</u>	11,854,657
<i>Cash and cash equivalents (restricted)</i>	4	29,169,653
		<u><u>370,012,406</u></u>
SHAREHOLDER'S EQUITY AND LIABILITIES		
Shareholder's equity		
Share capital	5 100,000	
Share premium	50,000	
Retained earnings	<u>38,265</u>	188,265
Non-current liabilities		
Notes payable	6 297,000,000	
Subordinated Loan	7 30,625,908	
Contingent settlement provision (non-current portion)	8 <u>8,308,750</u>	335,934,658
Current liabilities		
Contingent settlement provision (current portion)	8 995,342	
Interest expense payable	9 964,066	
Accrued expenses and other liabilities	10 <u>31,930,075</u>	33,889,483
		<u><u>370,012,406</u></u>

The accompanying notes on pages 10 to 28 are an integral part of these Financial statements.

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2.2 Statement of comprehensive income - 28 February 2017 to 31 December 2018

	<u>28 February 2017 - 31 December 2018</u>	
	CHF	CHF
Operating lease income	12	199,143,835
Operating expenses		
Depreciation of Lease vehicles	1	177,265,212
Credit losses		43,356
General and administrative expenses	14	<u>17,267,073</u>
		<u>194,575,641-</u>
Net operating profit		4,568,194
Interest and similar expense	13	<u>4,517,174-</u>
Income before taxation		51,020
Corporate income tax	16	<u>12,755-</u>
Profit for the period after taxation		38,265
Total other comprehensive income		-
Comprehensive income for the period		<u><u>38,265</u></u>

Statement of changes in equity - 28 February 2017 to 31 December 2018

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
Incorporation on 28 February 2017	100,000	50,000	-	150,000
Profit and total comprehensive income for the period	-	-	38,265	38,265
Balance as at 31 December 2018	<u>100,000</u>	<u>50,000</u>	<u>38,265</u>	<u>188,265</u>

The accompanying notes on pages 10 to 28 are an integral part of these Financial statements.

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2.4 General notes to the Financial statements

GENERAL INFORMATION

First Swiss Mobility 2017-1 AG ("the Company") was incorporated 28 February 2017 as a financing company and as part of a securitisation transaction.

The transaction involves the securitisation of an auto lease portfolio originated by Multilease AG ("the Originator" or "the Servicer" or "the Seller"), a leasing company registered and operating in Switzerland (the transaction is hereafter referred to as "the Transaction").

To finance the transaction, Notes were issued to investors and are listed on the SIX Swiss Exchange. Additionally, a subordinated loan of CHF 39,930,000 ("the Subordinated Loan") was issued to the Originator and the proceeds have been used as a credit enhancement as well as for the purchase of Lease Assets, and deposited in bank accounts in accordance with the terms of the Transaction.

The terms of the Transaction allow for a period during which the Company will reinvest principal income from the Lease Assets portfolio in new such assets with similar characteristics ("the Revolving Period"). The Revolving Period is scheduled to end in December of 2019 from which point the Originator will have the option to repurchase the Lease Assets portfolio ("the Repurchase Option" or "Optional Redemption"). If the Repurchase Option is not exercised, the proceeds from the collection of principal amounts from the Lease Assets portfolio will be used to redeem the Notes.

The Purchased Lease Assets to be offered for sale, transfer and assignment by the Seller (Multilease) to the Issuer (the Company) under the Lease Asset Sale Agreement comprise of the following assets (the "Lease Assets"):

- a) a selection of Leased Vehicles owned by Multilease and leased to the Lessee under the relevant Lease Agreement;
- b) the Lease Agreements (including, for the avoidance of doubt, any Lease Receivables);
- c) the Vehicle Purchase Agreements (including, for the avoidance of doubt, any Dealer Receivables); and
- d) the ancillary rights (the "Ancillary Rights").

Dealer Repurchase Obligation

Under the Dealer Repurchase Obligation (forming part of the Vehicle Purchase Agreement), the Dealer is obliged (if Multilease exercises its option) to repurchase the Leased Vehicle following the end of the lease term at the residual value set at the beginning of the contract (unless the Lease Agreement is fully amortising). In addition, the Dealer has an obligation to repurchase the Leased Vehicle in the event of early termination of the Lease Agreement by mutual agreement between the Lessee and Multilease at a price of the actual book value as calculated on the basis of the Calculation Chart.

Ancillary Rights

- i) any and all rights arising pursuant to the relevant Lease Agreement including all rights to receive and obtain (i) payment under the Lease Agreements for the Lease Receivables arising thereunder including rights of enforcement under that document against the relevant Lessee and (ii) any amounts received by the Seller from claims under any insurance policies entered into by a Lessee (which have been assigned by the Lessee to the Seller) covering the related Leased Vehicle, to the extent still unpaid as of the relevant Cut Off Date or arising after the relevant Cut off Date;
- ii) any and all rights and claims arising under any Security Interest relating to a Lease Asset;
- iii) any and all rights in relation to any claim made by the Seller under an insurance policy held by the Seller;
- iv) any and all rights to the Residual Value Proceeds, to the extent still unpaid as of the relevant Cut Off Date or arising after the relevant Cut Off Date; and
- v) all Records relating to such Lease Assets.

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2.4 General notes to the Financial statements

Short description of involved parties

Multilease

The transaction involves the securitisation of an auto lease portfolio originated by Multilease AG ("the Originator" or "the Servicer" or "the Seller"), a leasing company registered and operating in Switzerland (the transaction is hereafter referred to as "the Transaction"). According to the Prospectus issued prior to the issuance of the asset-backed notes, the Servicer in its role provides the following services (not exhaustive):

- Acquisition of new or used leased vehicles from dealers;
- Origination of the leases in accordance with the Originator's underwriting standards;
- Approval of all applications for a lease contract through a combination of an automated and a manual process;
- Determination of the residual value by reference to the type, age and mileage at the scheduled expiry date of the Lease Contracts;
- Collection and monitoring of monthly instalments due from lease contracts;
- Transfer of all collections received to the Company.

Intertrust Group

The Intertrust Group performs administrative services for the Company. One of the Company's directors, Mr Milardovic is employed by the Intertrust Group.

Basis of presentation

As this is the Company's first Annual report and Financial statements, the reporting period encompasses the 22 month period from the date of incorporation to 31 December 2018. The Company indicated to potential investors in the Prospectus submitted to SIX Swiss Exchange that it would be preparing its first set of financial statements at the end of the financial year 2018, in accordance with the Company's articles of association.

The Financial statements are prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS") and IFRIC interpretations. The Financial statements are prepared on a going concern basis under the historical cost convention and presented in the currency of Switzerland, the Swiss Franc ("CHF"), as the Company's presentation currency.

New IFRS standards adopted

As this is the Company's first set of financial statements, all IFRS pronouncements and new standards have been fully incorporated.

The requirements of the revised IFRS 9 (Financial instruments), IFRS 15 (Revenues from contracts with customers) and IFRS 16 (Leases) have been adopted, where applicable to the Company, ahead of the mandatory implementation date.

Critical accounting judgements and estimates

Certain judgements and estimates in the Financial statements are based wholly or in part on estimates or assumptions made by the directors. There is, therefore, a potential risk that they may be subject to change in the future. The most significant relate to the application of the recognition of the Lease Assets portfolio, impairments to the Lease Assets portfolio and the fair value of financial instruments. These are detailed below:

Recognition of the Lease Assets portfolio

The Lease Assets are considered to be operating leases under IFRS 16 (Leases) as the criteria for the classification as finance leases are not fulfilled. This assessment is performed on the basis of an individual lease contract (unit of account). This leads to the conclusion, that the lease contract does not cover the major part of the economic life of the vehicle. The Lease vehicle portfolio has therefore been recognised as a tangible fixed asset. The Lease vehicle portfolio has been recorded at cost and is subsequently depreciated over the contractual term to its residual value.

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2.4 General notes to the Financial statements

Impairments to the Lease Assets portfolio

Prior to the acceptance of any lease contract, the Servicer performs extensive checks on the contract counterparty. These checks include "know-your-customer" procedures, customer budget and credit worthiness assessments, and the commercial terms (including residual value) of the lease contract. These extensive procedures are set out in writing and performed and authorised by at least two employees. Dealers are contractually obliged to carry out checks and ensure receipt of monies due from the lessees prior to releasing the leased vehicle. The lessee is obliged to maintain a fully comprehensive insurance policy for the vehicle. The dealer is contractually obliged to buy the vehicle back at the end of the lease contract at the pre-determined residual value.

The Servicer is responsible for the collection and monitoring of the receipt of monthly instalments due from lessees. Cases of default are noted immediately and spark set procedures for the collection of overdue instalments and, ultimately, the termination of the lease contract. The period from default to termination will depend upon the type of contract but will not exceed six months.

The Company operates a single business model under which it collects contractual cash flows related to a portfolio of auto lease vehicles. The collection relates primarily to amounts due to the Company in respect of principal and interest from the Lease Assets.

Regarding the expected credit loss model under IFRS 9, a provision for expected credit losses over the lifetime of the lease receivables needs to be recognised. As a basis, the cumulative defaulted Lease Assets in the amount of CHF 1,407,309 needs to be considered. In relation to the total Lease Assets (initial balance plus replenishments over the time period covered), a gross loss ratio of 0.23% results. This gross loss ratio is then applied on the receivables which results in a provision of CHF 2,396.

Fair value of financial instruments

When determining the fair value of a financial liability, the quoted price for the transfer of an identical or similar liability is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the financial liability is measured using the quoted active price in an active market of the identical item, if that price is available. If this is not the case, observable inputs (such as the quoted price in an inactive market for the identical item) or other valuation techniques are used to arrive at the measurement. Such valuation techniques normally involve generally accepted pricing models such as a discounted cash flow analysis.

Regarding the fair value of Notes issued, a quoted market price in an active market is available as these Notes are listed at the SIX Swiss exchange. This relates to level 1 inputs in the fair value hierarchy under IFRS 13.

Principal accounting policies

Effective interest rates

The effective interest rate method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the contractual life of that asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the relevant instrument's initial carrying amount. All contractual terms of a financial instrument are considered when estimating future cash flows.

In order to determine the applicable effective interest rate, an estimate must be made of the expected life of the instrument and hence the relating cash flows. Where the Company revises its estimates of payments or receipts, the Company adjusts the carrying value of the instrument to reflect the actual and the revised estimated cash flows. The carrying value is recalculated by computing the present value of the revised estimated future cash flows using the original effective interest rate. The adjustment is recognised in the Statement of comprehensive income as income or expense.

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2.4 General notes to the Financial statements

Step-up clause

Class A Notes

The A Notes do include a step-up clause which will be activated as of December 16, 2019 under the condition that the Originator does not exercise its option to repurchase the lease vehicle portfolio. As these Financial statements have been prepared on the assumption that the final maturity date of the Notes is 16 April 2027, this step-up needs to be considered. In this regard, the repayment schedule lined out in the Prospectus was used in the calculation. By applying a Constant Prepayment Rate (0%, 12% or 24%) the range of the effective interest rate lies between 0.17% – 0.18%.

Class B Notes

The B Notes do not include any step-up clause. Therefore, the effective interest rate is identical to the nominal interest rate of 1.75%.

Class C Notes

C Notes do not include any step-up clause. Therefore, the effective interest rate is identical to the nominal interest rate of 2.75%.

Subordinated loan

No step-up is integrated. As there is no nominal interest rate, an effective interest rate of 3.25% was implied.

Servicing fees

Fees payable by the Company for costs related to the administration and revolving of the Lease Assets portfolio are recognised as a general and administrative expense when incurred.

Lease vehicle portfolio

The Lease Assets are considered to be operating leases under IFRS 16 (Leases) as the criteria for the classification as finance leases are not fulfilled. The Lease vehicle portfolio has been recognised as a tangible fixed asset. The Lease vehicle portfolio has been recorded at cost and is subsequently depreciated over the contractual term to the residual value of the vehicles.

Financial instruments

Financial assets and liabilities are recognised in the Statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are de-recognised on the date it ceases to be a party, or it transfers the rights to receive contractual cash flows from the financial asset in a transaction such that all the risks and rewards of ownership of the financial asset are transferred.

The Company's financial instruments comprise liquid resources, asset-backed notes, subordinated loan and various receivables and payables that arise from its operations. These financial instruments are classified as described below:

Receivables

Servicer receivables

Servicer receivables are stated at their nominal value, less any necessary provision for expected credit losses. Expected credit losses take into account the ageing of receivables as at the balance sheet date and an estimate of losses that may arise over the lifetime of the financial instrument. The estimate is based on historical information, as adjusted to reflect current and expected changes in economic circumstances.

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2.4 General notes to the Financial statements

Cash and cash equivalents and other receivables

The Company has several bank accounts with a Swiss Bank. Cash is stated at nominal value, less any necessary provision for expected credit losses.

The Company holds a deposit, a collection and a payment account and their use is restricted by a detailed priority of payments schedule as set out in the Transaction documentation. Those receivables are stated at their nominal value, less any necessary provision for expected credit losses. The Company's discretion to invest or otherwise use its cash balances are fully described in the Prospectus and are designed to serve the best interest of the Company's Noteholders and other creditors. As such, they are considered to be of restricted use to the Company.

Whereas the collection and the payment account are classified within "cash and cash equivalents", the deposit account is classified within "other receivables". This is due to the fact that withdrawals from the deposit account need a notice of 95 days. As such, the deposit account does not qualify as "cash and cash equivalents" and thus is presented within "other receivables".

Notes payable

The Notes are initially recognised at fair value at the date of issuance. The Notes are subsequently measured at amortised cost using the effective interest method.

Subordinated Loan

The Company issued a Subordinated Loan to the Originator at the initiation of the Transaction. Disbursements due on the Subordinated Loan equate to the implied interest rate of 3.25%, after all of the Company's expenses have been satisfied. The Subordinated Loan has initially been recognised at fair value and subsequently at amortised cost.

Contingent settlement provision

The Contingent settlement provision has initially been recognised at fair value and subsequently classified as a financial liability at fair value through profit and loss.

Operating lease income

Operating lease income mainly consists of the two elements principal and interest collections. Whereas the principal collections reflect the depreciation of the lease assets over time, interest collections compensate the lessor for the services provided. Monthly revenue is contractually fixed at the outset when the lease contract is signed and depends on input factors such as the purchase price, interest rate, residual value, mileage and other factors. These monthly payments are variable to a certain degree, taking into account that contractually agreed factors such as mileage may be subject to change in the future.

Segmental analysis

The Company operates a single business unit and generates all income in Switzerland. The principal assets of the Company are originated in Switzerland and funded by Notes and a Subordinated Loan issued in Switzerland.

Taxation

The Company has reached agreement with the Swiss tax authorities for a set level of annual profit for Swiss corporation tax purposes. The reported taxable annual profit will equal the higher of 0.01% of the outstanding Notes or CHF 25,000. The ruling is contingent on the Company operating within the Transaction documentation.

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2.4 General notes to the Financial statements

Financial risk management

In the course of its business, the Company is exposed to a limited number of financial risks: liquidity risk, market risk (including interest rate risk and currency risk) and credit risk. Exposure to liquidity, market and credit risks arises in the normal course of the company's business. Management and the Board of Directors have the overall responsibility for the establishment and oversight of the financial risk management framework.

At acquisition, criteria for the acquisition are established to limit the risk (but not eliminate it) that the value of the underlying security will fall below the amounts due under the individual agreements within the Lease Assets portfolio. After origination, the value of the underlying security (i.e. leased vehicle) is not updated to take account of subsequent changes and, accordingly, it is not possible to assess the net exposure in this respect of the Company under the Lease Assets portfolio.

The directors estimate that the level of defaults on the Lease Assets portfolio would have to increase substantially from the level as at the reporting date before the credit losses would exceed the amount of the credit enhancement provided in the Transaction (principally the Subordinated Loan), and consequently that the Note values would be impaired.

Liquidity risk

Liquidity risk is the risk that the company will not meet its contractual obligations as they fall due. The Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Company's discretion to invest or otherwise use its cash balances are fully described in the Prospectus and are designed to serve the best interest of the Company's Noteholders and other creditors.

The tables below reflect the undiscounted cash flows of financial liabilities at the reporting date based on the contractual maturity, including interest. The actual cash flows are likely to deviate from this as they will be based on the priority of payments as set out under the Transaction documentation. For the purposes of this disclosure, we took the repayment schedule for the Notes which was lined out in the Prospectus as a basis and selected the option with a Constant Prepayment Rate (CPR) of 12% for this purpose. Refer to tables below with regards to the repayment of principal and interest as well as other liabilities. For detailed information concerning quantitative analysis of the repayment of the principal of listed Notes, refer to Note 6.

Notes

Based on a CPR of 12%, the expected redemption of the Notes can be summarised as follows:

	Class A Notes	Class B Notes	Class C Notes	Total
	CHF	CHF	CHF	CHF
After five years	-	-	-	-
After one and within five years	245,779,397	22,200,000	14,100,000	282,079,397
Within one year	14,920,603	-	-	14,920,603
Total principal balance outstanding	<u>260,700,000</u>	<u>22,200,000</u>	<u>14,100,000</u>	<u>297,000,000</u>

Based on a CPR of 12%, the expected interest expense can be summarized as follows:

	2018
	CHF
Due within 1 year	1,153,799
Due within 2-5 years	2,438,646
Total	<u>3,592,445</u>

First Swiss Mobility 2017-1 AG

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

2.4 General notes to the Financial statements

Subordinated Loan and Contingent settlement provision

The loans fixed contractual payments are the repayment of the nominal value of CHF 39,930,000 at the bonds contractual maturity in 2027. The variable amount payable is reflected in the contingent settlement provision. The conditions existing at the issuance date of the instrument as at the end of the reporting period or disclosed in note 11 as part of the fair value related disclosures. Refer to notes 7 and 8 for further disclosures on these liabilities.

<i>Other liabilities</i>	<u>2018</u>
	CHF
Due within 1 year	31,930,075
Due within 2-5 years	-
Total	<u><u>31,930,075</u></u>

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the cash flows. The company does not enter into derivative contracts nor uses hedging instruments.

Interest rate risk

Interest rate risks result from changes in interest rates which can negatively impact financial position and the results of the Company. The interest paid on the notes, which were issued in April 2017 have a fixed coupon (with the exception of Class A Notes) and the Subordinated Loan also has a constant implied interest rate, liabilities are not subject to a significant interest rate risk. Regarding the lease vehicle portfolio, interest rates are fixed within the lease contract. Thus, assets are also not subject to a significant interest rate risk.

Currency risk

The functional currency of the Company is the Swiss Franc (CHF). The Notes as well as the Subordinated Loan are issued in CHF – this is also true with regards to the lease vehicle portfolio. Therefore, assets and liabilities are not subject to a significant exchange rate risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a lessee fails to meet its contractual obligations. This risk is mainly mitigated through:

- Geographical distribution of lessees across the Cantons of Switzerland;
- Geographical distribution of dealers across the Cantons of Switzerland;
- The Dealer Repurchase Obligation where the Dealer is obliged to repurchase the Leased Vehicle following the end of the lease term at the residual value set at the beginning of the contract (unless the Lease Agreement is fully amortising);
- The Dealer has an obligation to repurchase the Leased Vehicle in the event of early termination of the Lease Agreement by mutual agreement between the Lessee and Multilease at a price of the actual book value as calculated on the basis of the Calculation Chart.

For the remaining part, an expected credit loss provision was recognised for servicer receivables outstanding where the historical gross loss ratio of 0.23% was used. Historically, there has been a low level of losses resulting from default by lessee.

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2.5 Notes to the Statement of financial position

ASSETS

1. Lease vehicle portfolio

	<u>2018</u>
	CHF
Cost	
Initial purchase under the Transaction documentation	330,000,000
Replenishment purchases under the Transaction documentation	293,960,524
Disposals as a result of lease maturity and termination	115,872,480-
Repurchases and other disposals	<u>1,834,736-</u>
	<u>506,253,308</u>
 Accumulated depreciation	
Depreciation for the period	<u>177,265,212</u>
	<u>177,265,212</u>
 Net book amount	
	<u><u>328,988,096</u></u>

The position "Disposals as result of lease maturity and termination" includes transactions due to the maturity or early termination of lease contracts. The position "Repurchases and other disposals" consists of special cases such as excluded lease contracts (due to eligibility criteria) and recoveries of defaulted lease contracts.

The additions include an amount of CHF 13,268,746 which represent the replenishment for December 2018 and are not yet paid and included in the position "accrued expenses and other liabilities".

On 13 April 2017, the Company acquired a lease vehicle portfolio from the Originator for a purchase price amounting to CHF 330 million. The portfolio comprises the lease vehicles as well as the lease agreements (including any lease receivables and deposits), the vehicle purchase agreements, and any ancillary rights. The initial acquisition was funded by the issue of the Notes and partly by the Subordinated Loan.

The acquisition contract also includes the provision of a Revolving Period during which the Originator may offer new Lease Assets (under similar criteria as the original portfolio) to the Company and the Company will accept such and pay for offers, using collections of principal income from the portfolio, and after the satisfaction of the Company's expenses.

The entire Lease vehicle portfolio is located in Switzerland.

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2.5 Notes to the Statement of financial position

The gross investment due in the future are as follows:

Within one year from the balance sheet date	Within two years from the balance sheet date	Within three years from the balance sheet date
CHF	CHF	CHF
45,469,930	73,184,067	88,930,819
Within four years from the balance sheet date	Within five years from the balance sheet date	More than five years from the balance sheet date
CHF	CHF	CHF
89,620,699	32,794,463	-

CURRENT ASSETS

2. Servicer receivables

	2018
	CHF
Servicer receivable	1,852,682
Expected credit losses	2,396-
	<u>1,850,286</u>
Prepayments	4,371
	<u><u>1,854,657</u></u>

Servicer receivable

The Servicer receivable represents instalments collected by the Servicer from lessees that had not yet been paid to the Company at the reporting date. An expected credit loss provision was recognised for servicer receivables outstanding where the historical gross loss ratio of 0.23% was applied. Further details, including the repurchase obligation of the dealer at a price of the actual book value, are disclosed under the title "Credit Risk".

First Swiss Mobility 2017-1 AG

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2.5 Notes to the Statement of financial position

3. Other receivables (restricted)

	<u>2018</u>
	CHF
Deposit account	<u>10,000,000</u>

Withdrawals from the deposit account need a notice of 95 days. As such, the deposit account does not qualify as "cash and cash equivalents" and thus is presented within "other receivables".

4. Cash and cash equivalents (restricted)

	<u>2018</u>
	CHF
Collection account	29,169,665
Payment account	12-
	<u>29,169,653</u>

The cash and cash equivalent balances may only be used by the Company within the rules and context set out in the Transaction documentation. The Company's discretion to invest or otherwise use its cash balances are fully described in the Prospectus and are designed to serve the best interest of the Company's Noteholders and other creditors. As such, they are considered to be of restricted use to the Company.

First Swiss Mobility 2017-1 AG

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

2.5 Notes to the Statement of financial position

SHAREHOLDER'S EQUITY AND LIABILITIES

5. Share capital and share premium reserve

The Company's share capital amounts to CHF 100,000, consisting of 1,000 ordinary shares of CHF 100 each. The share premium of CHF 50,000 was paid in at the time of the issuance of the shares.

All shares are currently held by Mr Rolf Werner Aeberli who is also chairman of the Company's BoD.

NON-CURRENT LIABILITIES

6. Notes payable

	Initial balance as of 13 April 2017
	<u>CHF</u>
Class A Notes	260,700,000
Class B Notes	22,200,000
Class C Notes	14,100,000
	<u>297,000,000</u>

On 13 April 2017, the Company issued CHF 260,700,000 Class A Notes, CHF 22,200,000 Class B Notes and CHF 14,100,000 Class C Notes, all with fixed interest rates and a final maturity date of 16 April 2027. The proceeds from the issue of the Notes was used to fund the initial acquisition of the Lease Assets portfolio from the Originator and the Notes are secured against those assets.

The Class C Notes are subordinated to the Class A Notes and the Class B Notes. The Class B Notes are subordinated to the Class A Notes. All Notes are limited in recourse to the underlying Lease Assets. The Noteholders will have a claim under the Notes against the Company to the extent of the cash flows generated by payments on the Lease Assets and the credit enhancements available to each class of Notes, subject to the payment of amounts ranking in priority to the payment of amounts due in respect of the Notes. If there are insufficient funds available to the Company to satisfy all principal, interest and other amounts outstanding in respect of the Notes at the final maturity date or earlier, then the Noteholders will have no further claim against the Company in respect of unpaid amounts. There will be no other assets of the Company available to meet any outstanding claims.

The interest rate due on the Class A Notes amounts to a fixed 0.14%. The interest rate due on the Class B Notes amounts to a fixed 1.75%. The interest rate due on the Class C Notes amounts to a fixed 2.75%. The interest rate on the Class A Notes is subject to a step-up to 0.28% as from the Optional Redemption date in December of 2019. All Notes were issued against 100%.

Interest is payable annually in April and in arrears. After the Revolving Period in December of 2019, interest will be payable monthly in arrears. The payment of interest on the Notes is dependent on the receipt of income from the Lease Assets. If the Company does not receive income from the Lease Assets, then there is no obligation to pay interest to the Noteholders.

All Notes are scheduled to mature on 16 April 2027, but are subject to earlier redemption in certain circumstances. After the Revolving Period in December of 2019, redemption of the Notes will be made out of available funds derived from the Lease Assets. Redemption of the Class A Notes will have priority over the redemption of the Class B and Class C Notes. Redemption of the Class B Notes will have priority over the redemption of the Class C Notes.

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2.5 Notes to the Statement of financial position

These Financial statements have been prepared on the assumption that the final maturity date of the Notes is 16 April 2027. Even though the Originator possesses a Repurchase Option in December of 2019 and may exercise it, this does not represent the implied maturity date of the Notes in these Financial statements. This is due to the fact that this decision is fully within the control of the Originator and cannot be influenced by the Company.

Based on a CPR of 0%, the expected redemption of the Notes can be summarised as follows:

	<u>Class A Notes</u> CHF	<u>Class B Notes</u> CHF	<u>Class C Notes</u> CHF
After five years	-	-	-
After one and within five years	248,970,967	22,200,000	14,100,000
Within one year	11,729,033	-	-
Total principal balance outstanding	<u>260,700,000</u>	<u>22,200,000</u>	<u>14,100,000</u>

Based on a CPR of 12%, the expected redemption of the Notes can be summarised as follows:

	<u>Class A Notes</u> CHF	<u>Class B Notes</u> CHF	<u>Class C Notes</u> CHF
After five years	-	-	-
After one and within five years	245,779,397	22,200,000	14,100,000
Within one year	14,920,603	-	-
Total principal balance outstanding	<u>260,700,000</u>	<u>22,200,000</u>	<u>14,100,000</u>

Based on a CPR of 24%, the expected redemption of the Notes can be summarised as follows:

	<u>Class A Notes</u> CHF	<u>Class B Notes</u> CHF	<u>Class C Notes</u> CHF
After five years	-	-	-
After one and within five years	242,587,825	22,200,000	14,100,000
Within one year	18,112,175	-	-
Total principal balance outstanding	<u>260,700,000</u>	<u>22,200,000</u>	<u>14,100,000</u>

First Swiss Mobility 2017-1 AG

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2.5 Notes to the Statement of financial position

Should the Repurchase Option be exercised by the Originator the expected redemption of the Notes can be summarised as follows:

	Class A Notes CHF	Class B Notes CHF	Class C Notes CHF
After five years	-	-	-
After one and within five years	-	-	-
Within one year	260,700,000	22,200,000	14,100,000
Total principal balance outstanding	<u>260,700,000</u>	<u>22,200,000</u>	<u>14,100,000</u>

The rating history of the Notes issued is as follows:

Notes	Closing	Current
	Moody's/S&P	Moody's/S&P
Class A	Aaa(sf)/AAA(sf)	Aaa(sf)/AAA(sf)
Class B	A1(sf)/AA-(sf)	A1(sf)/AA-(sf)
Class C	Baa2(sf)/BBB+(sf)	Baa2(sf)/BBB+(sf)

As at the end of 2018, the three outstanding Notes are as follows:

- a Note for CHF 260.7 million (fair value as at 31 December 2018: CHF 260.6 million) with a final maturity as of 16 April 2027;
- a Note for CHF 22.2 million (fair value as at 31 December 2018: CHF 22.8 million) with a final maturity as of 16 April 2027;
- a Note for CHF 14.1 million (fair value as at 31 December 2018: CHF 14.4 million) with a final maturity as of 16 April 2027.

7. Subordinated Loan

At the time of the issuance of the Notes and initial acquisition of the Lease Assets, the Company also issued a Subordinated Loan to the Originator. Under the Transaction documentation, the proceeds from the Subordinated Loan were used as a credit enhancement and partly deposited in the Company's bank accounts and partly for the acquisition of the Lease Asset portfolio. Disbursements payable on the Subordinated Loan amount to the Company's excess income from the Lease Assets portfolio, after all of the Company's expenses have been satisfied. In the case that the Company's expenses exceed the income from the Lease Assets, the excess will be charged to the Subordinated Loanholder up to the level of the nominal amount of the Subordinated Loan and any other amounts due under it. In this way, the loan is subordinated to all of the Company's other creditors, including the Noteholders. The Subordinated Loan is currently held by the Originator.

The rights of the Subordinated Loan Provider are unsecured and subordinated to the rights of the Noteholders. Class C Notes come closest to the Subordinated Loan as these Notes are subordinated to Class A and Class B Notes. Therefore, the interest rate of 2.75% of Class C Notes is taken as a basis and a risk premium of 50 BP is added. This relates to level 2 inputs in the fair value hierarchy of IFRS 13.

First Swiss Mobility 2017-1 AG

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2.5 Notes to the Statement of financial position

	<u>2018</u>	<u>2018</u>
	CHF	CHF
Nominal value at time of issuance		39,930,000
Less: Initial amount recognised as financial liability at FVTPL	10,893,860-	
Change in contingent settlement provision	<u>1,589,768</u>	
		<u>9,304,092-</u>
		<u><u>30,625,908</u></u>

As pointed out, Class C Notes' interest rate plus a premium of 50 BP were used as a basis to determine the implied interest rate of the Subordinated Loan. Under the assumption, that the market value as of December 31, 2018 for Class C Notes is comparable to the Subordinated Loan (CHF 30,625,908), a fair value of CHF 31.2 million would result.

8. Contingent settlement provision

The Contingent settlement provision represents the future interest payments due for the Subordinated Loan. These payments are however dependent on the income received from Lease Assets and thus contingent in their nature. The Contingent settlement provision is a financial liability at Fair Value Through Profit and Loss.

	<u>2018</u>
	CHF
Contingent settlement provision at time of issuance	10,893,860
Change in Contingent settlement provision	<u>1,589,768-</u>
	<u><u>9,304,092</u></u>

CURRENT LIABILITIES

	<u>2018</u>
	CHF
9. Interest expense payable	
Interest payable on Notes	855,922
Interest payable on Subordinated Loan	<u>108,144</u>
	<u><u>964,066</u></u>

10. Accrued expenses and other liabilities

	<u>2018</u>
	CHF
Replenishment of Lease Assets due to the Originator	13,268,746
Cancellations payable to the Originator	710,788
Servicing Facilitator fee payable	538
Accrued expenses	136,784
Corporate income tax	12,755
Value added tax payable	1,131,124
Lessee deposits payable	14,406,847
Servicer fee payable	<u>2,262,493</u>
	<u><u>31,930,075</u></u>

First Swiss Mobility 2017-1 AG

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2.5 Notes to the Statement of financial position

The deposits were recognised as part of the lease assets transferred. A liability in the same amount was recognised in the line item "accrued expenses and other liabilities".

The Value added tax due to the Swiss tax authorities arises on the Lease Assets portfolio but is payable to the Servicer in the first instance.

11. Financial instruments

The Company's financial instruments comprise liquid resources, asset-backed notes, subordinated loan and various receivables and payables that arise from its operations.

The Company's exposure to risk on its financial instruments and the management of such risk was largely determined at the inception of the Transaction. The Company's activities and the role of each party to the Transaction are clearly defined and documented. The Servicer manages the Lease Assets portfolio under the service agreement with the Company. In managing the Lease Assets portfolio, the Servicer applies its formal structure for managing risk and other control procedures.

Fair value of financial assets and liabilities

The following table shows the book amounts and fair value of the Company's financial assets and liabilities:

		<u>2018</u>	<u>2018</u>
		CHF	CHF
	Level	Book amount	Fair value
Assets			
Servicer receivable		1,852,682	1,850,286
Other receivables (restricted)		10,000,000	10,000,000
Cash and cash equivalents (restricted)		29,169,653	29,169,653
Liabilities			
Notes payable	1	297,000,000	297,622,245
Subordinated Loan	2	30,625,908	31,238,426
Contingent settlement provision	3	9,304,092	9,304,092
Interest expense payable		964,066	964,066
Accrued expenses and other liabilities		31,930,075	31,930,075

The Contingent settlement provision is a financial liability measured at fair value through profit and loss. All other financial instruments are measured at amortised cost.

For items of the above table without a fair value, book value is considered as an adequate approximation of the fair value.

First Swiss Mobility 2017-1 AG

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2.5 Notes to the Statement of financial position

Fair value

The fair values have been determined by using valuation techniques, based on the hierarchy set out below. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the reporting date.

Level 1 - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, other directly (i.e. as prices) or indirectly (derived from prices);

Level 3 - Fair value is determined using a valuation technique using estimated future cash flows discounted at a representative risk-free curve.

There were no transfers between the fair value classes in the time period covered by these Financial statements.

The only fair value measurement falling under the level 3 hierarchy of IFRS 13 is the Contingent settlement provision recognised in connection with the Subordinated Loan. The following input parameters were used when estimating the fair value:

- Discount rate: The discount rate was determined according to the risk profile of the Subordinated Loan. The listed C Class Notes were taken as a basis and adjusted for a risk premium which reflects the additional risk portion inherent in the Subordinated Loan (50 BP). For details to the interest rate of Class C Notes refer to Note 6.
- Expected future Cash Flows: The cash flows were estimated based on the expected value of the structure of the contractually agreed lease payments of the lease vehicle portfolio. The expenses as outlined in the Prospectus.

The estimate was determined upon initial recognition of the financial instrument as well as at the balance sheet date of the presented Financial statements. There were no material changes in these estimates for the time period covered and as such the fair value is only changed due to the unwinding of interest (CHF 634,388) and actual cash payment (CHF 2,224,156 – refer to Note 13). There was no material sensitivity of the underlying cash flows to unobservable input parameters noted.

First Swiss Mobility 2017-1 AG

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2.6 Notes to the Statement of comprehensive income

12. Operating lease income

Operating lease income is entirely derived from the Lease Assets portfolio, all located in Switzerland.

13. Interest and similar expense

	2018
	CHF
Interest on Class A Notes	641,756
Interest on Class B Notes	683,112
Interest on Class C Notes	681,794
Interest on collection account	153,557
Interest on deposit account	132,799
Interest on Subordinated Loan	1,589,768
Interest on Contingent settlement provision	634,388
	<u>4,517,174</u>

Interest expense on the collection and deposit accounts results from negative interest rates that prevail in Switzerland due to the current macroeconomic situation.

	2018
	CHF
14. General and administrative expenses	
Servicer fees payable to Servicer	16,880,310
Servicer fees payable to Intertrust	25,210
Corporate servicer fees payable to Intertrust	37,393
Security trustee fees payable to Intertrust	16,914
Audit fee	85,000
Rating agencies fees	49,450
Cash manager fees payable to Intertrust	102,025
Legal costs	7,346
Servicing facilitator fees payable to Intertrust	11,088
Note trustee fees payable to Intertrust	10,035
Data trustee fees payable to Intertrust	11,088
Paying agent fees	29,700
Other general costs	1,514
	<u>17,267,073</u>

The above General and administration fees were payable to the Intertrust Group and Multilease AG, both related parties to the following extent:

Intertrust Group	213,753
Multilease	16,880,310

15. Employees

The Company does not have any employees. The directors' emoluments have been included in the administration fees under General and administrative expenses, above.

First Swiss Mobility 2017-1 AG

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

2.6 Notes to the Statement of comprehensive income

	2018
	CHF
16. Corporate income tax	
Corporate income tax charge for the period	12,755
Taxable profit	51,020
Tax charge at statutory rate of 25%	12,755

17. Director's emoluments

Mr RW Aeberli does not receive any emoluments for his activities as a director of the Company but is the Company's sole shareholder with entitlement to the Company's profit distributions which are deferred until the end of the Transaction.

Mr J Milardovic is employed by the Intertrust Group in Switzerland. He does not receive any emoluments for his activities as a director of the Company but the Intertrust Group is paid a fee of CHF 37,393 for his services.

18. Related parties

The Company's directors are considered to be related to the Company. A related party includes any member of a group to which a related party belongs, and any individuals that are closely related to a related party.

All transactions and balances involving related parties have been separately identified in the notes to the Financial statements.

Intertrust Group as the corporate service provider qualifies as a related party. Mr. Milardovic, a representative of Intertrust Group, is also a member of the Board of Directors of the Company.

Multilease AG ("the Originator" or "the Servicer" or "the Seller") as part of the Emil Frey Group also qualifies as a related party. Transaction costs in connection with the placement of listed Notes were born by this entity.

The dealer network of the Emil Frey Group represents, to a certain degree, a concentration risk to the Company.

Concentration risk

Concentration risk reflects the risk that the inability of a single or relatively small number of contractual partners to meet their current or future obligations may lead to substantial losses to the Company.

The Company's borrowers are generally well spread in terms of their share of the total obligation under the Lease Assets portfolio, as well as other diversifications such as spread between private and business lessees, geographical spread within the country and the sectors in which the business lessees operate.

The Company's major contract counterparties such as bankers, cash manager and corporate servicer are subject to strict financial monitoring procedures under the Transaction documentation.

The Company is exposed to a certain degree to a dealer network (the Emil Frey Group).

The Company has a concentration risk to the Emil Frey Group of dealers, as follows:

	2018
	CHF
Dealer proportion of Lease vehicle portfolio (CHF)	179,571,621
Residual values in Lease vehicle portfolio (CHF)	73,988,291
Dealer counterparty in Lease Assets portfolio (%)	48.3%

First Swiss Mobility 2017-1 AG ***ANNUAL REPORT AND FINANCIAL STATEMENTS 2018***

2.6 Notes to the Statement of comprehensive income

19. Events after the reporting date

No events have occurred after the reporting date and up to the date of approval of these Financial statements that could have a material effect on these Financial statements.

Zurich, 29 April 2019

Directors
Rolf Werner Aeberli

Josip Milardovic

First Swiss Mobility 2017-1 AG

Zürich

***Report of the
statutory auditor to the
General Meeting***

***on the (IFRS) financial state-
ments 2018***



Report of the statutory auditor to the General Meeting of First Swiss Mobility 2017-1 AG Zürich

Report on the audit of the (IFRS) financial statements

Opinion

We have audited the financial statements of First Swiss Mobility 2017-1 AG, which comprise the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 28 February 2017 to 31 December 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 6 to 28) give a true and fair view of the financial position of the entity as at 31 December 2018 and its financial performance and its cash flows for the period from 28 February 2017 to 31 December 2018 in accordance with the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and 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 provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, 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.

Our audit approach

Overview



Overall materiality: CHF 3'700'000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter, the following area of focus has been identified:

- Valuation of the lease vehicle portfolio

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

<i>Overall materiality</i>	CHF 3'700'000
<i>How we determined it</i>	1% of total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because, in our view, it is a relevant and generally accepted benchmark for materiality considerations relating to a financing entity and it is the benchmark against which the performance of the entity is most commonly measured.

We agreed with the Board of Directors that we would report to them misstatements above CHF 370'000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 the lease vehicle portfolio

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>The entity acts as a lessor. The lease vehicle portfolio represents the value of the leased cars (the underlying lease contracts qualify as operating leases).</p> <p>As at 31 December 2018, the lease vehicle portfolio amounted to CHF 329.0 million (88.9% of total assets).</p> <p>Due to the significance of these assets for the financial statements, we consider the valuation of the lease vehicle portfolio as a key audit matter.</p> <p>In order to assess the value of the lease vehicle portfolio as recognised in the financial statements, Management considers the development of the gross loss ratio and assesses whether the portfolio's diversification is maintained. The gross loss ratio is used to calculate the expected credit loss in the financial statements.</p> <p>Please refer to Note 1 'Lease vehicle portfolio'.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none">• We discussed with Management the valuation method used for the lease vehicle portfolio. In particular, we challenged Management's considerations of the gross loss ratio and portfolio diversification.• Based on samples, we tested the accuracy and completeness of the data input to the servicer's IT system by reconciling them with the lease contract information maintained in the accounting system.• We assessed and tested the design and operating effectiveness of key controls over the valuation of the lease vehicle portfolio. <p>As a result of our procedures, we determined that the recognised value of the lease vehicle portfolio has been appropriately assessed by Management.</p>

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the statutory financial statements of First Swiss Mobility 2017-1 AG and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS, 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 law, ISAs and 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 law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism 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 the entity's 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

PricewaterhouseCoopers AG

Thomas Brüderlin

Audit expert
Auditor in charge

Urs Meienberger

Audit expert

Zürich, 29 April 2019

Enclosure: