First Swiss Mobility 2017-2 AG

Annual Report and Financial statements 2018

Zurich, Switzerland

First Swiss Mobility 2017-2 AG
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Registered number: CHE-364.143.069

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1. Directors' report

1.1 Activities and results

Principal activities
First Swiss Mobility 2017-2 AG (“the Company”) was incorporated 7 November 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 28 November 2017, the Company issued CHF 267,300,000 Class A Notes, CHF 16,500,000 Class B Notes and CHF 14,800,000 Class C Notes (collectively "the Notes"), all with fixed interest rates and a final maturity date of 22 November 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 November of 2020 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 38,330,000 ("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 23 November 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 14 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 24,420. The Company's total equity as at the balance sheet date was CHF 174,420.

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:

Delinquencies on lease customers in excess of 90 days (CHF)	26,869
Defaulted Lease Assets - Cumulative (CHF)	1,141,316
Net losses on lease contracts (CHF)	81,924
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.

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.

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 anticpate 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

2.1 Statement of financial position as at 31 December 2018

	Note	31 December 2018 CHF	CHF
ASSETS			
Non-current assets			
Tangible fixed assets			
Lease vehicle portfolio	1	329,179,722	
			329,179,722
Current assets			
Receivables			
Servicer receivable	2	1,751,905	
			1,751,905
Cash and cash equivalents (restricted)	3		37,063,708
			367,995,335
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity	4		
Share capital		100,000	
Share premium		50,000	
Retained earnings		24,420	
			174,420
Non-current liabilities			
Notes payable	5	298,600,000	
Subordinated Loan	6	30,772,019	
Contingent settlement provision (non-current portion)	7	6,788,681	
			336,160,700
Current liabilities			
Contingent settlement provision (current portion)	7	769,300	
Interest expense payable	8	156,687	
Accrued expenses and other liabilities	9	30,734,228	
			31,660,215
			367,995,335

The accompanying notes on pages 10 to 27 are an integral part of these Financial statements.

2.2 Statement of comprehensive income - 7 November 2017 to 31 December 2018

		7 November 2017 - 31 December 2018	
		CHF	CHF
Operating lease income	11		121,955,584
Operating expenses			
Depreciation of Lease vehicles	1	107,648,388	
Credit losses		83,680	
General and administrative expenses	13	12,621,355	
			120,353,423-
Net operating profit			1,602,161
Interest and similar expense	12		1,569,601-
Income before taxation			32,560
Corporate income tax	15		8,140-
Profit for the period after taxation			24,420
Total other comprehensive income			-
Comprehensive income for the period			24,420

Statement of changes in equity - 7 November 2017 to 31 December 2018

	Issued share capital	Share premium	Retained earnings	Total equity
Incorporation on 7 November 2017	100,000	50,000	-	150,000
Profit and total comprehensive income for the period	-	-	24,420	24,420
Balance as at 31 December 2018	100,000	50,000	24,420	174,420

The accompanying notes on pages 10 to 27 are an integral part of these Financial statements.

2.3 Statement of cash flows - 7 November 2017 to 31 December 2018

The cash flow statement has been prepared according to the indirect method.

	7 November 2017 - 31 December 2018	
	CHF	CHF
Cash flow from operating activities		
Net result		24,420
Adjustments for non-cash items:		
Depreciation	107,648,388	
Interest expense	1,569,601	
		109,217,989
		109,242,409
Increase accounts receivable	1,751,905-	
Interest paid	1,412,914-	
Increase in accrued expenses and other liabilities	18,395,485	
		15,230,666
Cash flow from company operations		124,473,075
Cash flow from investing activities		
Investments in Lease Assets portfolio	499,373,466-	
Repayments of Lease Assets	74,884,099	
Cash flow from investing activities		424,489,367-
Cash flow from financing activities		
Issue of Notes	298,600,000	
Issue of Subordinated Loan	38,330,000	
Cash flow from financing activities		336,930,000
Movements in cash		36,913,708
Notes to the cash resources		
Cash and cash equivalents as at 7 November 2017		150,000
Movements in cash		36,913,708
Cash and cash equivalents as at 31 December 2018		37,063,708

The accompanying notes on pages 10 to 27 are an integral part of these Financial statements.

2.4 General notes to the Financial statements

GENERAL INFORMATION

First Swiss Mobility 2017-2 AG (“the Company”) was incorporated 7 November 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 38,330,000 ("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 November of 2020 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.

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 14 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 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.

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 such as Anti Money Laundering (AML) procedures, customer budget and credit worthiness assessments (Swiss Credit Consumer Act CCA), and the commercial terms (including residual value) of the lease contract. These 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 1,141,316 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 1,756.

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.

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 23 November 2020 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 22 November 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 0.03% – 0.04%.

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 1.00%.

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 2.00%.

Subordinated loan
No step-up is integrated. As there is no nominal interest rate, an effective interest rate of 2.50% 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.

2.4 General notes to the Financial statements

Cash and cash equivalents
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.

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 2.50%, 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.

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.

2.4 General notes to the Financial statements

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 and other liabilities. For detailed information concerning quantitative analysis of the repayment of the principal of listed Notes, refer to Note 5.

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	267,300,000	16,500,000	14,800,000	298,600,000
Within one year	-	-	-	-
Total principal balance outstanding	267,300,000	16,500,000	14,800,000	298,600,000

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

	2018
	CHF
Due within 1 year	461,000
Due within 2-5 years	1,971,838
Total	2,432,838

Subordinated Loan and Contingent settlement provision
The loans fixed contractual payments are the repayment of the nominal value of CHF 38,330,000 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 10 as part of the fair value related disclosures. Refer to notes 6 and 7 for further disclosures on these liabilities.

2.4 General notes to the Financial statements

Other liabilities	2018
	CHF
Due within 1 year	30,734,228
Due within 2-5 years	-
Total	30,734,228

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 November 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.

2.5 Notes to the Statement of financial position

ASSETS

1. Lease vehicle portfolio

	2018
	CHF
Cost	
Initial purchase under the Transaction documentation	330,000,000
Replenishment purchases under the Transaction documentation	181,712,209
Disposals as a result of lease maturity and termination	73,460,535-
Repurchases and other disposals	1,423,564-
	436,828,110
Accumulated depreciation	
Depreciation for the period	107,648,388
	107,648,388
Net book amount	329,179,722

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 12,338,743 which represent the replenishment for December 2018 and are not yet paid and included in the position “accrued expenses and other liabilities”.

On 28 November 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.

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
38,063,477	62,844,382	102,466,183

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
94,601,678	32,023,934	-

CURRENT ASSETS

2. Servicer receivables

	2018
	CHF
Servicer receivable	1,739,690
Expected credit losses	1,756-
	1,737,934
Prepayments	13,971
	1,751,905

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” .

3. Cash and cash equivalents (restricted)

	2018
	CHF
Collection account	24,629,699
Payment account	25-
Deposit account	12,434,034
	37,063,708

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.

2.5 Notes to the Statement of financial position

SHAREHOLDER'S EQUITY AND LIABILITIES

4. 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 the chairman of the Company's BoD.

NON-CURRENT LIABILITIES

5. Notes payable

	Initial balance as of 28 November 2017
	CHF
Class A Notes	267,300,000
Class B Notes	16,500,000
Class C Notes	14,800,000
	298,600,000

On 28 November 2017, the Company issued CHF 267,300,000 Class A Notes, CHF 16,500,000 Class B Notes and CHF 14,800,000 Class C Notes, all with fixed interest rates and a final maturity date of 22 November 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 0.0%. The interest rate due on the Class B Notes amounts to a fixed 1.0%. The interest rate due on the Class C Notes amounts to a fixed 2.0%. The interest rate on the Class A Notes is subject to a step-up to 0.15% as from the Optional Redemption date in November of 2020. All Notes were issued against 100%.

Interest is payable annually in November and in arrears. After the Revolving Period in November of 2020, 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 22 November 2027, but are subject to earlier redemption in certain circumstances. After the Revolving Period in November of 2020, 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.

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 22 November 2027. Even though the Originator possesses a Repurchase Option in November of 2020 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:

	Class A Notes	Class B Notes	Class C Notes
	CHF	CHF	CHF
After five years	-	-	-
After one and within five years	267,300,000	16,500,000	14,800,000
Within one year	-	-	-
Total principal balance outstanding	267,300,000	16,500,000	14,800,000

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
	CHF	CHF	CHF
After five years	-	-	-
After one and within five years	267,300,000	16,500,000	14,800,000
Within one year	-	-	-
Total principal balance outstanding	267,300,000	16,500,000	14,800,000

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

	Class A Notes	Class B Notes	Class C Notes
	CHF	CHF	CHF
After five years	-	-	-
After one and within five years	267,300,000	16,500,000	14,800,000
Within one year	-	-	-
Total principal balance outstanding	267,300,000	16,500,000	14,800,000

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

	Class A Notes	Class B Notes	Class C Notes
	CHF	CHF	CHF
After five years	-	-	-
After one and within five years	267,300,000	16,500,000	14,800,000
Within one year	-	-	-
Total principal balance outstanding	267,300,000	16,500,000	14,800,000

2.5 Notes to the Statement of financial position

The rating history of the Notes issued is as follows:

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

As at the end of 2018, the three outstanding Notes are as follows:
• a Note for CHF 267.3 million (fair value as at 31 December 2018: CHF 267.7 million) with a final maturity as of 22 November 2027;
• a Note for CHF 16.5 million (fair value as at 31 December 2018: CHF 16.5 million) with a final maturity as of 22 November 2027;
• a Note for CHF 14.8 million (fair value as at 31 December 2018: CHF 14.8 million) with a final maturity as of 22 November 2027.

6. 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 2.00% of Class C Notes is taken as a basis and a risk premium of 50 BP is added. This related to level 2 inputs in the fair value hierarchy of IFRS 13.

	2018 CHF	2018 CHF
Nominal value at time of issuance		38,330,000
Less: Initial amount recognised as financial liability at FVTPL	8,370,230-	
Change in contingent settlement provision	812,249	
		7,557,981-
		30,772,019

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 for 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 30,772,019), a fair value of CHF 30.8 million would result.

2.5 Notes to the Statement of financial position

7. 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.

	2018
	CHF
Contingent settlement provision at time of issuance	8,370,230
Change in Contingent settlement provision	812,249-
	7,557,981

CURRENT LIABILITIES

	2018
	CHF
8. Interest expense payable	
Interest payable on Notes	76,833
Interest payable on Subordinated Loan	79,854
	156,687

9. Accrued expenses and other liabilities

	2018
	CHF
Replenishment of Lease Assets due to the Originator	12,338,743
Cancellations payable to the Originator	701,013
Servicing Facilitator fee payable	538
Accrued expenses	208,686
Corporate income tax	8,140
Value added tax payable	1,058,812
Lessee deposits payable	14,529,326
Servicer fee payable	1,888,970
	30,734,228

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.

2.5 Notes to the Statement of financial position

10. 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:

		2018	2018
		CHF	CHF
	Level	Book amount	Fair value
Assets			
Servicer receivable		1,739,690	1,737,934
Cash and cash equivalents (restricted)		37,063,708	37,063,708
Liabilities			
Notes payable	1	298,600,000	299,056,150
Subordinated Loan	2	30,772,019	30,818,177
Contingent settlement provision	3	7,557,981	7,557,981
Interest expense payable		156,687	156,687
Accrued expenses and other liabilities		30,734,228	30,734,228

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.

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.

2.5 Notes to the Statement of financial position

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 5.

• 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 146,001) and actual cash payment (CHF 958,250 – refer to Note 12). There was no material sensitivity of the underlying cash flows to unobservable input parameters noted.

2.6 Notes to the Statement of comprehensive income

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

12. Interest and similar expense

	2018
	CHF
Interest on Class A Notes	-
Interest on Class B Notes	189,750
Interest on Class C Notes	340,400
Interest on collection account	62,986
Interest on deposit account	18,211
Interest on payment account	4
Interest on Subordinated Loan	812,249
Interest on Contingent settlement provision	146,001
	1,569,601

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

	2018
	CHF
13. General and administrative expenses	
Servicer fees payable to Servicer	12,332,516
Servicer fees payable to Intertrust	21,794
Corporate servicer fees payable to Intertrust	21,494
Security trustee fees payable to Intertrust	11,073
Audit fee	85,000
Rating agencies fees	39,100
Cash manager fees payable to Intertrust	60,637
Legal costs	5,056
Servicing facilitator fees payable to Intertrust	7,126
Note trustee fees payable to Intertrust	6,655
Data trustee fees payable to Intertrust	7,056
Paying agent fees	3,130
Other general costs	20,718
	12,621,355

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

Intertrust Group	135,835
Multilease	12,332,516

The transactions made with Intertrust and Multilease are based on the contractually agreed terms and conditions according to the role of the respective party.

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

2.6 Notes to the Statement of comprehensive income

	2018
	CHF
15. Corporate income tax	
Corporate income tax charge for the period	8,140
Taxable profit	32,560
Tax charge at statutory rate of 25%	8,140

16. 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 21,494 for his services.

17. 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 sepeaately 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
Dealer proportion of Lease vehicle portfolio (CHF)	187,610,722
Residual values in Lease vehicle portfolio (CHF)	74,782,401
Dealer counterparty in Lease Assets portfolio (%)	49.7%

2.6 Notes to the Statement of comprehensive income

18. 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 2017-2 AG

Zürich

Report of the statutory auditor to the General Meeting

on the (IFRS) financial statements 2018

Report of the statutory auditor

to the General Meeting of First Swiss Mobility 2017-2 AG

Zürich

Report on the audit of the (IFRS) financial statements

Opinion

We have audited the financial statements of First Swiss Mobility 2017-2 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 7 November 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 27) 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 7 November 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 3'679'000

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

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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.

Overall materiality	CHF 3'679'000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	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 367'900 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

Key audit matter	*How our audit addressed the key audit matter*
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). As at 31 December 2018, the lease vehicle portfolio amounted to CHF 329.2 million (89.5% of total assets). 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. 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. Please refer to Note 1 'Lease vehicle portfolio'.	We performed the following audit procedures: • 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. As a result of our procedures, we determined that the recognised value of the lease vehicle portfolio has been appropriately assessed by Management.

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 2017-2 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	Urs Meienberger
Audit expert Auditor in charge	Audit expert

Zürich, 29 April 2019

Enclosure: