



**For all your daily financial needs**  
Annual Report 2014

**PostFinance**   
*Surpassing support.*



## Our strategy and objectives

PostFinance Ltd is one of Switzerland's leading financial institutions and, as number one on the payment transactions market, ensures a seamless daily flow of liquidity. With simple, straightforward services, we are the ideal partner for all customers who manage their own finances. On request, we advise private and business customers personally. For demanding business customers, we offer tailored solutions along the value chain.

## Our customers

Whether private individuals, small and medium-sized enterprises, large companies or associations – we always meet our customers on their level. They appreciate the straightforward relationship with us, our numerous points of contact and our attractively priced, user-friendly services.

## Our services

Whether in payments, savings, investments, retirement planning or financing – we offer our customers everything to meet their daily financial needs, including transparent products at attractive conditions, some of which are provided in cooperation with established partners.

## Our performance

Key figures		2014	2013
<b>Balance sheet</b>			
Total assets as per IFRS	CHF million	118,829	115,193
BAG capital ratio	%	20.8	20.7
<b>Income statement (as per Group IFRS guidelines)</b>			
Operating profit (EBIT)	CHF million	475	719
Earnings before tax (EBT) <sup>1</sup>	CHF million	473	856
Return on equity <sup>2</sup>	%	9.2	17.5
Cost-income ratio	%	68.2	56.3
<b>Customer assets and loans</b>			
Inflow of new money	CHF million	2,839	4,256
Customer assets <sup>3</sup>	CHF million monthly average	117,186	113,580
<b>Market and employee key figures</b>			
Private customers	In thousands	2,629	2,582
Business customers (including banks & agencies)	In thousands	309	306
E-finance users	In thousands	1,624	1,546
Private and business accounts	In thousands	3,113	3,043
E-savings and savings accounts	In thousands	1,639	1,585
Customer satisfaction – private customers	Index	84	85
Customer satisfaction – business customers	Index	82	83
Average headcount	Full-time equivalents	3,454	3,432
Employee satisfaction	Index	76	78
<b>Transactions</b>			
Transactions	In millions	996	965

<sup>1</sup> 2013 including one-off financial profit from the sale of the equity investment in Post Real Estate Ltd of 145 million francs

<sup>2</sup> Return on equity = earnings before tax (EBT) as per Group IFRS guidelines / average eligible equity capital as per BAG

<sup>3</sup> Restatement of 2013 on the basis of new calculation with average monthly values

## Our accounting

PostFinance issues financial statements in accordance with Group IFRS (International Financial Reporting Standards) guidelines and the Bank Accounting Guidelines (BAG) set out in articles 23–27 of the Banking Ordinance (FINMA Circular 2008/2 “Accounting – Banks”). The statutory financial statements follow the guidelines of the BAG Bank Accounting Guidelines, while the other parts of the report are based on the figures in accordance with Group IFRS. The management report includes a reconciliation between the two accounting standards in the balance sheet and income statement.

## Our conviction

Whatever the concerns of our customers or their financial situation, we always support them fairly and in partnership. We speak their language and understand their needs. We keep our promises, and we act fast and authoritatively.

## Our legal status and management

PostFinance is a private limited company under private law and, as a subsidiary, is wholly owned by Swiss Post Ltd. PostFinance Ltd is subject to regulation by the Swiss Financial Market Supervisory Authority (FINMA) and has been granted a licence in accordance with the Banking Act and the Stock Exchange Act. The Board of Directors is the highest official body within PostFinance Ltd. Operational management is the responsibility of the Executive Board.

## Our organization



\* Member of the Executive Board

# Surpassing support

PostFinance is always breaking new ground – and has been doing so for over 100 years. Swiss Post's former postal cheque and giro service has become a successful financial services provider with a comprehensive range of services for retail customers. Today, PostFinance is a leading Swiss financial institution. With a sense of proportion and fairness, PostFinance intends to remain at the forefront in the future.



473 million

**Earnings before tax (EBT)** fell by 383 million francs year-on-year due to one-off items in the previous year.



110 billion

francs represents the level of **average monthly customer deposits**.



2.9 million

**customers** place their trust in PostFinance to meet their daily financial needs.



1.6 million

**users** manage their money with **e-finance**.



996 million

**transactions** were processed by PostFinance at home and abroad in 2014.



3,454

**full-time equivalents** or around 4,000 employees work daily to serve our customers.

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**FOREWORD**

Rolf Watter, Chairman of the Board of Directors  
Hansruedi K ng, Chief Executive Officer

## Dear Reader

In the extremely challenging market environment of the past financial year, PostFinance generated solid earnings before tax (EBT) of 473 million francs (–44.8 percent). The result of the previous year, marked by exceptional one-off profits (sale of an investment, book gain in employee benefit expenses) could not be matched. Despite this decline in profits, PostFinance's operating earning power remained high. The lower annual result is in line with our expectations and is the result of exceptional one-off items such as higher portfolio impairment charges and a base effect in staff costs (employee benefit expenses).

Total assets were up year-on-year by 3.2 percent to 119 billion francs. Customer assets amounted to 117 billion francs (+3.2 percent). 50,000 new customers put their trust in PostFinance.

Return on equity as at 31 December 2014 fell from 17.5 to 9.2 percent, while the cost-income ratio rose from 56.3 to 68.2 percent. With a capital ratio of 20.8 percent, we easily exceed the equity requirements of Basel III.

### Strategic and operational progress

PostFinance's strategy is based on three pillars: traditional banking services with payment transactions and financial services, digitization of our range of services, and growth along our customers' value chain.

With our partnership with Swissquote in online trading, the foundation of TWINT AG for the development of digital payment solutions and the launch of the new e-finance, we have achieved important strategic progress in the past financial year. The operational development of these projects is a high priority in the current year.

### Changes in the Board of Directors

On 1 January 2015, Hans Lauber became a member of the PostFinance Board of Directors and Chairman of the Board of Directors' Risk Committee. He succeeds Patrick Frost, who left the Board at the end of 2014 for professional reasons. With great expertise, Patrick Frost actively helped to shape PostFinance's formation and launch as a private limited company. The Board of Directors thanks him for his great commitment and wishes him all the best and every success in his new role.

### Outlook

On 19 December 2014, the Swiss National Bank (SNB) announced the future imposition of a negative interest rate of –0.25 percent on sight deposit balances. On 15 January 2015, the SNB suspended the euro/franc minimum exchange rate, at the same time setting a new negative interest rate of –0.75 percent.

While the impact of the scrapping of the minimum rate on the domestic economy is virtually impossible to estimate at present, the introduction of negative interest rates has immediate consequences for PostFinance. Since 22 January 2015, we have paid negative interest on part of our sight deposit balance at the SNB. This will have an impact on the result for the current year.

As a subsidiary of Swiss Post, PostFinance is subject to the Postal Organization Act, which prohibits us from awarding loans and mortgages to third parties. In the current market environment, it is very clear that this limitation of our business activities is not economically viable. Because of the lending prohibition, we are forced to invest the customer deposits entrusted to us in the national and international financial markets, where yields are close to or in some cases even below zero. Loans and mortgage lend-

ing, by contrast, can achieve significantly higher margins. Swiss Post has a clear mandate from its owner to create sustainable added value. Policymakers are therefore called upon, now more than ever, to create a framework that will allow us to continue to fulfil this mandate.

### Thank you

We would like to express our thanks to the three million customers who have continued to remain loyal to us in the past year. Consistently high levels of customer satisfaction over many years confirm our belief that we are on the right track in terms of service, advice and product development. But we do not intend to rest on our laurels. In a world that is becoming increasingly complex, we will continue to do everything possible to help you, our customers, to manage your money as easily as possible.

Finally, we would like to thank our nearly 4,000 employees, who with great motivation, flexibility and innovative capacity, contribute every day to successfully developing PostFinance. Their loyalty and commitment are greatly appreciated.



**Rolf Watter**  
Chairman of the  
Board of Directors

**Hansruedi Köng**  
Chief  
Executive Officer



We want to be the financial services provider in Switzerland that makes it as easy as possible for customers to manage their money.

Hansruedi K ng

#### INTERVIEW

with **Hansruedi K ng**,  
Chief Executive Officer

**In 2014, PostFinance successfully completed its first full financial year as a private limited company. Are you satisfied with business performance?**

PostFinance has successfully completed its conversion into a new legal entity. Despite the decline in profit, we are on track operationally, and our three million customers continue to have great confidence in PostFinance. This is shown for example by the customer assets we manage, which have again increased by more than three billion francs.

**PostFinance has a mandate from its owner – the Confederation – to increase revenues in the long term. How do you intend to fulfil this mandate?**

We want to be the financial services provider in Switzerland that makes it as easy as possible for customers to manage their money. By easy, I mean that customers can manage their finances with us as independently as possible. Traditional retail banking with payment transactions will continue to be PostFinance's core business. However, the

focus is also on the increasing digitization of banking and on working capital management for our large business customers.

#### **Working capital management?**

Working capital refers to the non-interest-bearing capital of a company needed for day-to-day operations, say for example stocks of raw materials and finished products in storage. Working together with other Swiss Post units, PostFinance helps its business customers to improve their liquidity along the supply chain. Swiss Post offers all of the logistics, finance and IT services relevant to working capital management from a single source. This year, we carried out a benchmark study at the University of St. Gallen to investigate the current performance levels of Swiss companies and public entities in WCM. There is still great potential in this area.

**You also mention increasing digitization. What direction is PostFinance taking?**

Digitization is a trend that has certainly come at the right time for us. PostFinance is the innovation leader in digital payments and intends to continue to play a leading role in mobile payments. Last autumn, we launched the new e-finance, giving the user interface a fundamental overhaul. It is now clearer and more intuitive than ever. 2015 will see further innovations: we're bringing the contactless PostFinance Card to market and launching a payment and shopping app through our newly established subsidiary TWINT. With TWINT, customers will in future be able to pay for their purchases with

their smartphone – be it at the checkout of a sales outlet, at a vending machine, online, in other apps or at events. No credit or debit card will be required.

**The SNB has introduced negative interest on sight deposit balances. PostFinance has around 40 billion francs at the SNB. Will you continue to hold to your cautious investment policy?**

We will not be changing anything in our investment policy. PostFinance is certainly affected by the negative interest rates, because a small part – less than 10 percent – of our sight deposit balance at the SNB exceeds the exemption limit. But we will not incur any additional non-calculable risks solely to counter the impact of negative interest rates. We will continue to do what we have been doing successfully for many years: we invest customer deposits in the public and government-related sectors using a replicating portfolio method, which means that we successively invest part of it with different terms to maturity while remaining conscious of security and quality. The yields on low-risk capital market investments are, however, very low. It is becoming increasingly clear that it is not economically viable for PostFinance to be prohibited from awarding loans and mortgages. We have the capital and know-how to do it.

**Why is PostFinance not allowed to grant loans and mortgages?**

The lending prohibition is set out in the Postal Organization Act and reflects the owner's political intention. In the current



market environment, however, it is now clear that this limitation of our business activities poses a risk. In the important interest differential business, PostFinance can generate a margin only on the liabilities side from savings deposits, and given the low, sometimes even negative interest rates, that margin is under pressure. In the final analysis, this restriction prevents us from fulfilling a part of our statutory mandate – to create added value. This is damaging, and cannot in actual fact be in the owner's interest.

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**What do you want to do about it?**

As I said, the lending prohibition reflects the owner's political intention. It is therefore up to policymakers to take the appropriate steps. I try first and foremost to point out that the current situation is not ideal. But whether and how quickly this will change is uncertain.

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**Another issue on which the outcome is still uncertain is the US tax deal. What is PostFinance's position here?**

With respect to the limitation of legal and reputational risk required by FINMA, we registered for category two as a precaution in 2013. We remain convinced that this was the right decision in the interests of our company, our employees and our customers. However, I cannot judge when the proceedings will be completed.

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**Europe is migrating its payment transactions. What does this mean for PostFinance as a market leader in Switzerland?**

Since 2010, PostFinance has been working together with the other banks on the future of Swiss payment transactions. By 2018, all banks in Switzerland will have introduced international standards. The red and orange inpayment slips and the postal account number will become a thing of the past.



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We will not incur any additional non-calculable risks solely to counter the impact of negative interest rates.

In future, only the IBAN and an inpayment slip with a QR code will be used for payment transactions. This standardization will make invoicing and payment easier and more cost-effective for companies and harmonize the cost of payments within Europe. PostFinance wants to ensure that the implementation of the changeover is as simple as possible for its customers, and will provide them with support during the switch.

**Another major IT project is the replacement of the core banking system. What does this involve?**

The core banking transformation project is currently the key strategic project for us. The core banking system is what we use to ensure the quality of our services for customers. Our current core systems for account management and payment transactions were developed in 1993. With the migration to TCS BaNCS, there will be a considerable reduction in the complexity of business and IT architecture. This will allow us to continue to handle payment transactions at low cost.

**PostFinance has entered into a long-term strategic partnership with Swissquote. How does this benefit customers?**

With this partnership, we want to offer our customers even better e-trading. Swissquote is the market leader in online trading in Switzerland, and PostFinance is the number one in payment transactions. Together, we intend to develop the online brokerage market by pooling our respective strengths. Swissquote will therefore in future operate as a trading platform for PostFinance, handling stock exchange orders placed by PostFinance customers in e-trading.

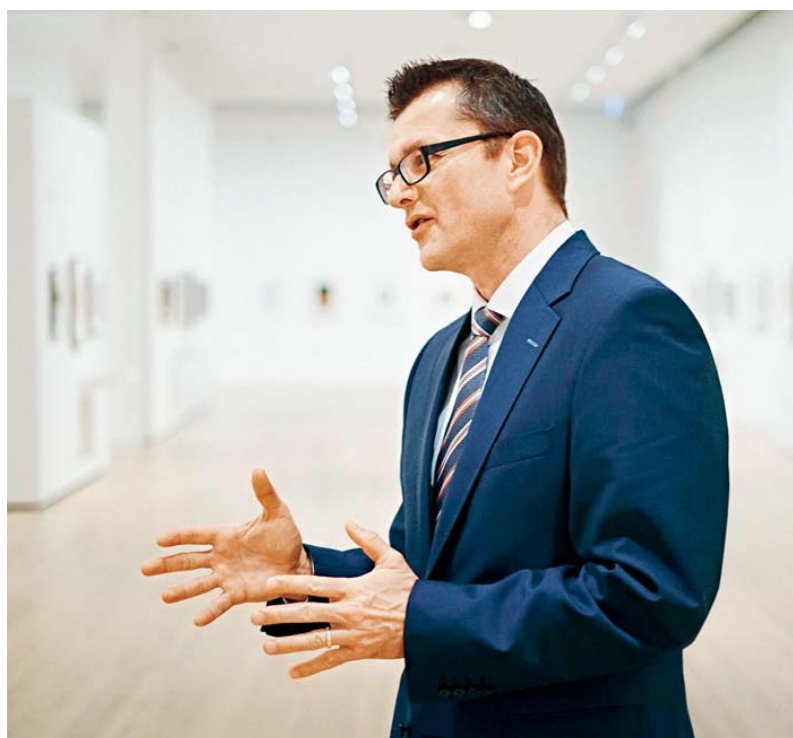
**Where do you see the biggest challenges in PostFinance's environment today?**

For PostFinance, interest income is the most important source of revenue. The current interest rate environment in the international financial markets and the lending prohibition remain major challenges and will continue to put pressure on our margins. In addition, we are of course also watching the developments in digital payments with great interest, particularly with respect to any major international technology companies that may possibly enter the market.

**How will PostFinance develop its business in 2015?**

In the past year, we have set a number of important strategic objectives. We intend to push forward with the implementation of the projects initiated actively and with self-confidence in 2015. We intend to grow with the market and defend our leading position in payment transactions. Personally, I'm looking forward to the launches of the contactless PostFinance Card and TWINT.

” —  
PostFinance is the innovation leader in digital payments and intends to continue to play a leading role in mobile payments.



# Business performance

PostFinance is on track: in 2014, it generated **operating profit (EBIT)** of 475 million francs and **earnings before tax (EBT)** of 473 million francs → [Page 9](#). Shop easily and pay with your smartphone: PostFinance makes it possible with the new **payment and shopping app TWINT** → [Page 12](#). PostFinance, like all other banks, will have introduced new **international standards** for payment transactions by 2018 → [Page 13](#). To allow large companies to create financial flexibility, PostFinance supports them with **working capital management** → [Page 14](#).



5.3 billion

francs in **eligible equity capital** exceeds the requirements of Basel III.



20.8%

**capital ratio** with a comfortable safety margin.



9.2%

**return on equity** shows that PostFinance is a good investment for its owner.



119 billion

francs in **total assets**. That is 3.6 billion francs more than the previous year.



2.8 billion

francs **inflow of new money** demonstrates the confidence customers place in PostFinance.



68.2%

Base effects and impairment charges led to an increase in the **cost-income ratio**.

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# PostFinance remains on course for success

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PostFinance is one of Switzerland's leading financial institutions and, as number one for payment transactions, ensures a seamless flow of liquidity. It is the ideal partner for anyone who manages their own finances. Whether in payments, savings, investments, retirement planning or financing – PostFinance offers its private and business customers straightforward products at attractive conditions. PostFinance offers large business customers tailored solutions along the entire value chain.



Solid  
financial figures

## KEY FIGURES

475 m

francs operating profit  
(EBIT)

473 m

francs earnings before tax  
(EBT)

68.2%

cost-income ratio

117 bn

francs in customer assets

## RESULT

## Solid result despite historically low interest rates in the financial markets

Despite difficult conditions in the financial markets, PostFinance generated operating profit (EBIT) of 475 million francs and earnings before tax (EBT) of 473 million francs.

PostFinance's annual financial statements (as per Group IFRS guidelines) show a solid result despite difficult conditions in the financial markets: the company generated operating profit (EBIT) of 475 million francs (–244 million francs) and earnings before tax (EBT) of 473 million francs (–383 million francs). The result of the previous year, marked by exceptional one-off profits (sale of an investment, book gain in employee benefit expenses) could not be matched. The financial trend is in line with expectations and reflects the high level of confidence customers have in our products and services, in our sustainable investment and risk policy, and in our careful cost management.

The historically low interest rates on the financial markets led to a downturn in margins in PostFinance's interest differential business. The trend in commission and services income, by

contrast, was positive. The cost-income ratio increased as a result of the non-recurring nature of one-off effects in the previous year and of ongoing expenses for the new core banking system.

In 2014, PostFinance posted new money inflows of 2.8 billion francs, bringing the customer assets now entrusted to it to 117 billion francs. In total, PostFinance handled 996 million payment transactions for its customers (previous year: 965 million transactions). The higher sales and volume figures for commission and service income also show that our customers make intensive use of our straightforward, user-friendly products and services.

## EQUITY BASE

## Well capitalized

FINMA classifies PostFinance as a "very significant market participant" in bank category 2. Financial institutions in this category must have a capital ratio of between 13.6 and 14.4 percent. With a ratio of 20.8 percent, PostFinance exceeds the requirements of Basel III, in terms of both the amount and the composition of the equity.



Standard & Poor's has confirmed PostFinance's excellent AA+ rating.

**Kurt Fuchs,**  
Head of Finance

## STRATEGY AND GOALS

## PostFinance meets its customers on their level

PostFinance is the first choice for customers who manage their own finances. Its policy is to offer only products and services that are easy to understand. Whatever their personal concerns, PostFinance is there for its customers around the clock.



PostFinance always meets its customers on their level, including in one-to-one meetings.

PostFinance is one of Switzerland's leading financial institutions. With simple, straightforward services, PostFinance is the ideal partner for all customers who take care of their own finances. As number one on the payment transactions market, it ensures a seamless flow of liquidity at all times.

### Simple and attractive

Whether in payments, savings, investments, retirement planning or financing – PostFinance provides solutions that make it easier for customers to manage their financial affairs and offer them added value, including straightforward, transparent products and services at attractive conditions and with easy contact.

### Honestly, fairly and in partnership

Whatever our customers' concerns or their financial situation – PostFinance's staff meet them on their level, speak their language and understand their needs. They act fast and authoritatively. In this way, PostFinance helps its customers to achieve their personal or business goals.

PostFinance takes the pressure off business customers with a comprehensive range of services for payment transactions and liquidity management. For major customers, PostFinance develops individual solutions based on their value chain. Together with other Swiss Post

units, PostFinance aims to increase the support it provides to major companies in the efficient use of their capital (working capital management, see page 14).

### There for its customers

PostFinance is there for its customers with advice whenever they need it: in 44 branches and post offices, online, or by phone at the Contact Center, around the clock, 365 days a year. PostFinance advises business customers in person at their premises – because that's the best place to identify their needs.

### Outlook

PostFinance wants to remain number one for payment transactions and continue its growth. To ensure that its customers can take care of their financial transactions even more easily and at any time of the night or day, PostFinance is consistently expanding its digital services and developing new services along the business customer's value chain.

” —

PostFinance offers simple, straightforward and transparent products and services, making it a reliable partner for all.

Patrick Graf,  
Head of Corporate Center

## DIGITAL SERVICES

## E-finance: good and getting even better

Clear, modern and intuitive: the new e-finance makes online banking even easier, showing all important information at a glance. With its responsive design, the display adjusts automatically to the screen size of the computer or tablet.

Checking your account balance, approving e-bills or transferring between accounts: since October 2014, these and other important functions have been grouped together in a modern design as tiles on the e-finance homepage. Customers decide for themselves the order of tiles that suits them best. The clearly laid out user interface makes e-finance even easier and more intuitive to use. Notifications such as mailbox messages, outstanding e-bills and payment approvals are now shown in a central Notification Center. The inboxes for messages about e-finance and e-trading, which used to be separate, are now grouped together in a single inbox. Login continues to be with either the yellow card reader or with Swisscom Mobile ID.

## COOPERATION WITH SWISSQUOTE

## Strong partner in e-trading

People who want to trade their securities independently online rely on e-trading from PostFinance. With around 60,000 customers, PostFinance is currently the number two in the Swiss e-trading market. Now, it is entering into a long-term strategic partnership in online trading with market leader Swissquote. The companies plan to exploit synergies and jointly develop the e-trading sector in the future. They intend to focus their services specifically on customers who manage their own finances. Swissquote will act as a trading platform for PostFinance, a role in which it will handle stock exchange orders placed by PostFinance customers in e-trading.



### A united front against cybercrime

At [www.swiss-isa.ch](http://www.swiss-isa.ch), users can check their computers for security problems free of charge and get tips for optimizing them. With the goal of creating secure and trustworthy access to Internet services, PostFinance got together with other leading companies and organizations in the Swiss economy to establish the Swiss Internet Security Alliance (SISA).

### Keep your finances under control with e-cockpit

How much money do I spend on my household, leisure or insurance? With e-cockpit, you can see it at a glance. E-cockpit automatically divides expenses into categories and presents them in a clear chart. It can also be used to create personal budgets and set savings goals with minimal effort. E-cockpit used to require registration. Now, the service is automatically available to all private customers – as a separate tile in e-finance.





” —  
We are developing not only a payment solution, but also a shopping experience.

Thierry Kneissler,  
CEO, TWINT AG

TWINT

## Shop and pay easily with your smartphone

In 2015, Switzerland's first integrated payment and shopping app will be launched under the name TWINT. The company behind the solution is TWINT AG, a newly formed subsidiary of PostFinance.

Whether it's at the supermarket checkout, a vending machine or online, paying with your smartphone will soon get even easier. This is made possible by TWINT, an app for iOS and Android. TWINT requires no credit or debit card, works independently of telecom providers and is available to everyone, regardless of whether they are a PostFinance customer.

### Extensive additional functions

Paying is an important part of it, but TWINT also offers much more: with TWINT, companies can offer coupons or have information sent to their customers. TWINT customers can use their physical loyalty cards electronically and store existing loyalty and membership cards in the app. Gift cards can also be bought, given as a present and used in the app.

### Aiming for wide acceptance

TWINT AG is currently holding intensive discussions with retailers, e-commerce businesses and a range of service providers, encouraging them to accept TWINT as a means of payment, so that use of the app can become as wide-

spread as possible. Swiss Federal Railways has entered into a strategic partnership with TWINT, making the TWINT digital wallet available for purchases at train stations. Beginning in spring 2015, additional companies in Switzerland accepting TWINT at their sales outlets will be announced. An up-to-date list can be found at [www.twint.ch/en/](http://www.twint.ch/en/).

### Fast development at an agile startup

Founded in summer 2014, TWINT AG is a subsidiary of PostFinance Ltd. Within a few months, Switzerland's first integrated payment and shopping app will be designed, programmed and brought to market. The startup company, based in Berne, employs almost ten staff members. Its CEO is Thierry Kneissler, a former member of the PostFinance Ltd Executive Board. The Chairman of the Board of Directors is Hansruedi K ng, CEO of PostFinance Ltd.





## THE FUTURE OF PAYMENT TRANSACTIONS

# Payment transactions simplified

Seven types of documents and around ten procedures and standards for credit transfers and direct debits will soon be a thing of the past. By 2018, all banks in Switzerland will have converted their payment transactions and introduced international standards. PostFinance is actively committed to this harmonization and is supporting its customers in the implementation.

„ —  
We will accompany our customers on the journey towards harmonized payment transactions.

Dieter Goerdtien,  
Project Manager

Orange or red inpayment slip? Postal account number, BIC or IBAN? From 2018, Switzerland will have simplified standards, uniform formats and a new inpayment slip with a QR code – as in over 30 other European countries since 2014. By then, all banks in Switzerland will have adjusted their payment transactions to international standards in accordance with ISO 20022, contributing to the harmonization of payment transactions in Switzerland. This will provide companies with the basis for simpler, more cost-effective invoicing and payments, as well as better conditions for optimizing their working capital management.

The implementation of ISO 20022 will also lead to the harmonization of the cost of payments within Europe and of transaction turnaround times, making cash flows easier to plan, which in turn allows for better cash management.

### PostFinance supports its customers

PostFinance wants to ensure that the implementation of the changeover is as simple as possible

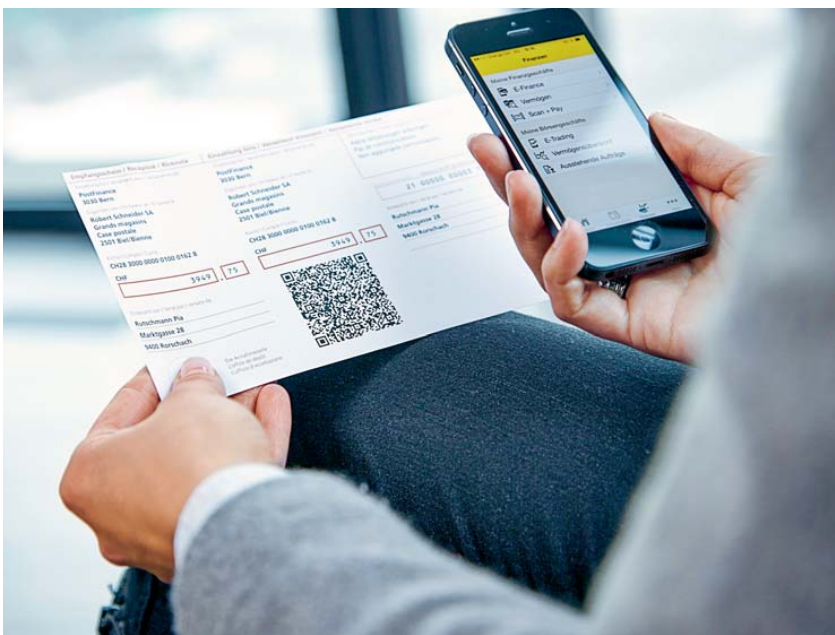
for its customers, and will provide them with support during the switch to ISO 20022. On our website, you will also find comprehensive information and a range of options for testing software. Our specialists answer your technical questions and provide support for testing and the implementation of the new standards. To ensure a seamless transition, PostFinance will operate a parallel service for two years in 2016 and 2017. During this period, the new formats will be available to customers while the old formats remain valid and can be gradually replaced.

### New inpayment slip with QR code

From July 2018, the red and orange inpayment slips will be a thing of the past. They will be replaced by a new inpayment slip with a QR code. The QR code is ideal for readers and smartphones and includes all important payment information, such as recipient details and amount. The new inpayment slip can also be used for payments without a reference number from abroad.

### IBAN to replace postal account number

In future, the sole primary identification feature used in Switzerland and Europe will be the internationally standardized and globally unique account number format: the International Bank Account Number (IBAN). Country-specific account number formats such as the postal account number will no longer be used.



The new inpayment slip with a QR code is ideal for smartphones and readers.

## WORKING CAPITAL MANAGEMENT

## Create more financial flexibility

With working capital management (WCM), PostFinance helps companies to improve their liquidity along the supply chain. In addition, PostFinance has also developed an analysis tool, established a research center and awarded the Swiss WCM Award for the first time.



### What is WCM?

Working capital refers to the non-interest-bearing capital of a company needed for day-to-day operations. A professional WCM solution reduces operating costs, freeing up capital. This improves the company's balance sheet, strengthens its credit standing and increases its value.

Reminding tardy payers consistently, taking advantage of supplier discounts, investing surplus capital, optimizing inventory levels – simple steps for creating financial flexibility in a company. Many large and medium-sized companies tie up too much capital in work processes. The experienced experts at Swiss Post go to companies to conduct a joint analysis of working capital processes and work together with the customer to develop tailored solutions for improving liquidity, also taking account of process-related and logistical aspects. Swiss Post offers all of the logistics, finance and IT services relevant to working capital management from a single source. These services,

unique in Switzerland, allow customers to coordinate processes in a timely fashion, exploit synergies and prepare themselves for future challenges.

### Analysis tool developed

Working together with the University of St. Gallen, PostFinance has developed an analysis tool to measure companies' maturity level in terms of working capital management and to measure the potential for optimization. The tool helps experts in an organization to identify strengths and weaknesses and to develop measures in response.

→ [postfinance.ch/en/biz/prod/bcase/wcm.html](http://postfinance.ch/en/biz/prod/bcase/wcm.html)



With the SCF Lab, we bridge the gap between theory and practice.

**Prof. Dr Erik Hofmann,**  
Head of SCF Lab,  
Chair for Logistics Management

## SUPPLY CHAIN FINANCE LAB (SCF LAB)

## Research center founded

PostFinance and the University of St. Gallen have jointly established a research center: Swiss Post's Supply Chain Finance Lab (SCF Lab), a think tank at which the two partners will explore the interface between the supply chain, logistics and financing. "We're not interested in complicated financial products that are difficult for the layman to understand. We want to help our customers to optimize their supply chain in order to improve their profitability," says Adrian Brönnimann, Head of Individual Customers, explaining PostFinance's commitment. The goal of the SCF Lab is therefore to systematically strengthen Swiss Post's expertise in the area of working capital management, and develop it further for spe-

cific applications. With the SCF Lab, PostFinance wants to give researchers the freedom they require to develop innovative approaches and promising methods of supply chain financing.

### Benchmark study conducted

In order to investigate the current performance levels of Swiss companies and public entities in WCM, PostFinance carried out a benchmark study with the SCF Lab at the University of St. Gallen. WCM performance indicators as well as processes in the sub-sections accounts receivable, accounts payable, liquidity and inventory management were analysed in detail. The study demonstrates the great importance of the issue of WCM for Swiss companies and describes numerous areas of potential for optimization. With consistent WCM, companies also make provision for crisis situations.

SWISS WCM AWARD

# Liquidity and capital tie-up optimized

How can resource and capital commitment be reduced, and process efficiency be increased? With a professional working capital management system, Berne energy supplier ewb is leading the way – and has received the Swiss WCM Award in the process.

With over 600 employees and an annual turnover of more than 400 million francs, Energie Wasser Bern (ewb) supplies the city of Berne and the surrounding communities with electricity, water, natural gas, biogas and district heating. No question, then, that a professionally managed working capital management (WCM) solution is part of the ewb strategy for economically sustainable business management. "ewb is taking the lead in this field," says Daniel Maucher, Working Capital Management Project Manager at PostFinance. "Because although WCM has become increasingly important in recent years, many companies are not taking full advantage of its great potential." This was confirmed by a 2014 benchmark study conducted jointly with Swiss Post and the University of St. Gallen, during which ewb received the Swiss WCM Award in the "Public bodies" category for its above-average performance

and outstanding figures in inventory and accounts receivable management.

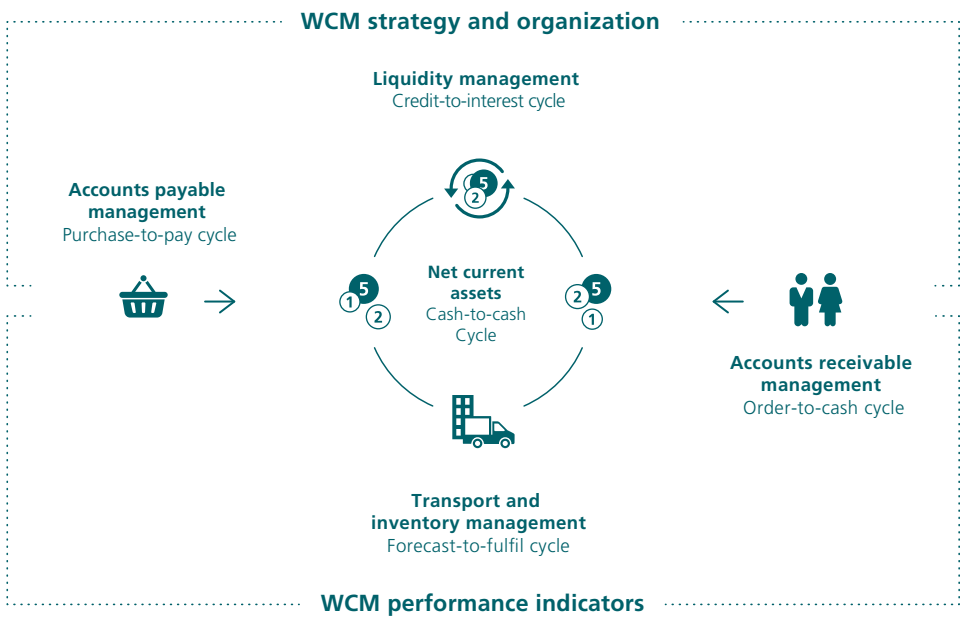
### WCM requires a holistic approach

"We rely on standardized processes and have consistently implemented far-reaching measures in our supply chain management," explains Simon Berger, Head of Accounting at Energie Wasser Bern. Inventories are managed actively in order to keep them low. The company also agrees long periods for payment. IT supports and accelerates all WCM processes and increases their transparency. With these measures, ewb in the last three years has achieved a very low capital tie-up time and reduced days inventory held by more than 10 percent. For ewb, however, these excellent results are no reason to rest on its laurels, because the benchmark analysis showed further potential.



### First SWISS WCM Award

The first Swiss WCM Award presented by PostFinance recognizes companies with a leading role in working capital management (WCM), above-average performance in their key figures, and consistent controlling. The award was presented in the category "Trade and industry" to Perlen Papier AG, in the category "Services" to SBB AG and in the category "Public bodies" to Energie Wasser Bern.



A focal point for WCM is the **cash-to-cash cycle**. This describes the commitment period of cash and cash equivalents in the value creation process of a company – from paying suppliers to receiving payment from the customers.

### WCM comprises four areas:

- Order-to-cash cycle: accounts receivable management
- Forecast-to-fulfil cycle: transportation and inventory management
- Purchase-to-pay cycle: accounts payable management
- Credit-to-interest cycle: cash management



IT is an essential factor in ensuring that PostFinance maintains its leading role as a financial services provider.

**Markus Fuhrer,**  
Head of Information Technology

#### INTERVIEW WITH MARKUS FUHRER

## IT systems ensure smooth operations and encourage innovation

Payment transactions, account management, money market and foreign exchange transactions – PostFinance's financial services are based on complex IT systems. IT systems ensure that everything runs smoothly for the customer.

**Markus Fuhrer, you have been Head of IT at PostFinance since 1 September 2014. What are the main responsibilities of IT at PostFinance?**

Through the use of proven, forward-looking technologies, IT is an essential factor in ensuring that PostFinance maintains its leading role as a financial services provider.

**What is the mandate of the IT strategy at PostFinance?**

The IT strategy consists of three principles: we guarantee commitment to the implementation of the major projects of core banking transformation (CBT) and the harmonization of payment transactions in Switzerland. We support innovation, particularly in the area of digitization. And last but not least, we ensure that everything runs smoothly – providing stable operations and consistent quality.

**You mention the stability of operations. What is the situation at PostFinance in terms of the availability of IT systems?**

For this issue, a differentiated approach is important. We roll out extensive IT releases two to three times per year, during which time all applications are unavailable for about 24 hours. This has a major impact on the overall availability rate, especially considering that there may of course be additional problems in the first week after a release. Outside the release windows, our systems are highly reliable. For 24/7 applications such as e-finance, we have defined an annual target availability rate of 97.5 percent, and we easily exceed it.

**PostFinance is modernizing its core banking system over the next few years. You managed this major project before your appointment as Head of IT. What makes this project so important for PostFinance?**

For PostFinance, the renewal of the core banking system is the key strategic project at present. It is necessary to continue to ensure the quality of our services for customers. Our current core systems for account management and payment transactions were developed in 1993. By replacing them with new technical infrastructure, there will be a considerable reduction in the complexity of business and IT architecture. At the moment, we are gradually migrating various banking transactions to TCS BaNCS.

**What milestones have already been achieved and what are the next challenges?**

In October 2013, we successfully transferred the funds business to TCS BaNCS, followed in April 2014 by the systems for money market and foreign exchange transactions and medium-term notes. These two milestones confirmed to us the high level of reliability and performance of the new core banking system, and give me great confidence in the future of the project. The next big challenge is the migration of Swiss payment transactions.

# Employees

With zones for exchanging ideas, concentrating or recharging their batteries, PostFinance offers its employees performance-enhancing and motivating work environments → [Page 19](#). “Sharing enthusiasm”: this is how PostFinance positions itself in the labour market → [Page 20](#). To ensure that it can continue to count on outstanding specialists, PostFinance invests in the next generation → [Page 21](#). PostFinance is actively committed to the health of its employees → [Page 22](#).



3,454

**employees** (full-time equivalents) strive to achieve PostFinance's objectives each day.



39.6 years

is the **average age** of the company's 3,956 employees.



62,369

hours are invested by PostFinance in **basic and advanced training** for its employees.



42

**different nationalities** ensure a diverse corporate culture at PostFinance.



30%

of women in management roles work **part-time**. For men, the rate is 12 percent.



31%

of **management positions** are held by **women**.



## Focus on people

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At PostFinance, the focus is on people: PostFinance offers a forward-looking work environment that serves as a successful model for life for men and women at every level of the organization. At PostFinance, 3,956 people from 42 nations have a lively and genuine interest in their work. A wide range of development prospects support and encourage their talents and ambitions.






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**INTERVIEW WITH VALÉRIE SCHELKER**


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## “We encourage location-independent and mobile working.”

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If you show purpose and commitment, you can achieve a lot at PostFinance. There's everything from traditional HR responsibilities to the right working environment to help you succeed. We're looking for employees who give their heart and soul to PostFinance.

” —  
 We want to offer our employees the opportunities they need to best do their jobs.

Valérie Schelker,  
 Head of Working Environment

**Valérie Schelker, you have been Head of Working Environment at PostFinance since 1 April 2014. What are your main responsibilities?**

Here at Working Environment, we take care of the traditional HR responsibilities, as well as staff, management and organizational development, HR controlling and HR processes. I am also a member of the Executive Board, representing strategic HR interests on the Executive Board and on the PostFinance Board of Directors.

**Which strategic areas do you focus on in the development of Working Environment?**

Since October 2013, Facility Management has been integrated into Working Environment, allowing us to ensure that we provide employees with the infrastructure necessary to carry out their duties. Where appropriate, we promote location-independent and mobile working at PostFinance. To encourage flexibility and collaboration across the company, we want to work at the appropriate location with the appropriate resources and the appropriate organizational framework. We do this by providing employees with a range of zones designed to meet their needs, whether they are exchanging ideas, concentrating or recharging their batteries.

**How does PostFinance position itself in the labour market?**

We want to be successful as a company, while at the same time always remaining down to earth. We therefore need employees who put their heart and soul into their work. To find them, we have very consciously explored new avenues, launching the Tour de PostFinance in

the summer of 2014, an interactive short film which allows potential employees to experience a virtual working day at PostFinance in the form of a game.

**Much is written today about the impending shortage of skilled workers in Switzerland. What is PostFinance doing about this?**

We are deliberately investing in the next generation and will therefore significantly increase the number of positions for apprentices by the start of the 2015 training period. With the trainee programme for Master's students and the undergraduate internship, we offer additional attractive career opportunities in the world of banking. And because it is strategically essential for PostFinance to keep up with the rapid pace of technological development, we will also professionalize and expand the training opportunities available in IT.

**You're very much a champion of workplace health management. What have you accomplished in this area in 2014?**

Adequate physical exercise is important in maintaining performance, particularly in jobs where people mostly work sitting down, and for this reason PostFinance supports campaigns such as "bike to work". Other elements of our workplace health management include the free seasonal flu vaccination, a series of events to promote a healthy work-life balance and workshops on stress reduction. We have also trained our managers specifically in dealing with sick or injured employees, with the aim of reducing the absence rate.

## Diversity and enthusiasm

### KEY FIGURES

# 3,956

employees shape the culture of PostFinance

# 42

different nationalities ensure diversity

# 76

is the employee satisfaction rate

### EMPLOYMENT MARKET POSITIONING

## Working for PostFinance: sharing enthusiasm

PostFinance offers its employees attractive employment conditions: six weeks of holiday, exemplary social security benefits and fair salaries. But ensuring a competitive edge in the labour market takes more.

“Sharing enthusiasm”: this is how PostFinance positions itself in the labour market – including on social media channels such as XING, LinkedIn, Facebook, Twitter and Kununu, where current and former employees can rate PostFinance as an employer. PostFinance is looking specifically for ambitious employees who want to advance both the company and themselves. “And do it with commitment and charm,” as Valérie Schelker, Head of Working Environment, explains: “Because our culture thrives on the personalities of our employees: people with a lively interest in their work, their team members, their customers, people who are persuasive in their focus on solutions.”

### Working environment promotes motivation

The progressive working environment at PostFinance contributes to the motivation and enthusiasm of its employees. To ensure the right balance between private and professional life, PostFinance offers flexible working conditions. Contact with staff at all levels of management

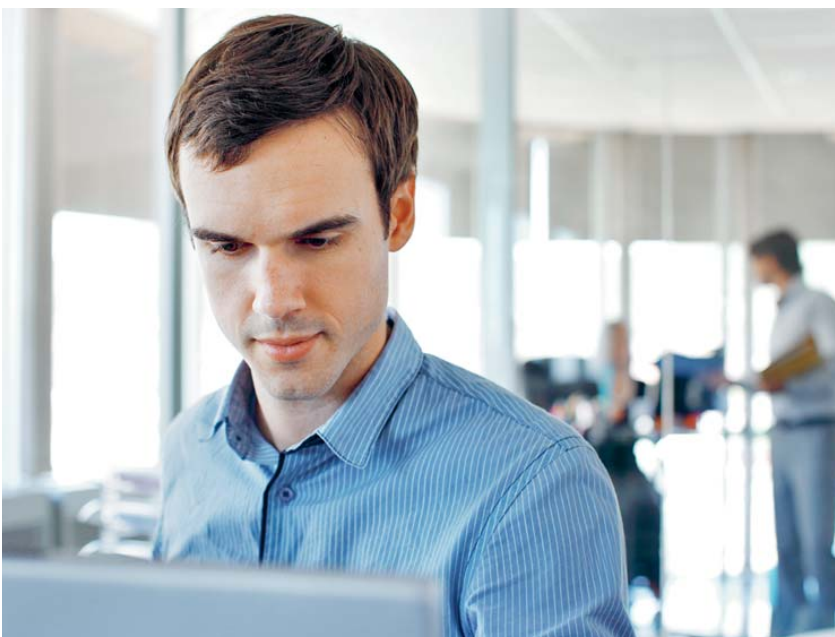
is down-to-earth and on an equal footing. There is also targeted promotion, now focused even more closely on the skills available in each area, as well as increasing use of electronic learning media in training courses – here again, PostFinance is breaking new ground with the focus on ongoing digitization.

### INTERACTIVE SHORT FILM ONLINE

## Tour de PostFinance

Innovative: in a new, interactive short film, PostFinance introduces itself to potential job candidates on its website, allowing them to experience a day at PostFinance in the form of a game and get an idea of the working environment. Find out more about future colleagues in the cafeteria? Stroll into the server room at the Zofingen data center? Have an informal chat with the PostFinance boss? All possible. Real employees show the candidates around real spaces, ask quiz questions and finish up with a little tongue-in-cheek feedback.

→ [tour.postfinance.ch](http://tour.postfinance.ch)







**Reto Uhlmann**  
Commercial Banking apprentice,  
3rd year

**Why did you choose the Commercial Banking training at PostFinance?**

I had the opportunity to spend two days at PostFinance when I was in secondary school. Even then, I found the working environment appealing and I felt very much part of the team. PostFinance also offers us attractive extras, such as seven weeks of holiday and a free GA travelcard.

**What do you like about your training?**

I like the extremely varied training programme, which is very stimulating, particularly from a technical perspective. When I look back to when I started, I've learned a great deal in almost every area. At the same time, I'm also getting to know new and interesting people all the time.

**What are your plans for the future?**

I finish my apprenticeship in July 2015, and then I want to spend a year finishing off my secondary school certificate. I see my future in the financial sector – preferably of course with PostFinance.

## EDUCATION

# More training positions for young people

PostFinance will continue to need outstanding specialists in the future. The company is therefore investing in that future by significantly increasing the number of training positions for apprentices in 2015. The opportunities for students and school-leavers will also be expanded.

Curious and enterprising young people drive a business forward, which is why PostFinance is continuing to expand the number of training positions it offers – with attractive opportunities for getting started in the professional world, from traditional training and Bachelor's degree courses to undergraduate internships or Master's trainee programmes.

**Basic education: the first career step**

Commercial Banking and Service and Administration employee, Mediamatics Technician, Call Center Agent or IT Technician: PostFinance offers school-leavers a wide range of training courses and will significantly increase the number of commercial apprenticeships in 2015.

The new position of Call Center Agent was added in summer 2014: over the course of three years at the Contact Centers in Biel and Berne, young people learn how to advise customers, make sales calls, accept customer orders and handle enquiries and complaints.

**IT training professionalized and expanded**

To ensure that it can adapt in the future to rapidly changing customer needs and technological developments, PostFinance is expanding the training opportunities available in IT. This is because this is a field in which qualified professionals are increasingly hard to find in Switzerland. PostFinance is also professionalizing its IT training and creating a new apprenticeship center, where IT apprentices are drawn together in a pool, are managed centrally and work on projects throughout the company. Young people with a university entrance-level qualification can complete the shortened, two-year "way up" IT training course at PostFinance. From 2015, school-leavers who want to combine work experience and academic study can complete a Bachelor's degree with integrated practical training (PiBS) in Information Technology, a programme launched by PostFinance together with Swiss Post and the Swiss Distance University of Applied Sciences.

In addition to the trainee programme for Master's students, PostFinance now also offers Bachelor's students six-month undergraduate internships.



PostFinance invests in the future – which is why we are increasing the number of apprenticeships.

**Brigitte Cosandey,**  
Apprentice and Intern Manager

## WORKPLACE HEALTH MANAGEMENT

# PostFinance cares

Being off sick from time to time is nothing unusual. But line managers should be vigilant about employees absent due to illness. PostFinance has raised awareness of this issue among managers.

Rick C. is not coming to work today. He has called in sick for the third time already this month. Now obviously, when someone is sick, they need to recover, not go to work. But how should managers behave towards sick or injured employees? How can they support their recovery? What exactly can they do to help reduce the absence rate? In 2014, this issue was addressed by training in absence management for PostFinance managers, with the focus on strengthening respect and esteem in dealings with employees on the one hand, and also on how absence rates due to illness or accidents can be reduced, or ideally prevented. PostFinance expects a great deal of tact from its managers on this topic.

### Dialogue has a positive effect

PostFinance expects its managers to create a climate of trust that produces a preventive effect. They maintain a dialogue with sick employees: regular contact during an absence is a sign of appreciation that can help encourage staff to return to work rapidly. After an absence, manager and employee meet to discuss the reasons for time off caused by sickness or accident – a valuable step in developing solutions that have a positive impact on health and well-being. Employees who return to work after a long absence are given the opportunity to gradually reacquaint themselves with their responsibilities.

## COURSES AND CAMPAIGNS

# Promoting good health actively and preventively

The health of employees is important to PostFinance. Ergonomic office equipment, a non-smoking policy and suggestions for more daily exercise are second nature at PostFinance. In 2014, PostFinance supported its employees with additional campaigns and organized courses.

### Finding the right balance

Avoiding tripping hazards, exercising to improve balance or reducing stress with relaxation techniques: with the "Keep your balance" events, PostFinance organized a series of free workshops together with the Swiss Council for Accident Prevention. PostFinance also supported the Group-wide "I feel good" campaign, a series of workshops in which partici-

pants had the opportunity to explore their own personal work-life balance. For those interested, there is a self-check on the intranet, with a personal evaluation and additional tips on improving personal balance. Four times a year, all employees also receive the internal newsletter "Staying healthy at work and in your free time", with tips on improving personal health.

### Bike to work

266 PostFinance employees participated in the "bike to work" campaign organized by the Swiss cycling advocacy group Pro Velo, in which they cycled to and from work for a month.

### Staying healthy through the winter

Every year in autumn and winter, all PostFinance employees can have themselves vaccinated free of charge against seasonal flu, either by the specialists at five PostFinance locations or by their GP.

” —

The health of our employees is very important to us, and something to which we are actively committed.

**Karin Albisser,**  
Workplace Health  
Management Manager



PostFinance promotes the health of its employees, supporting campaigns such as "bike to work".

# Sustainability and commitment

PostFinance is aiming to improve its CO<sub>2</sub> efficiency by 10 percent by the end of 2016 → [Page 25](#). For people with and without disabilities – PostFinance is committed to the accessibility of its services → [Page 26](#). With the Digital Business Award, PostFinance furnishes young entrepreneurs with startup capital → [Page 27](#). PostFinance recognizes sustainable social and business ideas with the Encouragement Prize → [Page 27](#). Its sponsorship programmes demonstrate its strong commitment to young people → [Page 28](#).



9%

was the increase in **CO<sub>2</sub> efficiency** compared to the base year 2010.



182 kg

of **paper** is consumed by PostFinance per full-time equivalent.



30 GWh

of **energy** is consumed annually in PostFinance buildings. This figure is 6 GWh lower than four years ago.



100%

of PostFinance's needs are covered by **electricity** generated from "nature-made basic" certified renewable energy in Switzerland.



4.3 million

francs were added by the top scorers to the fund for **young ice hockey players** in the last eleven years.



120,000

**cultural enthusiasts** visited DAS ZELT – Chapiteau PostFinance in 2014.

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## Creating added value for society

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PostFinance is aware of its responsibilities towards the environment and society and acts accordingly. Conserving natural resources and acting sustainably help to strengthen the competitiveness and credibility of PostFinance. Whether electronic or physical – PostFinance is committed to access for all. With its social commitment, PostFinance encourages the younger generation – athletes, students and young entrepreneurs. Because if you want to have creative minds tomorrow, you must encourage young people today.



On  
trackENVIRONMENTAL  
INDICATORS

30 GWh

of energy is consumed in  
PostFinance buildings.

182 kg

of paper is consumed per  
full-time equivalent.6 m<sup>3</sup>is the water consumption  
per full-time equivalent.

88%

of the cars procured  
in 2014 are in energy  
efficiency category  
A and B.

12 689 t

of CO<sub>2</sub> emissions are  
generated by PostFinance  
each year.

## SUSTAINABILITY

PostFinance increases CO<sub>2</sub> efficiency

PostFinance intends to increase its CO<sub>2</sub> efficiency by at least 10 percent by 2016. To do so, it relies on the latest technologies and intelligent mobility solutions. With the increase of 9 percent achieved by 2014, PostFinance is on track to meet its targets.

Climate protection and energy are top priorities in the PostFinance sustainability strategy for 2014–2016. Starting from the base year 2010, PostFinance is aiming to improve its CO<sub>2</sub> efficiency by at least 10 percent by 2016. The company's target is defined in relation to core services: the aim is to reduce the greenhouse gas emissions for each transaction (inpayment/outpayment, transfer), with efficiency measured in grams of CO<sub>2</sub> per transaction. By 2014, CO<sub>2</sub> efficiency had been increased by 9 percent: this means that PostFinance is on track to meet its targets. The savings were possible mainly through optimizing the technology used in data centers, through an increasingly environmentally friendly vehicle fleet, and through intelligent ideas for reducing business traffic.

**Optimized data centers**

In 2014, PostFinance improved energy efficiency at its data centers by investing in the latest technology and optimizing the operation of the existing infrastructure. At the Engehalde data center in Berne, the existing system for the center's uninterruptible power supply (UPS) was replaced by a new and highly efficient system, significantly reducing power consumption. At both data centers (Engehalde and Zofingen), PostFinance optimized the removal systems for the heat generated by servers and the communications infrastructure. More dynamic operation of the infrastructure was achieved through consistent fine tuning, allowing the optimum, most energy-efficient operation of the data centers.

**Environmentally friendly fleet**

For its fleet of around 280 cars, PostFinance relies on energy-efficient and low-emission models. In the past financial year, the fleet was again reduced. This was done by both phasing out vehicles with very low mileage and replacing less energy-efficient vehicles, further increasing the environmental friendliness of the PostFinance fleet. According to factory specifications, around one third of the vehicles today emit fewer than 120 grams of CO<sub>2</sub> per kilometre, and at 128 grams of CO<sub>2</sub> per kilometre, the average of all vehicles is well below the average of all new registrations in Switzerland (144 grams of CO<sub>2</sub> per kilometre).

## MOS MOVE CENTER CAR SHARING PLATFORM

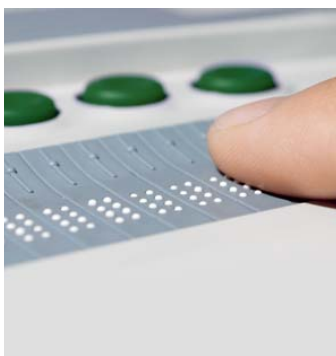
## Better to share transport

Described as "a Swiss Post milestone in the development of sustainable mobility" by PostFinance Chief Executive Officer Hansruedi Köng, MoS Move Center is Swiss Post's internal carpooling system. It can be used to easily and spontaneously enjoy the benefits of mobility sharing, allowing users to book a vehicle from the company pool or schedule a lift with a colleague on the online portal. The service has been available in Berne since March 2014, and a nationwide expansion, including the integration of public transport links into the online platform for combined mobility, is being tested in a range of pilot projects.

FOR PEOPLE WITH AND WITHOUT DISABILITIES

## Accessibility: PostFinance services

PostFinance grants everybody the best possible access to its services: its websites are accessible. More and more Postomats can also be operated from a wheelchair, and visually impaired people receive audio support.



PostFinance's websites and e-finance services are accessible, allowing visually impaired people to use electronic financial services.

” —  
Keeping websites  
accessible is a  
major challenge.

PostFinance Accessibility  
Competence Center

Can you navigate a website with one hand? Can blind people have content read to them aloud? Are there subtitles for audio content for the hard of hearing? Criteria like these determine whether a website is accessible or not: [www.postfinance.ch](http://www.postfinance.ch) and e-finance services are. In 2014, the "Access for all" foundation awarded PostFinance's websites the highest possible rating of "AA+ – very good accessibility" for the third time. "New content and the diversity of new technologies are changing the requirements all the time. Which makes us all the more proud that our websites are often held up as examples of best practice," says the Accessibility Competence Center.

### Easier access for all

As a semi-public enterprise, PostFinance is required by law to make its online services accessible. But the commitment is also strategic: PostFinance focuses in principle on simple, clear structures that enable all customers to manage their own finances. And the number of people in need of accessible services is growing. Older people are also increasingly using digital services. As we get older, poor eyesight or physical difficulties are often unavoidable. E-finance offers help with this, by providing products such as the large speaking reader available from Customer Service. For people who cannot use the reader, Mobile ID helps with online payments.

### Postomats for all

To facilitate access to ATMs for wheelchair users, PostFinance installs at least one machine at an operating height of 80 to 110 centimetres at locations with two or more Postomats. Since 2014, all Postomats have also been equipped with a headphone connection and software to provide audio support for people with visual impairments.

### COMMITMENT

## PostFinance at the Swiss Handicap fair

Together with the "Access for all" foundation, PostFinance was the only financial services provider to take part in the Swiss Handicap '14 trade fair in Lucerne in November 2014. Nadja Schmid, who works in technical support at the PostFinance Contact Center and is herself affected by spinal muscular atrophy, was at the stand there, where together with the PostFinance Accessibility Competence Center, she ran a course designed to allow a wide range of impairments to be experienced at first hand. And she was enthusiastic about it: "I think it's great to see PostFinance at a trade fair dedicated to the needs of people suffering from a disability or an illness. It was an important exchange of experience for everyone there – and for me personally, I was happy to be able to pass on tips and tricks to our many visitors!"



**1** – In 2014, PostFinance recognized an idea for an online platform for tradespeople with the Digital Business Award.

**2** – The 2014 Encouragement Prize went to three students who plan to cook simple lunches from food that is damaged or nearing its expiry date.

#### DIGITAL BUSINESS AWARD

## Young Entrepreneurs Award: sharing people and machines

When the landscape gardener has a lot of work, he borrows the mini-digger and two employees from a company that is not particularly busy at the moment. Both companies and their employees benefit.

Roland Burri developed an idea for an online platform that will in future allow businesses to share people and machines easily, winning him the PostFinance Digital Business Award and startup capital of 50,000 francs. The platform is expected to go live in the first quarter of 2015. The prize was awarded for the first time in 2014 as part of the Swiss Startup Awards. And with a deserving winner: what Roland Burri wants is to launch a digital solution for the everyday challenges faced by SMEs, thereby advancing an entire industry.

With the Digital Business Award, PostFinance is aiming to boost its existing commitment to young entrepreneurs. "This is our way of supporting Switzerland as a good business location for startups," says Hansruedi Köng, CEO of PostFinance.

→ [postfinance.ch/award](http://postfinance.ch/award)

#### ENCOURAGEMENT PRIZE

## Startup help for RADiesli

RADiesli is the business idea created by three students sharing a flat. They plan to cook simple lunches from food that is damaged or nearing its expiry date and sell them at reasonable prices from a converted cargo bike. A good thing, because in Switzerland a third of all food is thrown away unused.

For their idea, Lukas Bühler and his two colleagues Thomas Lehmann and Remo Bebié won the Encouragement Prize, sponsored by PostFinance as part of the Social Impact Awards. The award recognizes sustainable social and business ideas. With the award, the winners also received extensive mentoring from PostFinance experts, as well as a range of marketing services. The goal: to help them get a well thought out product up and running as quickly as possible.

The three students are also looking to set an example with their idea. "We want to show that a more mindful approach to food can be fun," says Lukas Bühler, never losing sight of the business: "We are of course also confident that our idea will be profitable."

→ [postfinance.ch/radiesli](http://postfinance.ch/radiesli)



## We support Switzerland as a good business location for startups.

**Hansruedi Köng,**  
Chief Executive Officer

## SPONSORSHIP

## PostFinance supports young people

Whether it's junior hockey players, active young people or students who need to learn how to deal with money: a large part of PostFinance's sponsorship commitment is dedicated to the up-and-coming generation.

When the hockey players in the two Swiss national A teams score, their very young counterparts also benefit. For every scorer point – goal, first assist or second assist – PostFinance pays 700 francs into the Swiss Ice Hockey Federation's fund for the promotion of young talent. The "Yellow Heart – supporting young talent", as the campaign is known, is also to be seen on the playing field: instead of the PostFinance logo, the captains of the national A teams have a yellow heart on their jersey.

With the Top Scorer campaign, PostFinance has already invested four million francs in the next generation. Since 2002, the top scorers in the National League teams have been collecting money for the junior departments of their clubs with every point. PostFinance also organizes the annual PostFinance Trophy, the biggest national ice hockey tournament for students.

### Thousands of advantages with the Young Swiss Card

Beyond the world of sport, PostFinance is also committed to wholesome leisure activities for adolescents and young adults, which is why it is now a partner of Young Swiss. The Young Swiss advantage card for people under 30 provides its owners with 1,500 preferential offers in Switzerland and a further 60,000 throughout Europe, such as free admission to countless museums, 24-hour assistance insurance from

Swiss insurer Mobiliar, discounts on many exclusive products, and competitions – also for things that money can't buy. For young PostFinance customers, the Young Swiss Card is the ideal complement to the PostFinance Card, and is available for 9 instead of 25 francs.

### People need to learn how to deal with money

In a consumer-oriented world, children and young people need to learn how to deal with money early. With MoneyFit and Event-Manager, PostFinance helps them to do that. These experience-oriented online platforms teach financial skills to nine- to 20-year-olds – with stories, films, games and many other interactive elements. Created by independent authors and based on current syllabuses, these teaching materials are designed mainly for use in schools. Teachers can order supplementary printed teaching aids online free of charge. PostFinance has been working to promote the financial literacy of young people for over ten years.

→ [youngswiss.ch/en/](http://youngswiss.ch/en/)  
 → [moneyfit.postfinance.ch](http://moneyfit.postfinance.ch)  
 → [postfinance-eventmanager.ch](http://postfinance-eventmanager.ch)

” —

With MoneyFit, PostFinance strengthens the financial literacy of children and young people.

Thomas Zimmermann,  
Head of Brand and Sponsorship



1 – PostFinance supports talented young ice hockey players.

2 – With experience-oriented online platforms, PostFinance helps children and young people to learn how to deal with money.



# Corporate governance

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Swiss Post Ltd and PostFinance Ltd are guided by the SIX Swiss Exchange “Directive on Information Relating to Corporate Governance” and the recommendations of the “Swiss Code of Best Practice for Corporate Governance” drawn up by *economiesuisse*.

The PostFinance Ltd remuneration scheme meets the “Minimum standards for remuneration schemes of financial institutions” defined by FINMA (Circular 2010/1).

Open and transparent communication is the key to good corporate governance. This creates trust with customers, employees, shareholders and finally with Swiss Post and with the public.

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## Principles

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Corporate governance covers all the different factors that determine how a company is managed and monitored. It concerns both its organizational structure and control system, and its corporate culture and values.

PostFinance Ltd has drawn up a Code of Conduct that sets out its convictions in detail. This forms the basis for its employees' actions.

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## Corporate structure and shareholders

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### Legal form and ownership

PostFinance Ltd is a private limited company under private law and a subsidiary of Swiss Post Ltd. PostFinance Ltd is subject to regulation by FINMA and has been granted a licence in accordance with the Banking Act and the Stock Exchange Act. The Board of Directors is the highest official body within PostFinance Ltd.

### Capital structure

The company has 2 billion francs of equity capital divided into 2 million registered shares, each worth 1,000 francs. The equity capital is fully paid in and is wholly owned by Swiss Post Ltd.

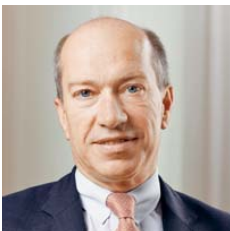
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## Board of Directors

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### Composition

The Board of Directors has seven members, the majority of whom represent Swiss Post Ltd. The three remaining members are independent as defined by FINMA requirements. At the General Meeting on 28 March 2014, the members were reelected for a period of two years, i.e. until the ordinary General Meeting to be held in 2016.




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### Rolf Watter

Chairman of the Board of Directors, 1958, Switzerland, member since 1 October 2012, Prof. Dr. iur.  
**Committees:** Organization, Nomination & Remuneration; Audit; Core Banking Transformation  
**Professional background:** Law firm Bär & Karrer (partner); honorary professor at the University of Zurich. Previous directorships: Nobel Biocare Holding Ltd, Chairman of the Board of Directors (2007–2014); Zurich Insurance Group, Member (2002–2014); Syngenta Ltd, Member (2000–2012); Board of Directors and Executive Board of Bär & Karrer (1999–2008); Cablecom Holding AG, Chairman of the Board of Directors (2003–2008); Forbo Holding Ltd, Vice-Chairman (1999–2005); Feldschlösschen Beverages Ltd, Member (2001–2004); Centerpulse, Vice-Chairman (2002–2003).  
**Key posts:** A.W. Faber Castell (Holding) AG (Member of the Board of Directors); AP Alternative Portfolio Ltd (Member of the Board of Directors); SIX Regulatory Board (Member) and Chairman of two charitable foundations



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### Marco Durrer

Vice-Chairman of the Board of Directors, 1952, Switzerland, member since 1 October 2012, Dr. ès sc. pol. (Relations internationales), MALD, The Fletcher School, Tufts University, USA

**Committees:** Organization, Nomination & Remuneration (Chair)

**Professional background:** Directorships; Valiant Privatbank AG, Berne (CEO and Member of Executive Management, Valiant Holding AG); Lombard, Odier, Darier, Hentsch & Cie, Geneva/Zurich (Group Management, Branch Manager Zurich); Deutsche Bank (Switzerland) SA, Geneva (Head of Sales and Trading); Schweizerische Kreditanstalt Lausanne/New York/Zurich (Assistant to Josef Ackermann/Investment Banking)

**Key posts:** Swiss Post Ltd (Member of the Board of Directors, Organization, Nomination & Remuneration Committee (Chair)); Picard Angst Ltd (Member of the Board of Directors); Piguet Galland & Cie SA (Member of the Board of Directors); DGM Immobilien AG (Chairman of the Board of Directors); COMUNUS SICAV (Vice-Chairman of the Board of Directors)



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### Patrick Frost

Member of the Board of Directors, 1968, Switzerland and Germany, member since 1 October 2012, Dr. rer. pol.

**Committees:** Risk (Chair); Audit

**Professional background:** Swiss Life (CEO; Group Chief Investment Officer and Member of Executive Management)

**Key posts:** Various Swiss Life subsidiaries (Member of the Board of Directors); Technopark Management Ltd (Vice-Chairman of the Board of Directors); Technopark Zurich Foundation (Member of the Foundation Board)



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### Pascal Koradi

Member of the Board of Directors, 1972, Switzerland, member since 1 October 2012, lic. oec. publ. University of Zurich, CFA (Chartered Financial Analyst)

**Committees:** Risk

**Professional background:** Swiss Post Ltd (Head of Finance); Neue Aargauer Bank AG (CFO / Member of the Executive Team, Head of Trading); Credit Suisse UK, London (Project Restructuring in the On-shore Banking Division); Neue Aargauer Bank AG / NAB (Head of the Treasury Department, employee in the Controlling Department)

**Key posts:** Liechtensteinische Post AG (Member of the Board of Directors); Swiss Post pension fund (Member of the Foundation Board)



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### Susanne Ruoff

Member of the Board of Directors, 1958, Switzerland, member since 1 October 2012, Master's Degree in Economics from the University of Fribourg, Executive MBA

**Committees:** Organization, Nomination & Remuneration; Core Banking Transformation

**Professional background:** Swiss Post Ltd (CEO); British Telecom Switzerland (CEO BT Switzerland Ltd); IBM Switzerland (Management Board member, Global Technology Services); IBM Switzerland (Head of Public Sector Division); various management positions in services, marketing and sales, previous directorships and positions on Foundation Boards: Geberit, Bedag, IBM pension fund, Industrial Advisory Board of the Computer Science Department of ETH Zurich

**Key posts:** Post CH Ltd (Chair of the Board of Directors), International Post Corporation (IPC) (Member of the Board)



### Michaela Troyanov

Member of the Board of Directors, 1961, Switzerland and Austria, member since 1 October 2012, Dr. iur., University of Vienna, M.C.J. (Master of Comparative Jurisprudence), New York University, lic. iur., University of Geneva

**Committees:** Risk

**Professional background:** Independent consultant; Lombard, Odier, Darier, Hentsch & Cie, Geneva (Head of Legal & Compliance), Swiss stock exchange organizations, Zurich and Geneva (SWX Swiss Exchange, Admission Board, Takeover Board, Geneva Stock Exchange, leading positions in the areas of Corporate Governance, Market Surveillance & Regulation, Kredietbank (Switzerland) Ltd, Geneva (General Counsel), Shearman & Sterling LLP, New York (Lawyer, Mergers & Acquisitions)

**Key posts:** Dr. Michaela Troyanov Wealth & Legal Strategies (Owner)



### Adriano P. Vassalli

Member of the Board of Directors, 1954, Switzerland, member since 1 October 2012, federal diploma in auditing

**Committees:** Audit (Chair)

**Professional background:** Studio di consulenza e di revisione (founder and owner); Arthur Andersen (founder and head of the Lugano and Berne branches, worldwide partner); Revisuisse AG (auditor and management consultant in Berne and founder of the Lugano branch)

**Key posts:** Swiss Post Ltd (Vice-Chairman of the Board of Directors, Audit, Risk & Compliance Committee (Chair)); Istituto di previdenza del Cantone Ticino (Board member); Swiss Red Cross (member of the Executive Committee of the Conference of Red Cross Cantonal Associations); Swiss Red Cross, Sottoceneri Section (Chairman)

## Changes as of 1 January 2015

Hans Lauber was voted in as a new member of the PostFinance Ltd Board of Directors during an Extraordinary General Meeting on 25 September 2014. On 12 December 2014 the PostFinance Ltd Board of Directors appointed Hans Lauber as Chairman of the Board of Directors' Risk Committee. He took office on 1 January 2015, succeeding Patrick Frost, who stood down from the Board of Directors at the end of 2014.

## Internal organization

### Board of Directors' role and working method

Under the management of its Chairman, the Board of Directors determines PostFinance Ltd's strategy and exercises supreme supervisory control over the Executive Board and all those subordinated to it. It defines company and business policy, long-term corporate objectives, and the means required to achieve those objectives. It also ensures that the company meets the obligation assigned to it by Swiss Post Ltd to provide a universal service with services for payment transactions.

#### Meetings and attendance rates

2014	Number	Attendance rate %
Board of Directors' Meetings	11	97.4
Board of Directors' Committee Meetings		
Organization, Nomination & Remuneration	9	100.0
Risk	8	100.0
Audit	11	90.9
Core Banking Transformation (CBT)	3	100.0

The Board of Directors appoints a standing committee for each of the following areas of responsibility:

- Organization, Nomination & Remuneration
- Audit
- Risk

### Board of Directors' Organization, Nomination & Remuneration Committee

The Organization, Nomination & Remuneration Committee focuses on strategic orientation and the establishment of leadership principles and corporate culture; the organizational structure at the highest level; principles for remuneration policy, performance appraisal and advanced training within the Board of Directors; principles for retirement policy and other human resources policies. Its members are:

- Marco Durrer (Chairman)
- Susanne Ruoff
- Rolf Watter

### Board of Directors' Audit Committee

The main role of the Audit Committee is to determine accounting and financial reporting principles and to carry out tasks related to risk management and risk control of non-financial risks. It is also responsible for liaising with the external auditors and Internal Auditing. This includes appointing and dismissing the Head of Internal Auditing. Its members are:

- Adriano P. Vassalli (Chairman)
- Patrick Frost
- Rolf Watter

The majority of committee members are independent of Swiss Post Ltd. The Chairman of the Board of Directors is also a member. This enables the committee to benefit from his knowledge of the above topics and to satisfy the requirements for independence.

### Board of Directors' Risk Committee

The Risk Committee is responsible mainly for risk management and control of financial risks, risk policy and compliance. Its members are:

- Patrick Frost (Chairman)
- Pascal Koradi
- Michaela Troyanov

The majority of committee members are independent of Swiss Post Ltd.

For the duration of the core banking transformation (CBT) project, the Board of Directors has also established a committee of the same name. Its aim is to update PostFinance's core banking system.

### Board of Directors' CBT Committee

The CBT Committee is responsible for strategic management, monitoring progress and dealing with the programme's key issues. It also addresses aspects that cannot be clarified in subordinated working groups and the Executive Board Steering Committee and is responsible for the preliminary processing of requests submitted to the Board of Directors. Its members are:

- Susanne Ruoff (Chair)
- Rolf Watter

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## Executive Board

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Headed by the CEO, the Executive Board is responsible for the operational management of PostFinance Ltd. There are eight members of the Executive Board. They may not take on corporate governance positions within the Group and may not be members of the Board of Directors of PostFinance Ltd.




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### Hansruedi K ng

CEO, 1966, Switzerland, member since 1 January 2012, lic. rer. pol. University of Bern, Business Administration and Economics Advanced Executive Program (Swiss Finance Institute, Zurich)

**Professional background:** PostFinance Ltd (Head of Treasury, Head of Finance; CEO; Member of the Executive Board since 1 March 2003); BVgroup Berne (Deputy Managing Director); PricewaterhouseCoopers Ltd (Senior Manager); Basler Kantonalbank (Member of Executive Management); Schweizerische Volksbank (Head of Asset & Liability Management)

**Key posts:** TWINT AG (Chairman of the Board of Directors); Swiss Post pension fund (Member of the Foundation Board and Chairman of the Investment Committee); Q-Net AG (Member of the Board of Directors)




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### Patrick Graf

Head of Corporate Center, 1973, Switzerland, member since 1 October 2014, lic. iur. and lic. oec. HSG, Executive MBA in Financial Services and Insurance, University of St. Gallen

**Professional background:** PostFinance Ltd (Project Manager; Head of Compliance; Head of Legal Service & Compliance; Head of Corporate Center; Member of the Executive Board since 1 October 2014), PricewaterhouseCoopers (Assistant Manager), Zurich Financial Services (Cash Manager)

**Key posts:** esisuisse (Board member)




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### Armin Brun

Head of Marketing and Deputy CEO, 1965, Switzerland, member since 1 July 2013, lic. rer. pol. (University of Bern), postgraduate qualification in bank management (Institute of Financial Services IFZ Zug), further certification in managerial leadership (IFZ Zug), International Executive Program (INSEAD Fontainebleau, Abu Dhabi and Singapore), Strategic Leadership Program (IMD, Business School Lausanne)

**Professional background:** PostFinance Ltd (Head of Business Customers, Head of Market & Distribution; Head of Marketing; Member of the Executive Board since 1 September 2001); Luzerner Kantonalbank (various positions)

**Key posts:** Bern Arena Stadion AG (Board of Directors); Swiss Euro Clearing Bank GmbH (Member of the Board of Directors); SIX Interbank Clearing Ltd (Board of Directors); Swiss Payments Council, SPC (PostFinance representative)




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### Sylvie Meyer

Head of Distribution, 1960, France, member since 1 July 2013, MBA. Management Executive (Fribourg School of Management)

**Professional background:** PostFinance Ltd (Head of Contact Center, Head of Distribution; Member of the Executive Board since 1 July 2013); Swisscom (positions including Director of Sales and Marketing of the subsidiary SICAP)

**Key posts:** PostFinance conciliation office (Member of the Foundation Board)



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### Peter Lacher

Head of Operations, 1968, Switzerland, member since 1 August 2013, business school graduate, Master of Advanced Studies in Bank Management (Lucerne University of Applied Sciences and Arts).

**Professional background:** PostFinance Ltd (Programmer/Analyst, Production Controller, Project Manager of futuro programme, Finance, Head of Process Management Processing, Head of Operations; Member of the Executive Board since 1 August 2013)

**Key posts:** TeCo ep2 (Board member); Back Office Academy (Member of the Specialist Advisory Board); Swiss Post Personnel Fund (Member of the Foundation Board)



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### Markus Fuhrer

Head of Information Technology, 1968, Switzerland, member since 1 September 2014, Federal Certificate in Business Information Technology (WISS), SKU Advanced Management Diploma in Corporate Governance (AMP-HSG St. Gallen)

**Professional background:** PostFinance Ltd (Deputy Head of Information Technology, Head of Core Banking Transformation, Head of Information Technology; Member of the Executive Board since 1 September 2014), Entris Banking AG

**Key posts:** none



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### Kurt Fuchs

Head of Finance, 1962, Switzerland, member since 1 November 2011, qualified banking expert, Advanced Executive Program (Swiss Finance Institute)

**Professional background:** PostFinance Ltd (Head of Finance; Member of the Executive Board since 1 November 2011), UBS (Head of Regional Accounting & Controlling Switzerland, Head of Financial Accounting Switzerland); Swiss Bank Corporation

**Key posts:** Debtors Service Ltd (Board of Directors)



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### Valérie Schelker

Head of Working Environment, 1972, Switzerland, member since 1 April 2014, lic.rer.pol. University of Bern, CAS "Certified Strategy Professional" certificate programme at St. Gallen University

**Professional background:** PostFinance Ltd (Head of Market Research, Head of HR Strategy & Development, Head of Working Environment; Member of the Executive Board since 1 April 2014)

**Key posts:** none

## Changes in the year under review

Nathalie Bourquenoud left PostFinance Ltd at the end of May 2014 and was replaced by Valérie Schelker as Head of Working Environment on 1 April 2014.

Enrico Lardelli left PostFinance Ltd at the end of August 2014 and was succeeded by Markus Fuhrer as Head of Information Technology on 1 September.

Thierry Kneissler was appointed CEO of the new subsidiary TWINT AG. He left PostFinance Ltd at the end of July 2014 and Patrick Graf took over the management of the Corporate Center on 1 October 2014.

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## Information and supervisory tools

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### Reporting

The Board of Directors receives regular reports from the Executive Board as well as from the following units: Internal Auditing, Finance, Risk Control, Compliance and Security. 11 meetings were held in 2014.

The Executive Board receives regular reports from the following units: Internal Auditing, Finance, Risk Control, Compliance and Security. It meets once every two weeks on average.

### Internal control system

PostFinance Ltd has an integrated internal control system. Internal control refers to all the control structures and processes in place throughout PostFinance Ltd that form the basis for attaining corporate goals and operating the company in line with the regulations in force. In formal terms, the business monitoring process and entire internal control system comply with the eight-level COSO II framework and "three lines of defense" concept.

Effective internal control requires control measures that have been integrated into work processes, risk management processes, processes to ensure compliance with applicable standards and appropriate reporting. Risk control is completely separate from risk management.

### Internal Auditing

Internal Auditing is PostFinance Ltd's independent inspection body. It is the Board of Directors' management tool for control purposes. Internal Auditing works independently of PostFinance Ltd's daily business processes and is an autonomous unit from an organizational standpoint. Functionally, it reports to the Board of Directors. The Chairman of the Board of Directors' Audit Committee is responsible for HR management, while the Board of Directors is in charge of technical management. This guarantees maximum independence. The Board of Directors' Audit Committee appoints the Head of Internal Auditing, who then appoints the remaining members of staff. The Head of Internal Auditing also appoints a deputy.



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## Remuneration

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### Principles

The PostFinance Ltd remuneration scheme meets the “Minimum standards for remuneration schemes of financial institutions” defined by FINMA (Circular 2010/1).

### Remuneration policy

Corporate risk, scope of responsibility and the Confederation’s Ordinance on Executive Pay are taken into account by the Board of Directors when setting the remuneration due to members of the Executive Board. Remuneration of the Board of Directors is determined by the General Meeting.

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The Board of Directors determines the remuneration for the Executive Board.

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### Remuneration structure

Remuneration for members of the Executive Board is comprised of a fixed base salary plus a variable performance-related component. This may amount to a maximum of 35 percent of the gross annual base salary (45 percent for the CEO). It is determined on the basis of benchmarks for Swiss Post Ltd (30 percent) and PostFinance Ltd (30 percent) as well as the individual’s own performance (40 percent). At Swiss Post Ltd level, the variable component is calculated on the basis of the economic value added. At PostFinance Ltd level, return on equity (weighting: 50 percent), customer satisfaction and unit fitness according to the employee satisfaction survey (weighting: 25 percent each) are used to calculate the variable component.

Members of the Executive Board also receive a first-class GA travelcard, a company car (private use can be invoiced on request), a mobile phone and a monthly expense account. PostFinance Ltd pays the insurance premiums for a risk insurance policy. Life insurance is taken out for the CEO. Individual bonuses may be paid to reward special personal contributions.

Neither the members of the Executive Board nor persons closely linked to them received any additional fees, remuneration, guarantees, advances, credits, loans or benefits in kind during the financial year. Both the base salary and the performance-related component are insured for members of the Executive Board: Occupational pension provision is handled by the Swiss Post pension fund in accordance with the basic plan and supplementary plan 1 for salary components up to twelve times the maximum Swiss Old Age and Survivors’ Insurance (AHV) retirement pension (CHF 336,960 in 2014). Any income in excess of this amount is covered by an external comprehensive insurance solution. Contributions to occupational pension provision are divided in line with the regulatory provisions applicable to the Swiss Post pension fund. Employment contracts are based on the Swiss Code of Obligations. Severance payments can be paid in justified cases up to a maximum of half the gross annual salary. The notice period for members of the Executive Board is six months.

The following weightings are given to the benchmarks for calculating the variable remuneration due to staff exercising a control function: Swiss Post Ltd (15 percent), PostFinance Ltd (20 percent), the individual’s own performance (65 percent). In addition, care is taken that no individual targets are linked to the financial success of PostFinance Ltd.

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A penalty system also applies for calculating the variable salary component.

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## Consideration of risk

A penalty system also applies for the calculation of the variable salary component of members of the Executive Board. All three performance levels are taken into account (Swiss Post Ltd, PostFinance Ltd and individual performance) to determine whether the threshold for the variable component has been reached. The variable component is only paid on reaching this value. There is a penalty area below the threshold for the variable salary. If a penalty applies, the variable salary component is reduced accordingly. One third of the variable salary component that is actually awarded is paid into a special account. The remaining two thirds are paid out directly. If, as a result of the penalty system, a negative variable salary component is awarded, this negative amount is booked to the account for variable remuneration and the account balance is reduced accordingly.

## 2014 remuneration

### Human Resources

PostFinance Ltd paid a total of 364 million francs in salaries to its staff in 2014. This sum is made up of base salaries of 346 million francs and variable components of 18 million francs. Remuneration of 16 million francs will not be paid until subsequent years.

PostFinance recognized payments in profit or loss of 18 million francs for previous financial years in 2014.

PostFinance employed 3,956 staff at the end of 2014. This corresponds to 3,454 full-time equivalents.

### Board of Directors

The General Meeting determines the level of remuneration for members of the Board of Directors. In 2014, the members of the Board (including the Chairman) received remuneration of 784,400 francs (fees and fringe benefits). The fringe benefits amounted to 224,400 francs. The Chairman of the Board's fee totalled 200,000 francs, and fringe benefits amounted to 25,800 francs. Remuneration for members of the Board of Directors who also held an Executive Management position was paid directly to Swiss Post Group.

### Executive Board

Total remuneration of 3,041,000 francs (base salaries, fringe benefits, performance-based components and one-off payments) was received by the eight active members and the three members who left the Executive Board in the course of the year. The fringe benefits amounted to 242,000 francs. The performance-related component paid out to members of the Executive Board is based on the average attainment of targets in the previous two years. The performance-related component paid out in 2015, which is based on attainment of targets in 2013 and 2014, amounts to 380,000 francs. This sum is charged to the annual accounts in 2014.

The base salary of the CEO stood at 405,000 francs, and the performance-related component amounted to 105,000 francs.

PostFinance Ltd | Remuneration

CHF	2014	2013
<b>Chairman of the Board of Directors</b>		
Fees	200,000	200,000
Fringe benefits		
Expenses and representation allowances	20,000	20,000
First-class GA travelcard	5,800	5,800
<b>Total remuneration</b>	<b>225,800</b>	<b>225,800</b>
<b>Other members of the Board of Directors (6)</b>		
Fees	360,000	360,000
Fringe benefits		
Expenses and representation allowances	37,600	27,600
Additional fringe benefits	161,000	110,800
<b>Total remuneration</b>	<b>558,600</b>	<b>498,400</b>
<b>Entire Board of Directors (7)</b>		
Fees	560,000	560,000
Fringe benefits	224,400	164,200
<b>Total remuneration</b>	<b>784,400</b>	<b>724,200</b>
<b>Chief Executive Officer</b>		
Fixed base salary	405,000	375,000
Performance-related component (payable the following year)	105,230	102,395
Fringe benefits		
Expenses and representation allowances	19,200	19,200
Additional fringe benefits <sup>1</sup>	33,125	32,581
<b>Total remuneration</b>	<b>562,555</b>	<b>529,176</b>
<b>Other members of the Executive Board (10)<sup>2</sup></b>		
Fixed base salary	1,803,658	1,807,071
Performance-related component (payable the following year) <sup>3</sup>	484,739	410,406
Fringe benefits		
Expenses and representation allowances	112,583	107,000
Additional fringe benefits <sup>1</sup>	77,155	74,159
Additional payments <sup>4,5</sup>	–	135,140
<b>Total remuneration</b>	<b>2,478,135</b>	<b>2,533,776</b>
<b>All members of the Executive Board (11)<sup>6</sup></b>		
Fixed base salary and performance-related component	2,798,627	2,694,872
Fringe benefits	242,063	368,080
<b>Total remuneration</b>	<b>3,040,690</b>	<b>3,062,952</b>

<sup>1</sup> Other fringe benefits include: first-class GA travelcard, company car, mobile phone and premiums for risk insurance policies.

<sup>2</sup> Seven active members and three members who left the Executive Board in 2014.

<sup>3</sup> 2014: of which CHF 210,310 was paid in 2014 to the three members who left the Executive Board and CHF 274,429 payable in April 2015.

<sup>4</sup> Additional payments excluding salaries and fringe benefits such as top bonuses and loyalty bonuses.

<sup>5</sup> A severance payment was paid to one of the two members who left the Executive Board in 2013.

<sup>6</sup> Including the three members who left the Executive Board in 2014.

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## Management contracts

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PostFinance Ltd has not concluded any management contracts with companies or individuals outside Swiss Post Group.

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## Auditor

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According to the provisions of the Swiss Code of Obligations on the subject of corporate law, the auditors are to be appointed by the General Meeting. According to the Banking Act and Stock Exchange Act, this is the responsibility of the Board of Directors. KPMG have been appointed as the auditors (accounting and regulatory audit) in accordance with the Swiss Code of Obligations as well as the Banking Act and Stock Exchange Act. Their work is carried out by two separate audit teams. In the year under review PostFinance Ltd paid KPMG a total of 1,092,000 francs in auditing and consultancy fees.

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## Information policy

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PostFinance Ltd maintains regular contact with its parent at various levels, in particular with regard to the universal service with services in payment transactions. Reporting concepts are in place for FINMA and OFCOM. The regulatory authorities are informed regularly and promptly about facts that are relevant to their role as supervisory bodies.

# Management report

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PostFinance is one of Switzerland's leading financial institutions. It has processed 996 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. In December 2014 PostFinance managed customer assets totalling 117 billion francs.

PostFinance employed 3,956 staff at the end of 2014. This corresponds to 3,454 full-time equivalents.

PostFinance ended the financial year with total assets of 119 billion francs, recorded an operating profit (EBIT) of 475 million francs and generated earnings before tax (EBT) of 473 million francs.

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## Business activities

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### Markets

PostFinance is one of Switzerland's leading financial institutions. We are the ideal partner for all customers who want to manage their own finances. As number one on the Swiss payment transactions market, we ensure a seamless daily flow of liquidity. Whether in payments, savings, investments, retirement planning or financing – we offer our customers everything to meet their daily financial needs, including our straightforward products at attractive conditions and easy access to us.

### Customers

2.6 million private customers and 309,000 business customers put their trust in PostFinance. Our range of services is straightforward and user-friendly, enabling our customers to manage their own finances at all times. We are there for you with advice whenever you need it: in our branches, in post offices, online or over the phone in our Contact Center 24 hours a day, 365 days a year. We advise our business customers in person at their premises – because that's the best place to identify their needs.

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## Regulatory framework

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PostFinance has been a private limited company since 2013.

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### Legal framework

Since 2013, PostFinance has been a private limited company under private law wholly owned by Swiss Post Ltd. PostFinance was granted a banking licence as a bank and securities dealer on 26 June 2013 and is subject to regulation by FINMA. Postal legislation and the strategic goals of the Federal Council remain relevant to PostFinance's business activities. In particular, postal legislation specifies that PostFinance must provide a universal service for payment transactions throughout Switzerland. It also states that PostFinance may not issue loans and mortgages to third parties.

### Developments

#### Customers

As a result of technological progress, customers increasingly have access to better networks, so are more well informed. The sheer volume of information available makes things more complex for individuals. Customers are looking for simple solutions that offer them security and comfort.

#### Competition

PostFinance operates in a dynamic market environment with ever greater competition. The digital revolution in retail banking is continuing. Growing numbers of new competitors from other industries are attempting to gain a foothold in payment transactions and retail banking.

#### Economy

So far, Switzerland's financial position has remained stable in comparison with the European Economic Area. However, the global economic situation remains volatile and could have a negative effect on economic growth in Switzerland. The European Central Bank's loose monetary policy and the ruble crisis have resulted in a further increase in demand for Swiss francs. The decision by the SNB to counteract the growing strength of the franc by introducing negative interest rates has presented Swiss banks with new challenges. Against this backdrop, interest rates are likely to remain very low.

#### Regulation

Regulatory requirements are increasing within banking. Due to global harmonization, international laws are being applied or giving rise to an equivalent Swiss solution. The new regulations focus mainly on offering greater transparency and on meeting the growing information requirements of customers, authorities and the public. This increasing regulatory pressure is leading to greater risks and considerably higher costs, which will no doubt result in even more pressure on margins.

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PostFinance –  
the easiest way  
to manage  
your money

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## Strategy

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PostFinance aims to help its customers manage their money as easily as possible. Its approach is based on an in-depth understanding of what customers need, both now and in the future. Working to achieve this is what drives all PostFinance employees on. To reach its goals, PostFinance is prepared to take unconventional steps and to keep surprising its customers in a positive way.

### Positioning

PostFinance pursues a differentiation strategy and positions itself on the market as the “First choice for customers who manage their own finances”. Its positioning strategy also involves open access via all its distribution channels, simple, inexpensive products, a focus on the payments and savings segments, and the PostFinance culture.

### Development areas

To meet its own needs and to continue to operate a successful business, PostFinance focuses on three business development areas.

#### Traditional business:

PostFinance uses the term “traditional business” to refer to payment transactions and financial services. This includes the transaction market and basic products such as accounts as well as cash, investment, retirement planning and credit products. They are existing business areas and form the basis for current sources of income. PostFinance safeguards these business areas and optimizes the services available.

#### Digitization:

PostFinance uses the term “digitization” to refer to further developments in today’s changing world. They occur in two ways. Firstly, as PostFinance digitizes its traditional business, and secondly, as it creates new products and sources of income taking into account the latest digital possibilities. PostFinance wants to remain relevant to its customers during this period of change and in the future.

#### Our customers’ value chain:

PostFinance integrates its range of services into the customers’ value chain, which means it will take on an increasingly important role for them in the future. PostFinance is expanding both horizontally and vertically in the value chain. PostFinance is actively pushing ahead with its business development in this area and is creating additional sources of income that do not depend on interest rate levels.



## Strategic thrusts

PostFinance is pursuing three main strategic thrusts as priorities for change in the current strategy period:

- Core banking transformation (CBT) incl. migration of Swiss payment transactions: The aim is to safeguard the company's position as the number one for payment transactions in the long term by modernizing its IT infrastructure and implementing the new national and international formats for its products.
- End-to-end processes: The aim is to set up and operate comprehensive end-to-end process management throughout PostFinance. Process management is used to implement the strategy with a focus on optimizing costs and on designing customer processes that encourage self-service use.
- New services: The aim is to develop new services in PostFinance's core business. This is to avoid being substituted for new competitors, to encourage customers' independence and to boost earning power outside the interest differential business. In retail banking, the emphasis is on extending the range of digital services available. For demanding business customers, the priority is on working capital management. The aim is to provide better support for customers in accounts receivable, accounts payable and cash management as well as inventory processes.

## Commentary on business performance

### Key figures

PostFinance was unable to match the prior-year result, which was impacted by extraordinary income. The result is in line with expectations. The uncertain situation on the financial and capital markets with further declines in already low interest rates continued to weigh on margins in the interest differential business. Higher credit spreads and growth of the investment portfolio resulted in the recognition of portfolio impairment charges despite the conservative investment strategy. PostFinance is legally prohibited from accessing the lending and mortgage markets. Due to a lack of investment options, it deposits a large amount of liquidity at the SNB without interest.

PostFinance continued to focus consistently on costs. Taking into account the one-off items recognized in 2013 (book gain in accordance with IAS19), staff costs remained on a par with the previous year. Non-staff costs rose due to long-term expenditure for the new core banking system.

The sales and transactions figures confirm the emphasis placed on customers who manage their own finances and use simple, attractive products.

#### PostFinance Ltd | Key figures

2014 with previous year for comparison		2014	2013
<b>Balance sheet</b>			
Total assets as per IFRS	CHF million	118,829	115,193
BAG capital ratio	%	20.8	20.7
<b>Income statement (as per Group IFRS guidelines)</b>			
Operating income	CHF million	1,492	1,646
Operating profit (EBIT)	CHF million	475	719
Earnings before tax (EBT) <sup>1</sup>	CHF million	473	856
Return on equity <sup>2</sup>	%	9.2	17.5
Cost-income ratio	%	68.2	56.3
<b>Customer assets and loans</b>			
Inflow of new money	CHF million	2,839	4,256
Customer assets <sup>3</sup>	CHF million monthly Ø	117,186	113,580
Funds, securities and life insurance <sup>4</sup>	CHF million monthly Ø	7,125	6,042
Customer deposits	CHF million monthly Ø	110,061	107,538
Loans to business customers (taken up)	CHF million	8,165	7,271
Mortgages <sup>4</sup>	CHF million	4,713	4,424
<b>Market and employee key figures</b>			
Customers	In thousands	2,938	2,888
Private customers	In thousands	2,629	2,582
Business customers (incl. banks and agencies)	In thousands	309	306
E-finance users	In thousands	1,624	1,546
Private accounts	In thousands	2,709	2,645
Savings accounts – private customers	In thousands	1,022	1,013
E-savings accounts – private customers	In thousands	617	572
Business accounts	In thousands	404	398
Customer satisfaction – private customers	Index	84	85
Customer satisfaction – business customers	Index	82	83
Average headcount	Full-time equivalents	3,454	3,432
Employee satisfaction	Index	76	78
<b>Transactions</b>			
Transactions	In millions	996	965

1 2013: including one-off financial profit from the sale of the equity investment in Post Real Estate Ltd of 145 million francs

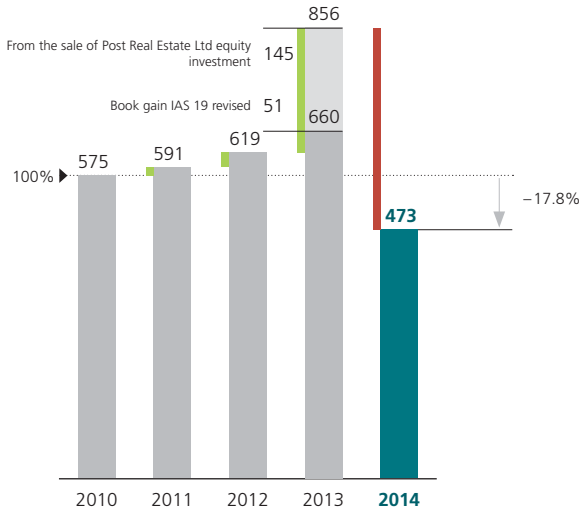
2 Return on equity = earnings before tax (EBT) as per Group IFRS guidelines / average eligible equity capital as per BAG

3 Restatement of 2013 on the basis of new calculation with average monthly figures.

4 Commission income in cooperation with financial partners

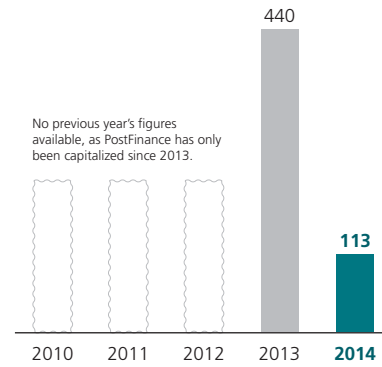
### Earnings before tax (EBT)

2010 to 2014  
CHF million



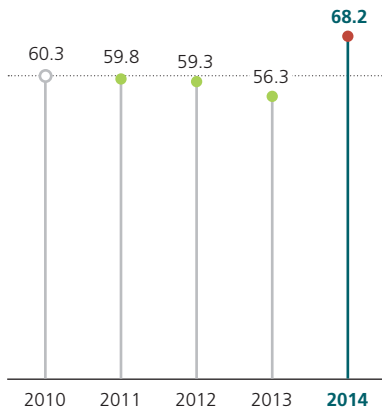
### Economic value added

2010 to 2014  
CHF million



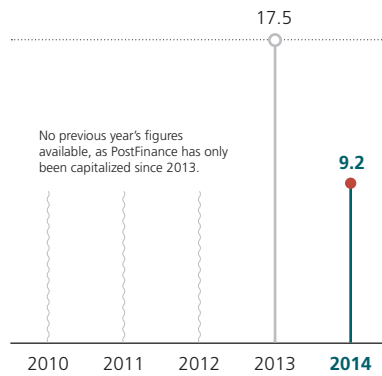
### Cost-income ratio

2010 to 2014  
Percent



### Return on equity<sup>1</sup>

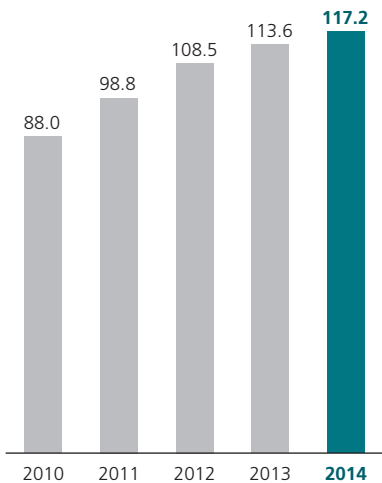
2010 to 2014  
Percent



<sup>1</sup> Return on equity = earnings before tax (EBT) as per Group IFRS guidelines / average eligible equity capital as per BAG

### Average customer assets

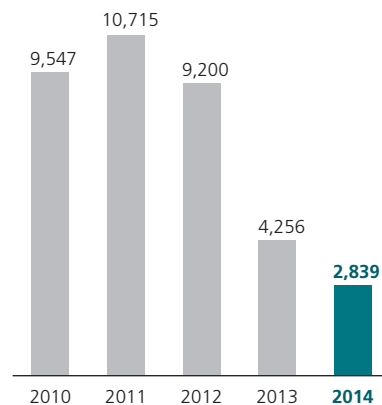
2010 to 2014<sup>1</sup>  
CHF billion



<sup>1</sup> New definition from 2013 on the basis of calculation with average monthly figures. Restatement 2010-2012.

### Inflow of new money

2010 to 2014<sup>1</sup>  
CHF million



<sup>1</sup> New definition from 2013 on the basis of calculation with average monthly figures. Restatement 2010-2012.

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Pressure on margins  
in the interest  
differential business  
remains high

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### General developments

An end to the expansive monetary policy is in sight in the US. The European Central Bank continues to provide liquidity to stimulate lending. The SNB is maintaining its ultra-low interest policy and has charged negative interest on sight deposit balances since 22 January 2015. The minimum exchange rate with the euro has no longer been supported following the SNB's decision on 15 January 2015.

Economic prospects in the eurozone, the US, Russia and China are influencing trends on the money and capital markets. With growing debt and the lack of fundamental reforms in the eurozone, hopes are receding of an end to the crisis.

Despite moderate growth in the Swiss economy and that of its major trading partners, the drop in interest rates will have an effect on the results of financial institutions. There is continued pressure on margins in the interest differential business due to limited investment options on the financial market.

### Assets and financial situation

Total assets rose by 3.6 billion francs during the year under review. Customer deposits increased by 3.2 billion francs year-on-year as at the balance sheet date on 31 December 2014. This rise affected both private and business customers. PostFinance continues to invest a large proportion of its assets in long-term fixed-rate financial assets in Switzerland and abroad. A large amount of liquidity was still held at the SNB as at 31 December 2014.

## Balance sheet

### PostFinance Ltd | Balance sheet as per Group IFRS guidelines

CHF million	31.12.2014	31.12.2013
<b>Assets</b>		
Cash and cash equivalents	1,706	1,989
Receivables due from banks	41,777	44,027
Interest-bearing amounts due from customers	696	542
Trade accounts receivable	18	28
Other receivables	723	755
Inventories	2	2
Financial assets	72,705	66,697
Investments	25	15
Property, plant and equipment	441	436
Investment property	170	106
Intangible assets	32	23
Deferred tax assets	534	573
<b>Total assets</b>	<b>118,829</b>	<b>115,193</b>
<b>Equity and liabilities</b>		
Customer deposits	112,655	109,498
Other financial liabilities	443	45
Trade accounts payable	131	138
Other liabilities	144	229
Income tax liabilities	9	–
Provisions	307	208
Deferred tax liabilities	41	25
Equity	4,723	3,752
Profit for the year	376	1,298
<b>Total equity and liabilities</b>	<b>118,829</b>	<b>115,193</b>

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The interest differential business is the most important source of income.

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## Profit situation

### Operating income

The interest differential business is the most important source of income for PostFinance. Interest margins remained under pressure as a result of the uncertain situation on the financial markets and persistently low interest rates. The effects of margin erosion on net interest income could not be fully offset by increased volumes. Portfolio impairment charges totalling 84 million francs had to be recognized in the financial year 2014 due to higher credit spreads and growth of the investment portfolio. PostFinance recorded portfolio reversals of impairment of 74 million francs during the previous year. Net interest income, net of impairment, is therefore 134 million francs (–12.4 percent) down on the previous year.

Commission and service income rose year-on-year thanks to higher sales volumes and more intensive use of products. In terms of expenses, the result is slightly below the previous year's level.

Rebalancing and portfolio adjustments for equity holdings led to a 16 million franc decrease in net trading income (–10.2 percent).

Net income from financial assets was up 19 million francs year-on-year (+71.8 percent) due to income realized from financial assets.

At 39 million francs (–18.0 percent), other net income was down on the previous year's figure. This decline was caused by a reduction in intra-Group compensation for over-the-counter transactions in post offices.

### Operating expenses

Staff costs rose by 49 million francs year-on-year. This was the result of a book gain of 51 million francs in accordance with IAS 19 in the previous year following a plan amendment in the employee benefit regulations. Other positions in staff costs progressed in line with expectations.

Non-staff costs (+39 million francs) were affected by long-term expenditure for the introduction of the new core banking system. Overall, operating expenses were in line with expectations in 2014.

### Operating profit (EBIT)

PostFinance recorded an operating profit of 475 million francs before tax and net financial income (–244 million francs). Taking into account the conditions on the financial markets, the result achieved is solid and in line with expectations. It is a reflection of the high level of confidence customers have in our products and services, the sustainable investment and risk policy and the consistent focus on costs.

### Net financial income

PostFinance made a one-off financial profit of 145 million francs in 2013 from the sale of its equity investment in Post Real Estate Ltd to Swiss Post Ltd.

### Earnings before tax (EBT)

PostFinance recorded earnings before tax (EBT) of 473 million francs in 2014. It is hard to make a year-on-year comparison due to one-off recognition of items in 2013.

## Reconciliation of the income statement from the segment disclosure with the PostFinance annual result

Swiss Post includes the financial services market segment in its reporting. It indicates transfers of individual income and expense items from PostFinance to other Group units from a Group perspective. It also contains fully consolidated investments. The following table reconciles this result with the PostFinance annual result in accordance with Group IFRS guidelines.

### PostFinance Ltd | Reconciliation of income statement segment disclosure with PostFinance annual result as per Group IFRS guidelines

CHF million	2014	2013
<b>Operating profit (EBIT) segment before fees and net cost compensation</b>	<b>382</b>	<b>588</b>
Expenses for management and licence fees and income arising from net cost compensation	90	129
<b>Operating profit (EBIT) segment after fees and net cost compensation</b>	<b>472</b>	<b>717</b>
PostFinance Ltd net financial income <sup>1</sup>	-3	136
Investment income from subsidiaries and associates <sup>1</sup>	1	1
Operating income from subsidiaries <sup>1</sup>	3	2
<b>Earnings before tax (EBT)</b>	<b>473</b>	<b>856</b>
PostFinance Ltd income taxes	-38	-75
PostFinance Ltd deferred taxes	-59	517
<b>Profit for the year</b>	<b>376</b>	<b>1,298</b>

<sup>1</sup> Restatement 2013

## Income statement

## PostFinance Ltd | Income statement as per Group IFRS guidelines

CHF million	2014	2013
Net interest income, net of impairment	944	1,078
Net income from services	105	104
Net commission income	77	62
Net trading income	146	162
Net income from financial assets	44	25
Other net income	176	215
<b>Operating income</b>	<b>1,492</b>	<b>1,646</b>
Staff costs	-470	-421
Non-staff costs	-515	-476
<b>Operating expenses</b>	<b>-985</b>	<b>-897</b>
<b>Gross profit (EBDIT)</b>	<b>507</b>	<b>749</b>
Depreciation and amortization	-32	-30
<b>Operating profit (EBIT)</b>	<b>475</b>	<b>719</b>
Net financial income	-2	137
<b>Earnings before tax (EBT)</b>	<b>473</b>	<b>856</b>
Expense for current taxes	-38	-75
Expense for deferred taxes	-59	517
Expense for non-reclaimable withholding tax	-	0
<b>Income taxes</b>	<b>-97</b>	<b>442</b>
<b>Profit for the year</b>	<b>376</b>	<b>1,298</b>

## Non-financial results of a material nature

## Customer satisfaction

The simplicity and reliability of services are the main factors that drive customer satisfaction.

Customers' overall satisfaction with PostFinance is measured on a scale of 0 to 100. The average number of points awarded by private customers was 84, and by business customers 82, which represents a drop of one point respectively year-on-year. Customers were also asked to rate their satisfaction with PostFinance. For 97 percent of private customers and 96 percent of business customers, the answer was satisfied, very satisfied or impressed. These scores remained stable in relation to 2013. The main factors that influence customer satisfaction are still the simplicity and reliability of services and PostFinance's image as a secure, trustworthy and fair financial institution.

## Staff motivation

Participation levels in the employee satisfaction survey remained high again this year, with nearly 90 percent of PostFinance staff responding. Overall, the results convey a positive image. The top score for commitment and stable marks for employees' satisfaction with their work situation are very encouraging.



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## Staff motivation levels are very high.

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Commitment (identification, fluctuation and motivation) represents the central element of the survey and reached another new record of 86 points in 2014. Staff identify strongly with PostFinance and are extremely committed to the company's success. This is shown by the high score of 89 points for motivation.

With 76 points, the work situation was rated just as highly as last year. Work content was given a positive score of 81 points, and workload received a good rating of 75 points. Both topics have a considerable impact on commitment. At 73 points, unit fitness lost one point in comparison with the previous year.

## Risk assessment

The Risk Committee is a standing committee made up of at least three members of the Board of Directors. It assists the Board of Directors, as the top management and supervisory body of the company, particularly in the following areas: risk management and risk control of financial risks; risk policy (financial risks; investment policy) and regular verification of directives for controlling financial risks; compliance; ensuring that all material financial and compliance risks within the company are identified, limited and monitored; monitoring of the organization and processes of the internal control system for financial and compliance risks as well as ensuring that a financial risk management system and effective compliance are in place throughout the company. The Board of Directors' Risk Committee works closely with the Board of Directors, the Executive Board and Internal Auditing. More information about risk management (organization, financial and operational risk management) can be found in section 3 of the statutory annual financial statements.

## Customer transaction volumes

PostFinance experienced further growth in its core business of payments and savings. The inflow of 2.8 billion francs of new money was below the previous year's level. PostFinance recorded significant volume increases in the private customer segment. PostFinance has now processed 996 million transactions, placing it just short of the one billion mark. Overall, our customers carried out transactions representing a total volume of almost 1,800 billion francs. These figures illustrate the importance of PostFinance in the Swiss financial services market. Although inpayments in post offices are declining further as electronic processing in e-finance gains ground, trading activities (EFT/POS) and international payment transactions are continuing to rise sharply. In the commission business, sales volumes for funds, e-trading, life insurance and mortgages saw considerable growth. PostFinance offers these products in cooperation with partners. The relationship with our customers was strengthened through the use of products from different segments.

## Innovation and projects

As a company that wants to remain relevant to its customers in years to come, PostFinance looks to the future on a daily basis. With this in mind, PostFinance engages in strategic innovation management at three levels. Firstly, it examines current trends in-depth in order to retain its perspective and openness. Secondly, it explores different avenues in order to identify and understand promising ideas. Thirdly, it adopts an innovation process for pursuing potential business ideas and developing them as far as the implementation stage. PostFinance aims to use innovation to tap into new sources of income that do not depend on interest rate levels. Innovation activities focus on digitization and growth along our customers' value chain. A strong market position in the core business of payment transactions forms the basis for innovation.

## One-off events in 2014

The introduction of the new core banking system reached an important milestone in April with the migration of the system for money market and foreign exchange transactions and medium-term notes. The launch, handover to the company and first business transactions all went smoothly.

In May, Swissquote and PostFinance established a long-term strategic partnership in online trading. Swissquote will operate as a trading platform for PostFinance, handling stock exchange orders placed by PostFinance customers in e-trading. PostFinance acquired a 5 percent equity stake in Swissquote.

Since July, PostFinance customers have been able to buy iTunes credit not only in the app but also at around 1,000 Postomats in Switzerland. It also became possible to purchase paysafecard credit at PostFinance ATMs. This enabled PostFinance to expand its distribution of digital goods.

The SNB contacted PostFinance at the end of August. It wants to check whether PostFinance or individual PostFinance functions are systemically relevant. On account of its size and strong position in Swiss payment transactions, PostFinance has already implemented measures regarding potential systemic relevance in recent years. Both the redundant data centers in Berne and Zofingen are important for the continuity of our IT systems, and hence for payment transactions. The eligible equity capital and regulatory capital ratio significantly exceed Basel III and FINMA requirements.

PostFinance launched its new e-finance in October. The user interface was fundamentally overhauled and given a modern tile design. This makes e-banking from PostFinance even easier and more intuitive to use. E-finance from PostFinance is the most popular online banking platform in Switzerland.

Monexio, the PostFinance subsidiary founded in summer 2014, is about to launch a unique Swiss shopping and payment solution. Under the name TWINT it will introduce an app in 2015 which allows shoppers to make cashless payments without even using a card. TWINT combines the physical and digital worlds and in doing so creates a new shopping experience. Purchases can be paid for directly using a mobile phone – be it at the checkout in a sales outlet, at a vending machine, online, in other apps or at events. In contrast to familiar existing wallet solutions, TWINT does away with the use of credit and debit cards and works independently of telecom providers.

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## Outlook

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PostFinance generates two thirds of its operating income from the interest business. Uncertainty on the global financial markets is putting pressure on margins and restricting investment opportunities on the money and capital markets. PostFinance has high levels of liquidity. Unlike other market participants, it can only reduce its liquidity to a limited extent due to the statutory ban on issuing loans and mortgages. In December 2014, the SNB announced that it was introducing negative interest on sight deposit balances. PostFinance has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015, which will have an impact on the result in 2015. Measures to minimize the negative effects will be implemented in the first quarter of 2015. PostFinance is not affected by the abandoning of the minimum euro exchange rate by the SNB and the subsequent upheavals on the foreign exchange markets given that foreign currency risks are hedged as far as possible.

Customers put great trust in PostFinance and appreciate the good service and the simple, attractive products and services it offers. The conditions are in place for strengthening customer relations, which will have a consequent effect on earnings. PostFinance is studying further cost development and analysing the sustainability of expenses and investments.

## Reconciliation

PostFinance issues financial statements in accordance with Group IFRS (International Financial Reporting Standards) guidelines and the Bank Accounting Guidelines (BAG) set out in articles 23-27 of the Banking Ordinance (FINMA Circular 2008/2 "Accounting - Banks"). The following tables show the differences between the two accounting standards in the balance sheet and the income statement. They reconcile the total assets and the profit for the year in accordance with Group IFRS guidelines with the BAG financial statements.

PostFinance has been a private limited company under private law regulated by FINMA since June 2013.

### Balance sheet

PostFinance Ltd   Reconciliation of balance sheet as per Group IFRS guidelines with BAG		31.12.2014	31.12.2013
CHF million			
<b>Total assets</b>	<b>as per Group IFRS guidelines</b>	<b>118,829</b>	<b>115,193</b>
<b>Assets</b>			
Financial assets	Revaluation of financial assets held to maturity	134	212
	Lowest value principle for shares as per BAG	-122	-108
	OCI <sup>1</sup> bonds in financial assets	-65	-3
Investments	Amortization of Debtors Service Ltd equity investment in BAG financial statements	-1	-1
Property, plant and equipment	Revaluation of real estate	384	389
	Goodwill adjustment in BAG less amortization	1,600	1,800
Other assets	Deferred tax assets (assets)	-533	-572
	Adjustment account (assets)	5	-
Items in other amounts due to customers	PostFinance's own postal accounts (Finance/Real Estate)	0	-1
Positions in other liabilities	Hedge fair value interest rate swaps	38	19
Positions in value adjustments and provisions	General impairment charges for receivables/ bonds/loans	177	90
<b>Difference in assets</b>	<b>BAG – Group IFRS guidelines</b>	<b>1,617</b>	<b>1,825</b>
<b>Equity and liabilities</b>			
Other amounts due to customers	PostFinance's own postal accounts (Finance/Real Estate)	0	-1
Other liabilities	Adjustment account (liabilities)	9	8
	Employee benefit obligations	-170	-169
	Deferred tax liabilities (liabilities)	-46	-13
	OCI <sup>1</sup> equity interest transfer	22	-37
	Hedge fair value interest rate swaps	38	19
Value adjustments and provisions	General impairment charges for receivables/ bonds/loans	177	90
General statutory reserves	Capital reserves (from revaluations)	1,864	2,897
	IFRS retained earnings	188	188
Profit for the year	Difference in profit as per Group IFRS guidelines – BAG	-209	-1,033
Positions in financial assets	OCI <sup>1</sup> bonds in financial assets	-65	-3
OCI <sup>1</sup> as per Group IFRS guidelines only	OCI <sup>1</sup> from shares and investments	-191	-121
<b>Difference in equity and liabilities</b>	<b>BAG – Group IFRS guidelines</b>	<b>1,617</b>	<b>1,825</b>
<b>Total assets</b>	<b>as per BAG</b>	<b>120,446</b>	<b>117,018</b>

<sup>1</sup> Other comprehensive income (other comprehensive income recorded directly in equity)

## Income statement

## PostFinance Ltd | Reconciliation of income statement as per Group IFRS guidelines with BAG

CHF million		2014	2013
<b>Annual result as per Group IFRS guidelines</b>		<b>376</b>	<b>1,298</b>
Interest and discount income	Amortization of revalued held-to-maturity financial assets	-78	-88
Various items of net income	Lowest value principle for financial assets as per BAG	20	1
Net trading income	Realized gains from (earlier than scheduled) sales	-20	-25
Staff costs	Valuation differences between IAS 19 and Swiss GAAP ARR 16	15	-45
Depreciation of fixed assets	Revalued real estate	-4	-4
	Individual impairment charge due to lower fair value	-1	-11
	Goodwill	-200	-200
Extraordinary income	Profit from the sale of Post Real Estate Ltd equity investment	-	-145
Taxes	Deferred tax expenses / tax income as per Group IFRS guidelines	59	-516
<b>Annual profit as per BAG</b>		<b>167</b>	<b>265</b>

# Statutory financial statements

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PostFinance issues annual financial statements in accordance with the BAG Bank Accounting Guidelines (art. 23–27 Banking Ordinance, FINMA Circular 2008/2 “Accounting-Banks”).

The statutory financial statements indicate earnings after tax of 167 million francs. Total assets rose to 120 billion francs in 2014. With a capital ratio of 20.8 percent, PostFinance exceeds the minimum capital requirements of Basel III.

## Balance sheet

### PostFinance Ltd | Balance sheet as per BAG

CHF million	Notes	31.12.2014	31.12.2013
<b>Assets</b>			
Cash and cash equivalents		41,746	39,114
Receivables from money market instruments		–	–
Receivables due from banks		4,858	9,933
Receivables due from customers	5	11,139	9,894
Mortgage receivables	5	0	1
Securities held for trading and precious metals		–	–
Financial assets	6, 20	59,196	54,454
Investments	6, 8	48	14
Property, plant and equipment	8	1,027	954
Intangible assets	8	1,600	1,800
Prepaid expenses and deferred income		682	720
Other assets	9	150	134
<b>Total assets</b>		<b>120,446</b>	<b>117,018</b>
Total subordinated receivables		–	–
Total receivables due from subsidiaries and holders of qualified participations		1,590	2,019
<b>Equity and liabilities</b>			
Liabilities from money market instruments		–	–
Amounts due to banks		2,788	2,380
Amounts due to customers as savings and investments		43,241	42,585
Other amounts due to customers		66,870	64,534
Medium-term notes		155	161
Loans and mortgage bond loans		–	–
Prepaid expenses and deferred income		122	173
Other liabilities	9	207	137
Value adjustments and provisions	12	189	101
Reserves for general bank risks	12	–	–
Share capital	13	2,000	2,000
General statutory reserves	14	4,682	4,682
of which reserves from capital contributions		4,682	4,682
Other reserves		–	–
Profit carried forward		25	–
Profit for the year		167	265
<b>Total equity and liabilities</b>		<b>120,446</b>	<b>117,018</b>
Total subordinated liabilities		–	–
Total amounts due to subsidiaries and holders of qualified participations		693	529

**PostFinance Ltd** | Off-balance sheet transactions

CHF million	31.12.2014	31.12.2013
Contingent liabilities	–	–
Irrevocable commitments	656	641
Liabilities for calls on shares and other equity	–	–
Credit commitments	–	–
Derivative financial instruments: positive fair values	5	96
Derivative financial instruments: negative fair values	174	20
Derivative financial instruments: contract volume	6,382	5,304
Fiduciary transactions	–	–

## Income statement

### PostFinance Ltd | Income statement as per BAG

CHF million	Notes	2014	2013
<b>Income and expenses from ordinary banking operations</b>			
Interest and discount income		220	222
Interest and dividend income from trading portfolios		–	–
Interest and dividend income on financial assets		943	995
Interest expenses		–198	–283
<b>Net interest income</b>		<b>965</b>	<b>934</b>
Commission income on lending business		94	93
Commission income on securities and investment business		42	37
Commission income on other services		630	620
Commission expenses		–591	–592
<b>Net service and commission income</b>		<b>175</b>	<b>158</b>
<b>Net trading income</b>	21	<b>166</b>	<b>158</b>
Net income from disposal of financial assets		37	15
Income from investments		1	1
Net income from real estate		55	52
Other ordinary income		120	163
Other ordinary expenses		–13	–6
<b>Other ordinary net income</b>		<b>200</b>	<b>225</b>
<b>Operating income</b>		<b>1,506</b>	<b>1,475</b>
Staff costs	22	–458	–471
Non-staff costs	23	–509	–470
<b>Operating expenses</b>		<b>–967</b>	<b>–941</b>
<b>Gross profit</b>		<b>539</b>	<b>534</b>
<b>Profit for the year</b>			
<b>Gross profit</b>		<b>539</b>	<b>534</b>
Depreciation of fixed assets		–237	–245
Value adjustments, provisions and losses		–99	–16
<b>Operating profit (interim result)</b>		<b>203</b>	<b>273</b>
Extraordinary income	24	7	71
Extraordinary expenses	24	–	–
Taxes	25	–43	–79
<b>Profit for the year</b>		<b>167</b>	<b>265</b>



## Statement of cash flows

PostFinance Ltd   Statement of cash flows as per BAG	Sources of funds	Use of funds	Sources of funds	Use of funds
CHF million	2014	2014	2013	2013
<b>Cash flow from operating profit (internal financing)</b>				
Profit for the year	167	–	265	–
Depreciation of property, plant and equipment and amortization of intangible assets	237	–	245	–
Provisions and other value adjustments	2	–	–	4
Changes in impairment charges for default risks and losses	87	–	–	57
Prepaid expenses	39	–	63	–
Deferred income	–	51	68	–
Other positions <sup>1</sup>	78	–	88	–
Previous year's dividend	–	240	–	–
<b>Balance</b>	<b>319</b>	<b>–</b>	<b>668</b>	<b>–</b>
<b>Cash flow from equity transactions</b>				
Share capital <sup>2</sup>	–	–	–	–
Share premium <sup>2</sup>	–	–	–	–
<b>Balance</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Cash flow from investment activities</b>				
Investments	–	34	284	–
Real estate	–	89	–	85
Other property, plant and equipment	–	21	–	24
Intangible assets	–	–	–	–
<b>Balance</b>	<b>–</b>	<b>144</b>	<b>175</b>	<b>–</b>
<b>Cash flow from banking operations</b>				
Amounts due to banks	408	–	–	4,313
Liabilities from customer deposits	2,992	–	2,810	–
Medium-term notes	–	5	–	35
Negative fair values of derivative financial instruments	153	–	–	21
Other obligations	–	84	27	–
Receivables due from banks	5,075	–	–	5,242
Receivables due from customers	–	1,246	–	1,409
Mortgage receivables	–	–	–	0
Positive fair values of derivative financial instruments	91	–	–	1
Financial assets	–	4,820	1,570	–
Other receivables	–	107	25	–
<b>Balance</b>	<b>2,457</b>	<b>–</b>	<b>–</b>	<b>6,589</b>
<b>Liquidity</b>				
Cash and cash equivalents	–	2,632	5,746	–
<b>Balance</b>	<b>–</b>	<b>2,632</b>	<b>5,746</b>	<b>–</b>
<b>Total</b>	<b>2,776</b>	<b>2,776</b>	<b>6,589</b>	<b>6,589</b>

<sup>1</sup> Straight-line depreciation of the revaluation of financial assets as per the opening balance sheet on 1 January 2013.

<sup>2</sup> The equity base is already included in the opening balance sheet as at 1 January 2013; the equity payment process therefore does not appear in the statement of cash flows.

**PostFinance Ltd** | Liquidity statement

CHF million

Liquidity as at 31.12.2013	39,114
Liquidity as at 31.12.2014	41,746
<b>Increase in liquidity in 2014</b>	<b>2,632</b>
Liquidity as at 1.1.2013	44,860
Liquidity as at 31.12.2013	39,114
<b>Decrease in liquidity in 2013</b>	<b>5,746</b>

**Appropriation of profit****PostFinance Ltd** | Net retained profit

CHF million

	31.12.2014	31.12.2013
Profit for the year	167	265
Profit carried forward	25	–
<b>Total net retained profit</b>	<b>192</b>	<b>265</b>

At the General Meeting on 27 March 2015, the Board of Directors of PostFinance Ltd will propose the following appropriation of profit:

**PostFinance Ltd** | Appropriation of profit

CHF million

	31.12.2014	31.12.2013
Allocation to other reserves	–	–
Distribution of dividends	192	240
Profit carried forward to new account	–	25
<b>Total net retained profit</b>	<b>192</b>	<b>265</b>

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## Notes to the annual financial statements

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### 1 | Notes on business activities and headcount

PostFinance is one of Switzerland's leading financial institutions. It has processed 996 million payment transactions, placing it top of the Swiss market. 2.9 million customers put their trust in PostFinance. PostFinance received 2.8 billion francs of new money in 2014. PostFinance employed 3,956 staff in 2014. This corresponds to 3,454 full-time equivalents. At the end of the financial year, PostFinance had total assets of 120 billion francs and had generated profit for the year of 167 million francs (both figures are in accordance with BAG Bank Accounting Guidelines set out in articles 23-27 of the Banking Ordinance, FINMA Circular 2008/2).

#### Net interest income

The interest differential business is the most important source of income for PostFinance. Its main revenues come from the payments and savings segments. PostFinance generates a smaller proportion of its earnings from investment and retirement planning products.

#### Commission and service income

Within its commission and service income, PostFinance mainly reported income from payment transactions, account management and indemnities from partner companies. Additional income resulting from higher sales volumes and more intensive use of products offset the lower income from declining over-the-counter transactions in post offices. Under the Postal Services Act, PostFinance is not permitted to issue loans and mortgages. PostFinance works with partners in Switzerland and abroad to offer its customers a full range of products. The income from these partnerships is reported in net commission income. The default risks are borne by the partner banks.

#### Trading income

PostFinance generates most of its net trading income on behalf of customers. Income is obtained primarily from foreign exchange transactions. Trade for its own account is of secondary importance.

## 2 | Accounting and valuation principles

### General principles

The bookkeeping, accounting and valuation principles are based on the Swiss Code of Obligations, the Banking Act and the related ordinance, statutory provisions and the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA). In accordance with the true and fair view principle, the combined individual financial statements give an accurate picture of the financial position, the results of operations and the cash flows of the company in accordance with the Bank Accounting Guidelines applicable to banks and securities dealers.

### Foreign currency translation

Balance sheet items in foreign currency are converted at the foreign exchange rates valid at the end of the year. Any resulting exchange gains and losses are recognized in profit or loss. Income and expenses are converted at the applicable daily rates.

Closing rates		
	31.12.2014	31.12.2013
EUR	1.2028	1.2265
USD	0.9892	0.8901
GBP	1.5392	1.4714

### Offsetting

In principle, no offsetting takes place, except in the cases set out below. Receivables and liabilities are offset if all the following conditions are met: the receivables and liabilities arise from transactions of the same type with the same counterparty, with the same or earlier maturity date and in the same currency, and cannot lead to a counterparty risk. Positive and negative fair values with the same counterparty are offset provided that legally recognized and enforceable bilateral agreements are in place.

### Accounting according to the trade date or settlement date principle

In principle, securities transactions are recorded on the trade date. Completed foreign exchange and money market transactions are recognized in the balance sheet on the settlement date (value date). Foreign exchange transactions are recognized on the balance sheet as other assets or other liabilities at their fair value until their settlement date.

### General valuation principles

In principle, the detailed positions of items in the balance sheet are valued separately (individual measurement).

### Cash and cash equivalents, receivables from money market instruments, receivables due from banks

These items are included in the balance sheet at their face value or acquisition cost less individual impairment charges for doubtful receivables. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. Any premiums and discounts related to bank receivables are accrued over the term. Cash outflows arising from reverse repurchase transactions are presented as receivables due from banks. Financial assets obtained from transactions as collateral are generally not recognized in the balance sheet. Interest income from reverse repurchase transactions is accounted for using the accrual-based accounting principle. In the case of receivables from money market instruments held to maturity, the discount not yet earned is accrued over the remaining term.

### Loans (receivables due from customers and mortgage receivables)

These items are included in the balance sheet at their face value or acquisition cost less individual impairment charges for doubtful receivables. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. Loans are classed as doubtful at the latest when the contractually agreed payments of capital and/or interest are more than 90 days outstanding. Interest outstanding for more than 90 days is regarded as overdue.

Overdue interest, the collection of which is doubtful, is no longer accrued as income, but is reported without interest when its collection is so doubtful that the accrual of such interest is no longer deemed reasonable. If a receivable is considered entirely or partially uncollectible or a waiver has been granted, the amount of the receivable is charged against the corresponding value adjustment (see also Value adjustments section).

### Securities lending and borrowing transactions

Securities lending and borrowing transactions are recorded at the value of the cash deposits that have been received or made, including the accrued interest. Securities borrowed or received as collateral are only recognized in the balance sheet if PostFinance gains control over the contractual rights associated with these securities. Securities lent or provided as collateral are only taken off the balance sheet if PostFinance loses the contractual rights associated with these securities. The fair values of the securities borrowed or lent are monitored on a daily basis in order to provide or claim additional collateral where required. Securities cover for reverse repurchase and securities lending transactions is recognized on a daily basis at current fair values. Fees received or paid in relation to securities lending and repurchase transactions are stated as net service and commission income.

### Securities held for trading

Securities held for trading acquired primarily with the aim of achieving short-term gains by making targeted use of fluctuations in market prices are measured at fair value. Realized and unrealized profit and loss from these securities is recorded under net trading income. Interest and dividend income from securities held for trading is recognized as net interest income. If, in exceptional circumstances, no fair value is available, the lowest value principle is used for accounting and measurement purposes.

### Financial assets

Investments with a fixed maturity that PostFinance intends and is able to hold to maturity are measured at amortized cost (accrual method). The effective interest method spreads the difference between the acquisition cost and the repayment amount (premium/discount) over the life of the asset in question using the present value method. The fair values of financial instruments are determined on the basis of stock market prices and valuation techniques (present value method, etc.). In the case of listed financial instruments, the fair values correspond to market prices provided that such prices have been set on a price-efficient and liquid market. Holdings in equity securities (shares) are valued according to the lowest value principle. Debt securities acquired without the intention of being held to maturity are valued according to the lowest value principle. PostFinance checks its financial assets on a regular basis for any indication that an asset may be impaired. Here it looks in particular to fair value trends and the downgrading of the credit rating by recognized rating agencies or qualified banks. If there are indications that an asset is impaired, the recoverable amount is calculated (see also Value adjustments section).

### Derivative financial instruments

Derivatives which are not accounted for under the hedge accounting rules or which do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading. Derivative financial instruments acquired for trading purposes are recognized at fair value and are subsequently measured at fair value. Hedge accounting is applied if derivative financial instruments are effective in offsetting changes in fair value or cash flows attributable to the hedged underlying transactions. The effectiveness of these hedges is reviewed every six months. Fair value hedges are used to hedge exposure to changes in fair value of an asset or liability. Changes in the fair value of both the hedging instrument and the hedged underlying instrument are recognized in the income statement. Cash flow hedges are used to hedge anticipated future transactions. Changes in value to the extent a hedge is effective are allocated to the adjustment account, while changes in value to the extent a hedge is ineffective are recognized in profit or loss. Positive and negative replacement costs for all derivatives are recognized at fair value in other assets or other liabilities.

### Investments

All equity securities in companies intended to be held as long-term investments are reported as investments. These items are included in the balance sheet at cost less necessary depreciation in accordance with the individual measurement principle.

### Property, plant and equipment

Property, plant and equipment is recognized in the balance sheet at historical cost less cumulative depreciation. Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life. Useful life is as follows:

- IT infrastructure 3–4 years
- Postomats 10 years
- Real estate 10–50 years

Intangible assets associated with the purchase, installation and development of payment transaction software are capitalized if they are of measurable economic benefit. They have a useful life of 13–15 years.

Regular checks are carried out to determine if there are signs of overvaluation. If this is the case, the carrying amount is compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If the carrying amount of an asset exceeds its recoverable amount, an impairment equal to the difference between the carrying amount and the recoverable amount is recognized in profit or loss. Profits obtained from the disposal of property, plant and equipment are recorded in extraordinary income, while losses are recognized as extraordinary expenses.

### Intangible assets

Surplus assets (goodwill) arising from the initial measurement of a business acquisition are included in the balance sheet under "Intangible assets" and depreciated over their useful life. Capitalized goodwill is depreciated on a straight-line basis over a ten-year period. If an assessment on the balance sheet date shows that the capitalization of a proportion of goodwill is no longer justified, the proportion in question is additionally depreciated on the relevant date. An assessment is carried out if there are any indications of impairment.

### Prepaid expenses and deferred income

Interest income and expenses, commission and other income and expenses during the accounting period are accounted for using the accrual-based accounting principle to ensure that they are correctly represented in the income statement.

### Amounts due to banks, other amounts due to customers and medium-term notes

Private and business accounts are included in the balance sheet at their face value. Financial assets transferred as collateral as part of repurchase transactions continue to be recognized in the balance sheet under "Financial assets". Interest expenses from repurchase transactions are accounted for using the accrual-based accounting principle. Securities cover for repurchase and securities borrowing transactions is recognized on a daily basis at current fair values. Amounts borrowed from banks and medium-term notes are recorded on the balance sheet at face value.

### Value adjustments and provisions

Value adjustments and provisions are made according to objective criteria for all risks detectable on the balance sheet date and presented under this item in the balance sheet. Impairment of doubtful receivables is recognized by individual impairment charges directly on the receivable. Impairment is measured according to the difference between the carrying amount of the receivable and the presumably collectible amount, taking into account the counterparty risk and the net proceeds from the realization of any collateral. In addition to individual impairment charges, PostFinance calculates general impairment charges to cover losses incurred on the balance sheet date that cannot yet be identified separately. Bad debt provisions are made for the accounts of private and business customers that have been overdrawn for more than 60 days. Value adjustments that are no longer economically necessary are reclassified to profit or loss. Recoveries of receivables written off in prior periods are credited to this item in the balance sheet.

### Contingent liabilities, irrevocable commitments, liabilities for calls on shares and other equity

These items are recorded at their face value as off-balance sheet transactions. Provisions are made for foreseeable default risks.

### Employee benefit obligations

The accounting treatment of employee benefit obligations at PostFinance is based on Swiss GAAP ARR 16 in accordance with FINMA Circular 2008/2, margin no. 29j-1 ff. PostFinance employees are insured with the Swiss Post pension fund foundation under a Duoprimat (combined defined benefit and defined contribution) scheme in accordance with the Federal Law on the Occupational Old-age, Survivors' and Disability Benefit Plan (BVG). Staff are thereby insured against the financial consequences of old age, death and disability. The retirement benefits of all active members are calculated on a defined contribution basis and the risk cover (death and disability) on a defined benefit basis. Expenses related to employee benefit obligations are recognized in staff costs. Employee benefit obligations represent the actuarial present value of benefits for the employee's eligible insurance period and take the future into account by including statistical probabilities such as death and disability.

### Taxes

Income tax is determined in each reporting period on the basis of the profit/loss accrued for the year. Deferred tax liabilities are calculated at the current tax rate. Accruals and deferrals are recognized in the balance sheet under prepaid expenses or deferred income.

The tax consequences of time differences between the values of assets and liabilities shown in the balance sheet and their tax bases are recognized as deferred taxes under provisions. Deferred taxes are determined separately in each business period.

### Outsourcing of business units

PostFinance Ltd has outsourced various services to Swiss Post Group companies. Significant outsourcing relationships exist with Post CH Ltd in payment transactions, financial services and IT services, and with Swiss Post Solutions Ltd for printing and sending account documents and for the e-bill solution, and with both of these companies for the E-Post Office service, an integrated solution for physical and electronic business communication. The corresponding contracts meet all FINMA requirements with regard to bank client confidentiality and data protection.

### Accounting changes year-on-year

PostFinance Ltd made a voluntary change to accounting methods in the fourth quarter of 2014. Payment obligations from closed, not yet fulfilled securities transactions resulting from trade date accounting (time difference between the trade date and settlement date) are now recognized as "Amounts due to banks" rather than as "Other amounts due to customers". This reclassification was undertaken for the first time as at 31 December 2014; the previous year's figures have not been adjusted.

### Events after the balance sheet date

PostFinance is not affected by the abandoning of the minimum euro exchange rate by the Swiss National Bank SNB and the subsequent upheavals on the foreign exchange markets given that foreign currency risks are hedged as far as possible. On 15 January 2015, the Swiss National Bank SNB set a new negative interest rate of -0.75 percent. PostFinance has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015, which will have an impact on its result for the current year. Measures to minimize the negative effects will be implemented in the first quarter of 2015.



### 3 | Risk management

PostFinance operates an appropriate financial and operational risk management system in accordance with banking regulation requirements. The specific business risks faced by PostFinance, namely interest rate, liquidity, credit, market and operational risks, are managed using industry-standard tools and methods.

#### Organization

PostFinance's Board of Directors conducts an annual risk assessment. It sets out the primary guidelines and principles on managing financial and operational risks, approves the risk policy, and sets conditions which the operating units are required to observe in managing risks. These limits are based on the international standardized approach set out in the regulatory provisions and specify the highest risks that PostFinance may take, expressed in terms of "equity needed to meet regulatory requirements". Maximum risk exposure is determined by the risk-bearing capacity of PostFinance and the risk tolerance of the Board of Directors. The PostFinance Executive Board is responsible for the active management of financial and operational risks within the framework defined by the Board of Directors and ensures that the risk management infrastructure meets requirements in organizational, human resources, technical and methodology terms. Its duties and responsibilities include implementing risk control and risk monitoring by establishing limits in individual risk categories and by setting directives for risk monitoring reports. The Executive Board is informed of the risk measurement results and the extent to which limits are used in monthly reports which enable it to decide on the necessary control measures, if any. The PostFinance Risk Management department identifies, measures and controls financial risks as well as the observance of limits, and reports the results to the relevant supervisory bodies. The Risk Management department also develops measures for controlling financial risks to be approved by the Executive Board. The PostFinance Risk Control department identifies, measures and monitors non-financial risks. As an independent control body, the Risk Control department also evaluates the appropriateness of financial risk control processes.

#### Financial risk measurement methods

The methods of measuring and monitoring risks are applied at the level of both the individual PostFinance portfolio and the overall PostFinance balance sheet. Risks are limited and monitored by means of a multi-level limit system. A variety of methods of differing degrees of complexity are used to measure financial risks. The principal aim of risk measurement is to allow the supervisory bodies to control risks adequately at all times. The methods applied at PostFinance to measure risks include measurement methods based on regulatory requirements (e.g. credit risk measurement in accordance with SA-BIS), sensitivity analyses (e.g. to measure the present value effects arising from interest rate risks) and value-at-risk methods (e.g. to measure fair value risks resulting from equity investments).

#### Financial risk management at PostFinance

The following financial risks are constantly taken, measured, controlled and monitored at PostFinance:

##### *Interest rate risk and balance sheet structure risk*

PostFinance Ltd was granted a banking licence on 26 June 2013. Even with a banking licence, PostFinance Ltd is not permitted to issue direct loans and mortgages due to postal legislation provisions. Interest-bearing customer deposits therefore do not go towards granting mortgages, but are invested on the money and capital markets. PostFinance continues to pursue a conservative investment strategy. Liquidity and creditworthiness are the main criteria for its investment decisions. A large proportion of customer deposits remain invested as an interest-free sight deposit balance at the Swiss National Bank SNB. The term "interest rate risk" refers to the potential impact of a change in market interest rates on the present value of assets and liabilities in the balance sheet, resulting mainly from maturity mismatches, as well as the possible effect on net interest income in the income statement. PostFinance's interest-earning operations are a key earnings driver for Swiss Post. As changes in interest rates have

a direct impact on net interest income, management of the risks associated with such changes is considered a priority. The majority of the customer deposits held by PostFinance do not earn a fixed rate of interest. Their interest rate is transformed into revolving tranches with different terms to maturity using a replicating portfolio and investment method. The aim of the replicating method is to map the most closely matching maturities of individual customer products while minimizing the margin volatility of each product. The Executive Board notifies the Treasury department of the maturities of money and capital market investments on the basis of the investment method. The imbalance between the liability and asset interest rates corresponds to the maturity transformation, which is controlled from a present value and income perspective. The present value perspective covers the net effect of a change in interest rates on the equity of PostFinance in the event of modifications to the yield curve. Future cash flow accruals are discounted according to the risk-adjusted present value formula. Sensitivity to a parallel shift in the yield curve is determined on the one hand, and to isolated interest shocks at specific maturities (key rates) on the other. In addition to sensitivity data, a value-at-risk index is used to check whether the investments made by the Treasury department meet the maturity requirements set by the Executive Board. The historic simulation method is applied with a conservative confidence level. Unlike assessments based on present value, income perspective analyses examine the impact of several potential multiple period interest scenarios on PostFinance's future net interest income. In addition, dynamic income simulations are carried out according to several deterministic scenarios describing future market interest trends and the resulting changes in customer interest and customer volumes for each replica. As at 31 December 2014, the absolute change in the present value of equity with a parallel shift in the yield curve of +100 basis points amounted to +56 million francs (previous year: -51 million francs). Due to the current interest situation, a negative shift in interest produces results that are difficult to interpret and is therefore not reported. The income effect of an adverse scenario in comparison with the baseline scenario stood at -27 million francs (previous year: -44 million francs) for the following year.

#### *Credit risks*

The term "credit risk" refers to the risk that a counterparty will no longer be able to fulfil its obligations, thereby causing the other party to incur a financial loss. Credit risks increase as counterparties become more concentrated in an individual sector or region. Economic developments affecting whole sectors or regions can threaten the solvency of an entire group of otherwise unrelated counterparties. The credit risks associated with the Treasury department's investments in the money and capital markets are limited through investment regulations and prescribed limits. Limits apply at counterparty and rating structure level as well as for controlling country risks. Investments are only permitted if the debtor has a first-class credit rating. Specifications and investment restrictions are based on publicly accessible ratings by recognized rating agencies and qualified banks, and are constantly updated to reflect changes in a counterparty's creditworthiness. Compliance with prescribed limits is monitored on an ongoing basis and is verified before the closing of each transaction.

#### *Note on collateral concentration risks:*

Collateral concentration risks may arise when carrying out repo transactions (financial investments in exchange for collateral) and securities lending transactions (securities lending in exchange for collateral). The collateral protects PostFinance against the counterparty default risk, as it can be realized by PostFinance in the event of default by the counterparty. High concentrations of collateral are measured, monitored and restricted, as considerable losses in collateral value can lead to the insolvency of counterparties (the issuers of the collateral).

*Note on credit risks arising from mortgage lending and SME financing:*

The mortgage lending solutions offered in cooperation with Münchener Hypothekenbank eG (MHB) since June 2008 do not result in any credit risks for PostFinance. These are borne entirely by the partner bank. Since autumn 2009, PostFinance has been collaborating with Valiant Bank on financing for SMEs. This cooperation arrangement has enabled PostFinance to expand its range of services in the retail market. Since autumn 2010, PostFinance has also worked with Valiant Bank on mortgage lending to private customers. The credit risks resulting from the two areas of cooperation are assumed by Valiant Bank.

*Liquidity risks*

Liquidity risk refers to the risk that current and future payment obligations cannot be met on time or in full. Liquidity risks are managed in the short, medium and long term. Financial cushions are defined for the settlement of unforeseen payments. Financial cushions should be available for use in stress situations in particular, when it may no longer be possible to turn to the unsecured interbank market for liquidity. To guarantee liquidity on a daily basis, the composition of financial cushions is defined and limited by specifying a minimum amount to be observed. The minimum amount for a financial cushion is based on high daily cash outflows with an extremely low probability of occurrence. Liquidity in the short term is guaranteed by determining the "Liquidity Coverage Ratio" (LCR), which is a regulatory key figure. To ensure liquidity in the medium to long term, liquidity stress scenarios lasting at least 3 months are defined that must not lead to insolvency. As at 31 December 2014, the Liquidity Coverage Ratio stood at 186 percent (previous year: 247 percent).

*Foreign currency risks*

The term "foreign currency risk" refers to the risk that the value of a financial instrument may change as a result of fluctuations in exchange rates. Such risks arise at PostFinance as a result of international payment transactions, products in foreign currencies and foreign currency investments. Currency swaps and interest rate swaps as well as foreign exchange forward contracts are used to hedge against the impact of changes in foreign currency market interest rates or exchange rate changes on the fair values and earnings of fixed-interest bonds. Foreign currency risks are measured in the overall balance sheet using the value-at-risk indicator. All asset and liability transactions with an effect on the currency balance are taken into account in the measurement. The historic simulation method is applied with a conservative confidence level. As at 31 December 2014, value-at-risk arising from foreign currency risks stood at 2 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: -2 million francs).

*Other market risks*

PostFinance invests in equity and fund investments in its banking book in order to tap into additional sources of revenue. To measure the market risks arising from these transactions, each position is allocated to the risk factors that have an impact on its present value. These risk factors include interest, currency and share price risks. Index proxies are also used to measure the credit risk of fund investments. The change in present value is then modelled according to the change in the allocated risk factors. Other market risks are measured according to the value-at-risk index. The historic simulation method is applied with a conservative confidence level. As at 31 December 2014, value-at-risk arising from other market risks amounted to 123 million francs (previous year's figure as at 1 January 2014 due to a change in the risk measurement method: 131 million francs). A loss reporting threshold is established for measuring and controlling the accounting effects of changes in fair value. This threshold refers to losses in fair value during the calendar year that are recognized in profit or loss. Predefined measures are introduced if losses in fair value exceed the reporting threshold.

## Operational risk management at PostFinance

### *Definition*

In line with the Basel Committee on Banking Supervision, operational risk at PostFinance is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The principles on managing operational risk at PostFinance are set out in the risk policy.

### *Organization*

PostFinance operates an operational risk management system that is controlled from a central dedicated unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting on all material operational risks. The dedicated unit also provides the necessary tools and instruments and acts as the interface between line management and the Executive Board Committee for Internal Control (GLA IK), which is responsible for the effective and efficient implementation of the operational risk management policy. Each department and team functions as its own decentralized operational risk controller, gathering the relevant information in its role as coordinator for its organizational unit, carrying out risk identification and assessment, and assuming responsibility for recording losses. A decentralized operational risk manager is responsible for each of the largest operational risks at PostFinance (2014: seven high-level risks). These risk managers are responsible for the regular assessment and monitoring of the high-level risk assigned to them and report to the Executive Board Committee for Internal Control (GLA IK), on a quarterly basis.

### *Tools*

PostFinance has various industry-standard tools with which to actively manage operational risk. Firstly, loss data across the entire company is collected together, enabling past operational losses to be analysed, common trends to be identified and measures to be taken based on the findings. Secondly, structured risk assessments (self risk assessments) are used to evaluate potential risk scenarios that may in future pose a threat to PostFinance. The resulting risk inventory allows the Executive Board Committee for Internal Control (GLA IK) to obtain a good overview of the company's entire risk situation. In addition, the measures decided upon by the Executive Board Committee for Internal Control (GLA IK) to mitigate operational risks are monitored centrally. Early risk warning indicators are used, in particular, by the decentralized units to promptly identify any change in the risk situation.

### *Reporting*

The Executive Board Committee for Internal Control (GLA IK) receives quarterly reports on the current high-level risks and, if necessary, introduces measures to mitigate the risks. Based on this information, Swiss Post's Board of Directors is notified of the risk situation at PostFinance.

## 4 | Capital adequacy disclosure

Capital adequacy disclosure		31.12.2014	31.12.2013
CHF million	Basis as per CAO		
<b>Eligible equity</b>			
Common equity tier 1 (CET1)		5,107	4,882
Tier 2 capital (T2)		177	90
<b>Total eligible equity capital (CET1 + T2)</b>		<b>5,284</b>	<b>4,972</b>
<b>Equity requirements</b>			
Credit risks	International standardized approach (SA-BIS)	1,714	1,592
Non-counterparty risks	International standardized approach (SA-BIS)	82	76
Market risks	Market risk, standardized approach	17	25
Operational risks	Basic indicator approach	218	226
<b>Total minimum equity required</b>	<b>In accordance with CAO, art. 42</b>	<b>2,031</b>	<b>1,919</b>
<b>80% equity cushion (for 14.4% equity target)</b>	<b>In accordance with FINMA: maximum rate, category 2</b>	<b>1,625</b>	<b>1,536</b>
<b>Total capital requirement (T1 + T2)</b>	<b>In accordance with CAO, art. 45</b>	<b>3,656</b>	<b>3,455</b>

Additional information in accordance with FINMA Circular 2008/22, margin no. 51:

Details of equity requirements are published at [www.postfinance.ch](http://www.postfinance.ch).

## Information regarding the balance sheet

### 5 | Overview of coverage of loans and off-balance sheet transactions

Coverage of loans and off-balance sheet transactions as at 31.12.2014 and 31.12.2013 CHF million		Type of coverage			Total
		Mortgage coverage	Other coverage	Without coverage	
<b>Loans</b>					
Receivables due from customers <sup>1</sup>		–	400	10,739	11,139
Mortgage receivables		0	–	–	0
Residential property		0	0	0	0
<b>Total loans</b>	<b>31.12.2014</b>	–	400	10,739	11,139
	31.12.2013	1	–	9,894	9,895
<b>Off-balance sheet</b>					
Irrevocable commitments		–	–	656	656
<b>Total off-balance sheet</b>	<b>31.12.2014</b>	–	–	656	656
	31.12.2013	–	–	641	641

<sup>1</sup> Loans to municipalities, cities and cantons. These loans all have a rating issued by a rating agency recognized by FINMA.

Doubtful receivables	31.12.2014	31.12.2013
CHF million		
Gross debt	2	0
Estimated liquidation value of collateral <sup>1</sup>	–	–
Net debt	2	0
Individual impairment charges	2	0

<sup>1</sup> Credit or disposal value per customer, whichever is the lowest.

## 6 | Financial assets and investments

Financial assets CHF million	Carrying amount		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Debt securities</b>				
with intention to hold until maturity	57,953	53,665	60,762	55,630
<b>Equity securities</b>				
recognized using lowest value principle	1,243	789	1,365	897
<b>Total financial assets</b>	<b>59,196</b>	<b>54,454</b>	<b>62,127</b>	<b>56,527</b>
Repo-eligible securities as per liquidity requirements	37,685	42,592	n.a.	n.a.

Investments CHF million	31.12.2014	31.12.2013
	<b>Investments</b>	
with market price	24	–
without market price	24	14
<b>Total investments</b>	<b>48</b>	<b>14</b>

## 7 | Details of significant investments

Non-consolidated significant investments CHF or EUR million, percent	Business activities	Currency	Share capital	Equity interest	
				31.12.2014	31.12.2013
Debtors Service Ltd, Berne, Switzerland	Accounts receivable management	CHF	1	100%	100%
TWINT AG, Berne, Switzerland	Mobile payment	CHF	10	100%	–
SECB Swiss Euro Clearing Bank GmbH, Frankfurt a. M., Germany	Payment transaction processing in EUR for Swiss financial institutions	EUR	30	25%	25%
SIX Interbank Clearing Ltd, Zurich, Switzerland	Payment transaction processing for financial institutions	CHF	1	25%	25%

Additional information on the combined individual financial statements in accordance with FINMA Circular 2008/2, margin no. 27a: The effect of a theoretical application of the equity method with regard to these investments would be to increase total assets by 8 million francs (previous year: 7 million francs) and profit for the year by 2 million francs (previous year: 7 million francs).

## 8 | Statement of changes in fixed assets

Statement of changes in fixed assets	Acquisition cost	Accumulated depreciation and amortization	Carrying amount 31.12.2013	Reclassifications	Investments	Disinvestments	Depreciation and amortization	Appreciation	Carrying amount 31.12.2014
CHF million									
<b>Investments</b>									
Other investments	14	–	14	–	34	–	–	–	48
<b>Total investments</b>	<b>14</b>	<b>–</b>	<b>14</b>	<b>–</b>	<b>34</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>48</b>
<b>Property, plant and equipment</b>									
<b>Real estate</b>									
Bank buildings	186	–9	138	39	1	–	–8	–	170
Other real estate	741	–26	698	17	88	0	–18	–	785
Other property, plant and equipment	74	–36	95	–57	12	–	–10	–	40
Others (software)	24	–	23	1	9	–	–1	–	32
<b>Total property, plant and equipment</b>	<b>1,025</b>	<b>–71</b>	<b>954</b>	<b>0</b>	<b>110</b>	<b>0</b>	<b>–37</b>	<b>–</b>	<b>1,027</b>
<b>Intangible assets</b>									
Goodwill	2,000	–200	1,800	–	–	–	–200	–	1,600
<b>Total intangible assets</b>	<b>2,000</b>	<b>–200</b>	<b>1,800</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–200</b>	<b>–</b>	<b>1,600</b>
<b>Fire insurance value</b>									
Real estate			1,176						1,326
Other property, plant and equipment			83						78

## PostFinance Ltd | Future lease obligations under operating leases

CHF million	2015	2016	2017	2018	2019	2020
Future lease payments	20	19	2	1	0	0

## 9 | Other assets and liabilities

Other assets and liabilities	31.12.2014		31.12.2013	
	Other assets	Other liabilities	Other assets	Other liabilities
CHF million				
<b>Fair value from derivative financial instruments, foreign currencies and equity securities</b>				
Contracts as principal	5	173	94	19
Contracts as commission agent	0	1	2	1
<b>Total derivative financial instruments</b>	<b>5</b>	<b>174</b>	<b>96</b>	<b>20</b>
Adjustment account	5	–	–	8
Indirect taxes	42	32	35	57
Other assets and liabilities	98	1	3	52
<b>Total other assets and other liabilities</b>	<b>150</b>	<b>207</b>	<b>134</b>	<b>137</b>



## 10 | Pledged or assigned assets and assets subject to retention of title

Total amount of assets pledged or assigned as collateral for own obligations and assets subject to retention of title<sup>1</sup>

CHF million	31.12.2014	31.12.2013
Carrying amount of assets pledged and assigned as collateral	0	1
Effective obligations	–	0

<sup>1</sup> excluding securities lending and repurchase transactions

### Securities lending and repurchase transactions

CHF million	31.12.2014	31.12.2013
Receivables from cash collateral in relation to securities borrowing and reverse repurchase transactions	–	–
Commitments from cash collateral in relation to securities lending and repurchase transactions	–	–
Own securities lent or provided as collateral as part of securities lending and borrowing transactions or transferred in repurchase transactions	1,765	–
of which securities for which an unrestricted right to dispose of or pledge was granted	–	–
Securities borrowed or received as collateral as part of securities lending and borrowing transactions or reverse repurchase transactions, for which an unrestricted right to dispose of or pledge was granted	1,309	7,150
of which repledged or resold securities	–	–

## 11 | Amounts due to own employee benefits institutions

### Employee benefit obligations

There is no independent employee benefits institution for PostFinance staff. Their employee benefits are handled exclusively by the Swiss Post pension fund. The employer may be required to pay restructuring contributions in the event of a shortfall in the Swiss Post pension fund.

Additional amounts due for extended disability benefit plans in the form of transitional disability insurance (supplementary disability pensions for men up to the age of 65 and women up to the age of 64) and staff vouchers are taken into account in the annual financial statements.

### Amounts due to own employee benefits institutions as per Swiss GAAP ARR 16

All the compulsory ordinary employer contributions associated with the employee benefits plan are accounted for as staff costs using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP ARR 16 to determine whether the employee benefits institutions generate an economic benefit or an economic obligation for PostFinance. The assessment is based on information from contracts, the financial statements of the employee benefits institutions and other calculations presenting their financial situation and current surpluses or shortfalls – in accordance with Swiss GAAP ARR 26 accounting principles. PostFinance does not however intend to use the economic benefit that may result from a surplus to reduce employer contributions. Consequently, instead of capitalizing any future economic benefit, an economic obligation is recognized under liabilities. With 44,081 active insured people and 28,658 pensioners (as at 31 October 2014), the Swiss Post pension fund had total assets of 15,944 million francs as at 31 December 2014 (previous year: 15,286 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at 102.7 percent (previous year: 98.5 percent, or 102.3 percent including employer contribution reserves without renounced use). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no sur-

plus available. The Swiss Post pension fund has employer contribution reserves of 1,081 million francs, of which 550 million francs with renounced use (previous year: 1,110 million francs, of which 550 million francs with renounced use). A discount rate of 3 percent (previous year: 3 percent) and the technical basis of BVG 2010 (previous year: BVG 2010) were used to calculate pension cover. It should be noted that all data regarding the Swiss Post pension fund is based on the information available at the time of drawing up the ARR 16 financial statements. Consequently, it may differ from the actual information contained in the annual financial statements for the Swiss Post pension fund. A detailed assessment did not reveal any financial impact on the bank; according to the financial statements for the Swiss Post pension fund drawn up according to Swiss GAAP ARR 26, there were no spare funds or shortfalls as at 31 December 2014. There are no company employee benefits institutions.

The economic benefit or obligations and employee benefit expenses can be summarized as follows:

Economic benefit / obligation, employee benefit expenses	Shortfall/surplus	Financial share of assets / provision for PostFinance Ltd		Year-on-year change recorded in staff costs	Ordinary contributions	Extraordinary contributions	Total contributions	Employee benefit expenses
		31.12.2014	31.12.2014					
CHF million		31.12.2014	31.12.2014	31.12.2013	2014	2014	2014	2014
Swiss Post pension fund	52	–	–	–	33	–	33	33
Staff vouchers	–5	–5	–4	1	0	–	0	1
Disability pensions	–1	–1	–1	0	–	–	–	0
<b>Total as per ARR 16</b>	<b>46</b>	<b>–6</b>	<b>–5</b>	<b>1</b>	<b>33</b>	<b>–</b>	<b>33</b>	<b>34</b>

The employer contribution reserves of the Swiss Post pension fund are allocated based on the percentage of PostFinance Ltd's retirement capital of PostFinance Ltd's entire retirement capital. This gives the following picture:

Employer contribution reserves	Face value				Balance sheet (provisions) / Assets		Profit or loss from employer contribution reserves in staff costs
	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2013		
CHF million	31.12.2014	31.12.2014	31.12.2014	31.12.2014	31.12.2013	2014	
Swiss Post pension fund	59	–30	–	29	29	0	
Staff vouchers	–	–	–	–	–	–	
Disability pensions	–	–	–	–	–	–	
<b>Total as per ARR 16</b>	<b>59</b>	<b>–30</b>	<b>–</b>	<b>29</b>	<b>29</b>	<b>0</b>	

## 12 | Value adjustments and provisions and reserves for general bank risks

CHF million	Value adjustments and provisions					
	As at 31.12.2013	Use for intended purpose <sup>1</sup>	Recoveries, overdue interest, exchange differences	Newly recognized provisions to be debited from income statement	Reversals of provisions to be credited to income statement	As at 31.12.2014
Value adjustments and provisions for default risks (bad debt provisions and country risks)	189	–	–	87	0	276
Provisions from employee benefit obligations	5	–	–	0	–	5
Other provisions <sup>2</sup>	5	6	–	8	1	6
<b>Total value adjustments and provisions</b>	<b>199</b>	<b>6</b>	<b>–</b>	<b>95</b>	<b>1</b>	<b>287</b>
Less impairments deducted directly from assets	–98	–	–	0	0	–98
<b>Total value adjustments and provisions according to balance sheet</b>	<b>101</b>	<b>6</b>	<b>–</b>	<b>95</b>	<b>1</b>	<b>189</b>
<b>Reserves for general bank risks</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

<sup>1</sup> There were no changes in purpose.

<sup>2</sup> Including a provision of 0.8 million francs for procedural costs in relation to the US programme (previous year: 2.5 million francs)

No provisions were recognized for potential losses arising from the US tax programme. This decision is due to ongoing uncertainty regarding the probability of occurrence and the extent of loss.

## 13 | Share capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Share capital	31.12.2014			31.12.2013		
	Total face value	Number	Dividend-bearing capital	Total face value	Number	Dividend-bearing capital
CHF million, number in million						
Share capital	2,000	2	2,000	2,000	2	2,000
<b>Total share capital</b>	<b>2,000</b>	<b>2</b>	<b>2,000</b>	<b>2,000</b>	<b>2</b>	<b>2,000</b>

Major shareholders and groups of shareholders bound by voting agreements

CHF million, number in million	31.12.2014			31.12.2013		
	Face value	Number	Share in %	Face value	Number	Share in %
Swiss Post Ltd	2,000	2	100	2,000	2	100

## 14 | Statement of equity

## Statement of equity

as at 31.12.2013 and 31.12.2014  
CHF million

	2014	2013
Paid-in capital	2,000	2,000
General statutory reserves	4,682	4,682
Net retained profit	265	–
<b>Total equity at the start of the year under review (before appropriation of profit)</b>	<b>6,947</b>	<b>6,682</b>
– Dividends	–240	–
+ profit for the year under review	167	265
<b>Total equity at the end of the year under review (before appropriation of profit)</b>	<b>6,874</b>	<b>6,947</b>
Share capital	2,000	2,000
General statutory reserves	4,682	4,682
Profit carried forward	25	–
Profit for the year	167	265

## 15 | Maturity structure of current assets and liabilities

Current assets  
by type and term to maturity

CHF million, as at 31.12.2014 and 31.12.2013	On demand	Callable	up to 3 months	4 to 12 months	1 to 5 years	over 5 years	Immobilized	Total	
Cash and cash equivalents	41,746	–	–	–	–	–	–	41,746	
Receivables due from banks	208	–	1,149	536	2,040	925	–	4,858	
Receivables due from customers	310	11	1,794	611	3,972	4,441	–	11,139	
Mortgage receivables	–	–	–	0	–	–	–	0	
Financial assets	1,246	–	2,014	5,757	33,083	17,096	–	59,196	
<b>Total current assets</b>	<b>31.12.2014</b>	<b>43,510</b>	<b>11</b>	<b>4,957</b>	<b>6,904</b>	<b>39,095</b>	<b>22,462</b>	<b>–</b>	<b>116,939</b>
	31.12.2013	40,217	8	9,997	6,494	36,250	20,430	–	113,396

Liabilities  
by type and term to maturity

CHF million, as at 31.12.2014 and 31.12.2013	On demand	Callable	up to 3 months	4 to 12 months	1 to 5 years	over 5 years	Immobilized	Total	
Amounts due to banks	2,788	–	–	–	–	–	–	2,788	
Amounts due to customers as savings and investments	–	43,241	–	–	–	–	–	43,241	
Other amounts due to customers	66,870	–	–	–	–	–	–	66,870	
Medium-term notes	–	–	8	13	62	72	–	155	
<b>Total liabilities</b>	<b>31.12.2014</b>	<b>69,658</b>	<b>43,241</b>	<b>8</b>	<b>13</b>	<b>62</b>	<b>72</b>	<b>–</b>	<b>113,054</b>
	31.12.2013	66,912	42,585	22	46	74	21	–	109,660

## 16 | Receivables due from and amounts due to affiliates and credits to governing bodies

### Affiliates and credits to governing bodies

Associated companies and subsidiaries that are under the direct or indirect management of associated companies are regarded as affiliates. All transactions between PostFinance and affiliates were carried out at standard market conditions.

Receivables due from and amounts due to affiliates		
as at 31.12.2013 and 31.12.2014		
CHF million	31.12.2014	31.12.2013
Receivables due from affiliates	6	26
Amounts due to affiliates	577	439

Credits to governing bodies are all amounts owed to PostFinance by members of the Executive Board and the Board of Directors of PostFinance or the auditors of PostFinance as well as all amounts owed by Executive Management and members of the Board of Directors of Swiss Post Ltd. This definition also includes persons controlled by members of the governing bodies.

PostFinance only issues loans and mortgages in cooperation with partners. These are not regarded as credits to governing bodies in the strict sense and are therefore not shown in the Annual Report.

### Related parties

Transactions (such as securities transactions, payment transactions, lending facilities and interest on deposits) with related parties, with the exception of members of the Executive Board and Senior Management (senior management and individual specialist functions at PostFinance Ltd), were carried out according to the same terms and conditions and lending rates as transactions with third parties.

Industry-standard preferential conditions apply to the Executive Board and members of Senior Management.

## 17 | Domestic and international balance sheet

Domestic and international balance sheet CHF million	31.12.2014		31.12.2013	
	Domestic	International	Domestic	International
<b>Assets</b>				
Cash and cash equivalents	41,723	23	39,090	24
Receivables due from banks	4,003	855	3,546	6,387
Receivables due from customers	11,136	3	9,893	1
Mortgage receivables	0	–	1	–
Financial assets	28,917	30,279	23,041	31,413
Investments	44	4	10	4
Property, plant and equipment	1,027	–	954	–
Intangible assets	1,600	–	1,800	–
Prepaid expenses and deferred income	367	315	367	353
Other assets	145	5	95	39
<b>Total assets</b>	<b>88,962</b>	<b>31,484</b>	<b>78,797</b>	<b>38,221</b>
<b>Equity and liabilities</b>				
Amounts due to banks	2,684	104	2,274	106
Amounts due to customers as savings and investments	41,562	1,679	41,016	1,569
Other amounts due to customers	64,779	2,091	62,737	1,797
Medium-term notes	152	3	161	–
Prepaid expenses and deferred income	122	0	173	0
Other liabilities	181	26	133	4
Value adjustments and provisions	189	–	101	–
Share capital	2,000	–	2,000	–
General statutory reserves	4,682	–	4,682	–
Profit carried forward	25	–	–	–
Profit for the year	167	–	265	–
<b>Total equity and liabilities</b>	<b>116,543</b>	<b>3,903</b>	<b>113,542</b>	<b>3,476</b>

## 18 | Assets by country / group of countries

Assets by country / group of countries CHF million, percent	31.12.2014		31.12.2013	
	Absolute	Share in %	Absolute	Share in %
<b>Assets</b>				
Switzerland	88,962	73.9	78,796	67.3
Europe	25,714	21.3	33,434	28.6
North America	3,135	2.6	2,783	2.4
Other countries	2,635	2.2	2,005	1.7
<b>Total assets</b>	<b>120,446</b>	<b>100.0</b>	<b>117,018</b>	<b>100.0</b>

## 19 | Balance sheet by currency

### Balance sheet by currency

as at 31.12.2014  
CHF million

	CHF	EUR	USD	GBP	JPY	Others	Total
<b>Assets</b>							
Cash and cash equivalents	41,581	165	–	–	–	–	41,746
Receivables due from banks	4,123	99	586	2	36	12	4,858
Receivables due from customers	11,126	13	0	0	0	0	11,139
Mortgage receivables	0	–	–	–	–	–	0
Financial assets	55,303	2,570	1,104	88	50	81	59,196
Investments	44	4	–	–	–	0	48
Property, plant and equipment	1,027	–	–	–	–	–	1,027
Intangible assets	1,600	–	–	–	–	–	1,600
Prepaid expenses and deferred income	645	34	3	–	–	–	682
Other assets	148	0	0	1	0	1	150
<b>Total balance sheet assets</b>	<b>115,597</b>	<b>2,885</b>	<b>1,693</b>	<b>91</b>	<b>86</b>	<b>94</b>	<b>120,446</b>
Delivery claims from foreign exchange transactions	2,021	366	70	35	0	34	2,526
<b>Total assets</b>	<b>117,618</b>	<b>3,251</b>	<b>1,763</b>	<b>126</b>	<b>86</b>	<b>128</b>	<b>122,972</b>
<b>Equity and liabilities</b>							
Amounts due to banks	2,655	96	2	1	30	4	2,788
Amounts due to customers as savings and investments	42,185	1,056	–	–	–	–	43,241
Other amounts due to customers	64,588	1,430	782	34	6	30	66,870
Medium-term notes	150	5	–	–	–	–	155
Prepaid expenses and deferred income	122	0	–	–	–	–	122
Other liabilities	207	–	0	–	–	–	207
Value adjustments and provisions	189	–	–	–	–	–	189
Share capital	2,000	–	–	–	–	–	2,000
General statutory reserves	4,682	–	–	–	–	–	4,682
Profit carried forward	25	–	–	–	–	–	25
Profit for the year	167	–	–	–	–	–	167
<b>Total balance sheet equity and liabilities</b>	<b>116,970</b>	<b>2,587</b>	<b>784</b>	<b>35</b>	<b>36</b>	<b>34</b>	<b>120,446</b>
Delivery obligations from foreign exchange transactions	723	613	1,004	82	64	85	2,571
<b>Total equity and liabilities</b>	<b>117,693</b>	<b>3,200</b>	<b>1,788</b>	<b>117</b>	<b>100</b>	<b>119</b>	<b>123,017</b>
<b>Net position per currency as at 31.12.2014</b>	<b>–75</b>	<b>51</b>	<b>–25</b>	<b>9</b>	<b>–14</b>	<b>9</b>	<b>–45</b>
Net position per currency as at 31.12.2013	15	–2	60	68	–	16	157

## Information regarding off-balance sheet transactions

### 20 | Open derivative financial instruments

Open derivative financial instruments as at 31.12.2014 CHF million	Trading instruments			Hedging instruments		
	Positive fair values	Negative fair values	Contract volume	Positive fair values	Negative fair values	Contract volume
<b>Interest-bearing instruments</b>						
Interest rate swaps (IRS)	–	–	–	2	117	3,857
<b>Foreign currencies / precious metals</b>						
Forward contracts	3	3	867	0	35	1,209
Cross currency interest rate swaps (CCIRS)	–	–	–	–	19	449
<b>Total open derivative financial instruments</b>	<b>3</b>	<b>3</b>	<b>867</b>	<b>2</b>	<b>171</b>	<b>5,515</b>
before consideration of netting contracts						
31.12.2014	3	3	867	2	171	5,515
31.12.2013	5	4	787	91	16	4,517
after consideration of netting contracts						
31.12.2014	3	3	867	2	171	5,515
31.12.2013	5	4	787	91	16	4,517

## Information regarding the income statement

### 21 | Net trading income

Net trading income	2014	2013
CHF million		
Trade in foreign currencies and foreign notes and coins	166	158
Trade in interest rate derivatives	0	0
Trade in securities	–	–
Trade in precious metals <sup>1</sup>	–	–
<b>Net trading income</b>	<b>166</b>	<b>158</b>

<sup>1</sup> PostFinance does not trade in precious metals.

### 22 | Staff costs

Staff costs	2014	2013
CHF million		
Salaries and benefits (incl. attendance fees and indemnities to bank authorities)	368	369
Social security benefits	36	37
Contributions to employee benefits institutions	34	47
Other staff costs	20	18
<b>Total staff costs</b>	<b>458</b>	<b>471</b>



## 23 | Non-staff costs

Non-staff costs		
CHF million	2014	2013
Premises and energy costs	58	57
Expenses for IT, machinery, furniture, vehicles and other facilities	189	152
Other operating expenses	262	261
<b>Total non-staff costs</b>	<b>509</b>	<b>470</b>

## 24 | Extraordinary income and extraordinary expenses

Extraordinary income		
CHF million	2014	2013
Reversal of impairment	7	71
Other extraordinary income	-	0
<b>Total extraordinary income</b>	<b>7</b>	<b>71</b>

Extraordinary expenses		
CHF million	2014	2013
Losses on the sale of assets	-	-
Other extraordinary expenses	-	-
<b>Total extraordinary expenses</b>	<b>-</b>	<b>-</b>

The rating structure and credit spreads were the main reasons for the recognition and reversal of portfolio impairment charges. Due to trends on the financial markets, fewer previously incurred general impairment charges could be recognized in profit or loss in 2014 than in the previous year.

## 25 | Taxes

Tax expenses for corporate income tax and taxes on capital stood at 43 million francs (previous year: 79 million francs). A tax rate of 20.5 percent (previous year: 22 percent) was used for calculating corporate income tax.

## Report of the Statutory Auditor to the General Meeting of PostFinance Ltd, Berne

### Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of PostFinance AG, which comprise the balance sheet, income statement, statement of cash flows and notes (pages 57 to 85) for the year ended 31 December 2014.

#### **Board of Directors' Responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions governing the preparation of financial statements for banks, the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the provisions governing the preparation of financial statements for banks and comply with Swiss law and the company's articles of incorporation.

### Report on Other Legal Requirements

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

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.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

### KPMG AG

Ertugrul Tüfekçi  
Licensed Audit Expert  
Auditor in Charge

Jakub Pesek  
Licensed Audit Expert

Berne, 27 February 2015

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## Reporting

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The Swiss Post annual reporting documents consist of:

- Swiss Post Ltd Annual Report
- Swiss Post Ltd Financial Report  
(management report, corporate governance, annual financial statements)
- PostFinance Ltd Annual Report
- PostBus Switzerland Ltd Performance Report

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