



For all your daily financial needs
Annual Report 2015

PostFinance 
Surpassing support.



About us

PostFinance is one of Switzerland's leading financial institutions and, as the market leader in payment transactions, ensures a seamless daily flow of liquidity. With simple, straightforward services, we are the ideal partner for all customers who manage their own finances anytime and anywhere. 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 with attractive conditions, some of which are provided in cooperation with established partners.

Our performance

PostFinance Ltd | Key figures

2015 with previous year for comparison

		2015	2014
Balance sheet			
Total assets as per IFRS	CHF million	114,468	118,829
ARB capital ratio	%	20.1	20.8
ARB leverage ratio	%	4.6	4.3
Income statement (as per Group IFRS guidelines)			
Operating profit (EBIT)	CHF million	577	475
Earnings before tax (EBT)	CHF million	575	473
Return on equity ¹	%	10.7	9.2
Cost-income ratio	%	64.7	68.2
Customer assets and loans			
Inflow of new money	CHF million	-2,766	2,839
Customer assets	CHF million monthly avg.	114,866	117,186
Market and employee key figures			
Customers	In thousands	2,951	2,938
E-finance users	In thousands	1,683	1,624
Accounts	In thousands	4,835	4,752
Customer satisfaction – private customers ²	Index	80	–
Customer satisfaction – business customers ²	Index	79	–
Average headcount	Full-time equivalents	3,571	3,454
Employee satisfaction	Index	78	76
Transactions			
Transactions	In millions	1,020	996

¹ Return on equity = earnings before tax (EBT) as per Group IFRS guidelines/average eligible equity capital as per ARB.

² 2015 results not comparable with those of the previous year due to changes in the sampling procedure.

Our accounting

PostFinance issues financial statements in accordance with Group IFRS (International Financial Reporting Standards) guidelines and the Accounting rules for banks (ARB). The statutory financial statements follow the guidelines of the accounting rules for banks, 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 Executive Board

Surpassing support

PostFinance is a leading Swiss financial institution with a comprehensive range of services for retail customers. Due to its significant status in domestic deposit services and its strong position in payment transactions in Switzerland, PostFinance has been declared a systemically important bank by the Swiss National Bank. With a sense of proportion and fairness, PostFinance intends to remain at the forefront in the future.



575 million

Earnings before tax (EBT) rose by 102 million francs year-on-year.



107 billion

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



3.0 million

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



1.7 million

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



1 billion

transactions were processed by PostFinance at home and abroad in 2015.



3,571

full-time equivalents or around 4,100 employees work daily to serve our customers.

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With TWINT, we have the most technologically advanced payment app in Switzerland.



FOREWORD

Rolf Watter, Chairman of the Board of Directors
Hansruedi Köng, Chief Executive Officer

Dear Reader

2015 started with a bombshell: in mid-January, the Swiss National Bank (SNB) abandoned the minimum euro exchange rate and introduced negative interest rates on sight deposit balances in Swiss francs. These surprising measures have played a significant role in the past financial year at PostFinance.

Because of the credit prohibition, we have "parked" a considerable share of our customer deposits at the SNB. In the financial year 2015, we paid negative interest on these funds in the mid-single-digit millions. At the same time, the Swiss franc rose strongly against most other currencies in the wake of the abandonment of the minimum euro exchange rate, resulting in record high earnings in foreign exchange trading and producing significantly higher net trading income for PostFinance.

On balance, we generated earnings before tax (EBT) of 574.6 million francs in the financial year 2015. This represents an increase of 102 million francs or 21.6 percent over the previous year. In addition to net trading income, portfolio reversals of impairment due to the reduction in the amount and residual term of the held-to-maturity investment portfolio made a particular contribution to the increase in profit. By contrast, interest income declined sharply due to the low and in some cases negative interest rates on the national and international financial markets. This trend was only partially offset by the customer interest rate cuts and will continue in the current fiscal year. To counter the trend, we are diversifying our income structure and tapping into new business areas in which we can generate non-interest income.

Innovations in mobile payment

PostFinance is both a market and innovation leader in mobile payment in Switzerland. We want to help our customers man-

age their money as easily as possible with modern mobile payment solutions. Last year, we became the first major Swiss bank to launch a contactless debit card. With TWINT, we also have the most technologically advanced payment app in Switzerland, which not only allows payments between friends, but also payments at store checkouts, in e-commerce and in other apps – all with a smartphone.

Important events

In the summer of 2015, the SNB declared us to be a systemically important bank due to our significant status in domestic deposit services and our strong position in payment transactions in Switzerland, underlining our major significance for the Swiss financial system and the Swiss economy as a whole.

Last December, we were able to conclude the US tax programme. We signed a non-prosecution agreement and made a one-off payment of two million US dollars, settling the past issues relating to this matter.

Changes in the Board of Directors

On 1 January 2016, Thomas Egger became a Member of the Board of Directors and Member of the Board of Directors' Risk Committee. He succeeds Pascal Koradi, who has been named as Chairman of a cantonal bank and who stood down from the Board of Directors at the end of November 2015. The Board would like to thank Pascal Koradi for his great commitment and wishes him every happiness and success in his new role.

Outlook

The trend towards digital banking services looks set to continue. We will continue to be bold and innovative in the future and will be launching a range of new developments and enhancements in the course of this year. In mid-May 2016, we will migrate our e-trading customers to the new Swissquote trading platform. In the sum-

mer, we will digitize the PostFinance Card and integrate it into the PostFinance App. This will make it possible to pay at contactless payment terminals with Android smartphones directly from a postal account. And a range of functional enhancements are also planned for TWINT. In addition to the direct connection between postal and bank accounts, it will be possible to store loyalty cards and redeem discount vouchers.

Thank you very much

Our employees faced major challenges in many respects in the past year. In addition to the launch of numerous innovations, we also drove forward the harmonization of payment transactions in Switzerland and Core Banking Transformation projects at a rapid pace. We would like to thank our more than 4,000 committed, motivated and loyal employees for their hard work.

But we would especially like to thank you, our customers. We are very pleased that you continue to remain loyal to us, even in the current context of falling interest rates and rising fees. We intend to continue offering you good value for money in the future.



Rolf Watter
Chairman of
the Board



Hansruedi Köng
Chief Executive
Officer



We remain sober and down to earth.

Hansruedi K ng

INTERVIEW

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

Hansruedi K ng, 2015 was an eventful year for PostFinance. What were the most important milestones in your view?

There were many, with the first of them of course being the development of our core business. In payment transactions, we completed more than one billion transactions for the first time last year. Apart from that, the classification of PostFinance as a systemically important bank and the agreement with the American authorities on the US tax programme were also important milestones for me.

You mention the figure of one billion transactions. Could you be a little more specific?

Payment transactions have a long history at PostFinance and we are the market leader in Switzerland. We ensure a seamless daily flow of liquidity and process the payments made by our customers through channels such as e-finance, the post office counter or payment orders. In 2015, we processed more than one billion transactions. That's an enormous number, equivalent to an average of 2.8 million transactions per day or 32 transactions per second.

Let's stay with payment transactions for a moment. PostFinance positions itself as an innovation leader in this area. What new products or services did you launch in 2015?

Last summer we became the first major Swiss bank to bring a debit card with a contactless payment function to market. With credit cards, this technology has been standard for several years. Now, PostFinance Card holders can also benefit from the advantages of contactless payment.

Is contactless payment secure? After all, a PIN is no longer required for transactions under 40 francs.

The contactless payment function is based on a technical standard in use around the world, and it is secure. As an additional security element, a PIN is also occasionally required for small amounts under 40 francs. But in addition to the technical safeguards, customers also have to do their part by always exercising due care when using the various payment methods. This is not only the case with card payments; it also applies to cash and to new payment methods such as TWINT.

Interesting that you should mention TWINT. You founded this subsidiary in the summer of 2014 with the task of making mobile payments in Switzerland marketable. Where does TWINT stand today?

We are on the right track. 18 months ago, TWINT existed only in the form of a business plan. Today, it is possible to pay with smartphones using TWINT at around 12,000 checkouts throughout Switzerland.

We have a broad network and strong partnerships with developers, retailers and banks. TWINT also has the advantage that in addition to payments at store checkouts, it can be used at vending machines, on the Internet, in other apps, at events or between friends. No other mobile payment solution currently offers this versatility. This gives us a head start that we need to use to our benefit.

Are Mr and Mrs Swiss actually ready for smartphone payments?

Yes, the time is right. We expect the use of mobile payments in Switzerland to become much more widespread in the next two to three years. We now do practically everything with our smartphones – except pay. A few years from now, I expect that will also be taken for granted. But we also realize that success won't come overnight and that consumer behaviour will have to change before payment by smartphone is considered a matter of course.

PostFinance has been a systemically important bank for about six months now. What does that mean for you?

The Swiss National Bank (SNB) declared PostFinance to be a systemically important bank because we have a significant status in domestic deposit services and a strong position in payment transactions in Switzerland. There are certainly worse things for a bank than to be labelled important. But with such an honour comes responsibility. We do of course realize that this is an issue that will continue to require a great deal of effort internally.



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With more than one billion transactions processed, PostFinance is the clear market leader in Swiss payment transactions.

PostFinance is now among the biggest players. What changes will this entail for customers?

Nothing will change for our customers. Today, we are a reliable, trusted partner for our customers, and that will not change in the future. And since you mention size: yes, PostFinance has an important position in the Swiss financial market. But that doesn't change our identity and our values. We remain sober and down to earth.

The third milestone you mentioned is the agreement concerning the US tax programme. What is your assessment of the outcome of the programme?

The agreement was an important step for us because it allowed us to settle the issues of the past. We signed a non-prosecution agreement that protects PostFinance from prosecution, and we are satisfied to have been able to conclude the programme.

What were the results of the investigations by the US authorities?

The investigations showed that PostFinance has never systematically or actively sought to acquire US persons. At the same time, the American authorities acknowledge PostFinance's special position on the Swiss financial market: we fulfil a statutory universal service obligation in Switzerland. This means that we are required to open an account for everyone domiciled in Switzerland – including US persons.

Nevertheless, PostFinance had to pay a fine of two million dollars. Why?

We registered for category 2 of the US tax programme. Banks in this category are required to produce extensive, and above all complete documentation about current and former business relationships with US persons. We succeeded in documenting the vast majority of customer relationships in full. However, some individual, mainly former customers did not submit the nec-

essary documents. The fine of two million US dollars is calculated on the basis of the assets of these not fully documented customer relationships.

Let's talk briefly about the annual result. PostFinance generated a profit of 574.6 million francs in the past financial year. Are you satisfied with that?

Given the prevailing market conditions, we achieved a good result. Our main source of income is the interest differential business. In this area, we've been operating under conditions that are opposite from usual since January 2015, when the SNB introduced negative interest rates. Suddenly, financial investments no longer yield returns; they incur costs instead. The low or negative interest rates hit us particularly hard because the lending prohibition forces us to invest our customer deposits in the national and international financial markets. In today's market situation, this limitation weighs even more heavily than before, because we cannot benefit from stable margins in the commercial lending business.

You can hardly stand idly by in the face of this development. What measures have you taken?

The market is also a player at PostFinance. In the current interest rate environment, there was no way to get around reducing interest rates on accounts and increasing the fees for individual services. This is painful, because nobody likes to pay fees. But there is one thing you shouldn't forget: we may not be a publicly listed company, but we and Swiss Post do have an owner who expects us to generate profit and pay a dividend. We therefore have no other



choice but to review the cost structure of our services and adjust prices where necessary. Compared to other companies in the sector, we are nevertheless still among the most inexpensive, even after these price adjustments. This is shown by several independent studies.

What is your recipe for ensuring that PostFinance remains profitable in the future?

To guarantee our long-term profitability in the current market environment, it is essential for PostFinance to diversify its entire income structure and to tap into new business areas in which non-interest income can be generated. The digitization and development of digital banking services plays an increasingly important role in this respect. Thanks to our strong established position among domestic customers and our targeted efforts to develop modern solutions that help our customers manage their money as easily as possible, we will continue to be successful in the future. To achieve this, we have to remain bold and innovative.

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We expect the use of mobile payments in Switzerland to become much more widespread in the next two to three years.

Business performance

In 2015, PostFinance generated operating profit (EBIT) of 577 million francs and earnings before tax (EBT) of 575 million francs → [Page 9](#). Even in the current low interest rate environment, PostFinance is sticking to its proven, cautious investment policy → [Page 11](#). Quick, easy and cashless payment with any smartphone: PostFinance makes it possible with the payment app TWINT → [Page 12](#). The Swiss financial center is introducing a new international standard for payment transactions. PostFinance supports its business customers in the transition → [Page 14](#).



5.4 billion

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



20.1%

equity ratio with a comfortable safety margin.



10.7%

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



115 billion

francs in **total assets** as per IFRS.



2.8 billion

francs in **outflow of customer deposits** due to the introduction of a fee on credit balances.



64.7%

The **cost-income ratio** was improved year-on-year.

PostFinance remains on course for success

PostFinance is one of Switzerland's leading financial institutions and, as the market leader in payment transactions, ensures a seamless daily flow of liquidity. Whether dealing with payments, savings, investments, retirement planning or financing, PostFinance meets its customers on their level, speaks their language and offers them straightforward products with attractive conditions. This makes it the ideal partner for everyone who wants to manage their own finances as easily as possible. PostFinance offers large business customers tailored solutions along the entire value chain.



Solid
financial figures

KEY FIGURES

577 m

francs in operating profit
(EBIT)

575 m

francs in earnings before
tax (EBT)

64.7%

cost-income ratio

115 bn

francs in customer assets

RESULT

Good result despite historically low interest rates in the financial markets

Despite low and in some cases negative interest rates on the national and international financial markets, PostFinance generated operating profit (EBIT) of 577 million francs and earnings before tax (EBT) of 575 million francs in the 2015 financial year.

PostFinance's 2015 annual financial statements (as per Group IFRS guidelines) show a good result despite difficult conditions in the financial markets: the financial institution generated operating profit (EBIT) of 577 million francs (+102 million francs) and earnings before tax (EBT) of 575 million francs (+102 million francs). This is an encouraging result, given the conditions in the financial markets. 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.

Interest income declined sharply as a result of the ongoing historically low interest rates on the financial markets. This trend will continue in the current financial year. Commission business and services, by contrast, registered an encouraging rise. This was thanks to higher sales volumes, more intensive use of products, and additional income from repo investments with negative interest rates. In addition, transaction volumes on the foreign exchange mar-

kets rose sharply following the abandoning of the minimum euro exchange rate in January 2015, resulting in a significant rise in the result from trading activities. The cost-income ratio was improved year-on-year.

PostFinance registered a 2.8 billion franc outflow of customer deposits in 2015. This was in line with our expectations, and was due to the introduction of a fee on the credit balance for major customers and banks. This brings the customer assets now entrusted to PostFinance to 115 billion francs. For the first time, the financial institution processed more than one billion transactions for its customers in the past financial year (previous year: 996 million transactions). This means that PostFinance is still the clear market leader for payment transactions in Switzerland.

EQUITY BASE

Well capitalized

In the summer of 2015, the SNB rated PostFinance as a systemically important bank. Systemically important financial institutions must in future meet specific requirements regarding equity. With a capital ratio of 20.1 percent and a leverage ratio of 4.6 percent, PostFinance already exceeds these requirements.

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PostFinance already exceeds the capital requirements for systemically important banks.

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 anytime and anywhere. Its policy is to offer only products and services that are easy to use and understand.



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 the market leader in payment transactions, PostFinance 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 that offer them added value, including straightforward, transparent products and services with attractive conditions and easy contact.

Honest, fair and cooperative

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 16).

There for its customers

PostFinance is there for its customers with advice whenever they need it: in 43 branches and post offices, online, or by phone at the Contact Center. PostFinance advises business customers in person at their premises – because that's the best place to identify their needs.

Outlook

PostFinance wants to remain the market leader in payment transactions and continue its growth. To ensure that its customers can take care of their financial transactions even more easily and independently, PostFinance is consistently expanding its digital services and developing new services along the business customer value chain.

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 PostFinance is in an excellent starting position for the digital transformation and intends to use this advantage to ensure the sustainability of its business model.

Daniel Krebs
 Head of Strategic Management

INTERVIEW WITH MARC BONFILS, HEAD OF TREASURY

“We are sticking to our investment policy”

Foreign exchange trading, liquidity management and investment of customer deposits – these are among the responsibilities of the Treasury. In this interview, Head of Treasury Marc Bonfils explains how PostFinance is responding to the measures implemented by the Swiss National Bank (SNB).

Marc Bonfils, what are the responsibilities of the Treasury at PostFinance?

Our responsibilities include foreign exchange trading and the management of cash and cash equivalents. Because PostFinance is still not allowed to issue loans, it is also incumbent upon the Treasury to invest customer deposits profitably. Most of this investment is in fixed-interest bonds in Switzerland and abroad.

In January 2015, the SNB abandoned the minimum euro exchange rate and introduced negative interest rates. What effect do these measures have on your daily work?

We adjusted very quickly to the new situation. In foreign exchange trading, our primary concerns are to advise our customers and manage the numerous business transactions efficiently. In interest rate trading, we've been operating under conditions that are opposite from usual since the introduction of negative interest rates, and it actually works quite well. Unfortunately, the best we can do here is to keep interest expenses at reasonable levels. It's a long time since we made money with our cash holdings.

What are the opportunities and risks that follow from this for PostFinance?

In interest rate trading and investment business, we are in a delicate situation at the moment. The negative interest rates result in exceptionally low capital market yields, and consequently in income losses for PostFinance that can only be partially offset. In foreign exchange trading on the other hand, the abandonment of the minimum euro exchange rate provides additional opportunities, because we can achieve a higher net trading income thanks to significantly higher earnings.

How is PostFinance investing customer deposits in the current market environment? Has it changed its investment policy as a result of the SNB's measures?

No, we are sticking to our proven conservative investment policy. PostFinance is one of the biggest investors in the Swiss franc capital market. This is a responsibility that we respond to seriously by buying fixed-interest-bearing investments that meet our high quality standards from a range of different segments. For years now, PostFinance has also been one of the largest financiers of cities and municipalities in Switzerland. This is a position we intend to maintain and further develop.

Is PostFinance still earning money in the interest differential business in the current market environment?

The interest differential business is and will remain our main source of revenue. However, the situation in the interest rate markets has not developed to our advantage in 2015. We expect that this trend will continue, and our yield prospects for the coming years have been adjusted downwards accordingly. The lending prohibition set out in the Postal Organization Act means that PostFinance, unlike other banks, has no way to cushion the current erosion of interest margins somewhat by improving margins in the customer lending business.



” —
The interest differential business is and will remain our main source of revenue.

Marc Bonfils
Head of Treasury

TWINT

The digital wallet for Switzerland

PostFinance subsidiary TWINT has developed a payment app that works with any bank account and any smartphone. Users can pay quickly and easily, for example at Coop, on the Internet and in trendy shops they've discovered thanks to TWINT.

Marina is standing happily at the checkout of a boutique called TOKU in Berne's old town. In her hand, she's holding a coat by Swiss label La Première. Marina pays for the coat with TWINT, the cashless payment and shopping app. All she has to do is hold her smartphone in the vicinity of the TWINT beacon and confirm the amount in the app, and the exclusive garment is already hers.

Open for all postal and bank accounts

TWINT today works on the prepaid principle and can be topped up in many different ways. PostFinance customers can enter their postal account and then top up TWINT directly through the app. It also works with bank accounts: customers of partner banks can connect their bank account within minutes, after which they can top up TWINT. Other bank customers top up TWINT by direct debit or bank transfer. And if you want, you can buy a prepaid card at Coop or a post office and top up TWINT immediately. In addition, TWINT customers can also send money to each other in real time.

An app with no limitations

TWINT works with virtually any smartphone, because the beacon is a small Bluetooth transmitter. TWINT deliberately relies on Bluetooth and not, like many other providers, on NFC (near field communication) transmission technology. While NFC cannot be used with the iPhone, Bluetooth has long been an open standard for both iOS and Android. If you shop online, you can pay quickly and conveniently with TWINT in online shops. All you have to do is scan a QR code from the screen and confirm the amount on your smartphone. TWINT also works with vending machines and in apps.

Benefits for businesses and customers

Shops and restaurants that offer payment by TWINT benefit from inexpensive transaction costs. But from summer 2016, they'll also be able to attract new customers and increase sales by offering coupons and discounts via TWINT. And the benefits of TWINT for customers: the app lists special offers and actively draws attention to shopping opportunities, such as the new sushi bar the other users seem to like so much. TWINT was launched throughout Switzerland in November 2015. Since then, Marina has discovered many new shops. She didn't know TOKU beforehand either.



“ —
With TWINT,
payment is fast,
easy and cashless.

Thierry Kneissler
CEO of TWINT AG



POSTFINANCE APP

The mobile all-rounder for PostFinance customers

Your account is always with you, wherever you are. The PostFinance App offers all the important functions in e-finance, knows the market prices and enables securities trading on the move. Especially handy is the fast service feature, which can be used to quickly and easily transfer money to any contact.

” —
With the PostFinance App, our customers always have their mobile bank with them.

Armin Brun
Head of Marketing

“Separately or together?” asks the waiter. Blerim answers quickly and pays for the whole lunch, including his colleague Roland’s meal. Roland’s not happy about it – after all, he ordered the expensive sirloin. While the waiter is still looking for change, Roland transfers the 52 francs for his meal to Blerim with the PostFinance App. All he has to do is enter the amount, select Blerim from his contacts and tap “Transfer”.

Swipe, tap, tap – done

It’s just as fast and easy for Roland to transfer money to a bank account, check his account balance and buy credit for iTunes, Spotify or his mobile. All these functions are listed in the fast service feature, easily accessible and completed with a few taps. Fast service can be protected either with a password or by touch ID, so it can be opened easily using the fingerprint scanner if the device is equipped with one. To be on the safe side, there’s also a daily limit and a monthly limit you can choose yourself.

Full functionality, easy to use

The whole PostFinance App is accessible to all and extremely user friendly in its design. The same goes for e-finance, integrated into the app and following in the footsteps of its big brother: in 2015, the desktop version of e-finance won a “Best of Swiss Web” award for usability. Mobile e-finance handles the payment of bills particularly well: with the Scan + Pay function, the phone’s camera captures the inpayment slip and the invoice can be approved with just a few taps.

Also for traders and market players

PostFinance e-trading is also integrated into the app and allows mobile access to your own custody account. Functions such as Watchlist and Alarming keep traders informed about the world so they don’t miss any trading opportunities. The PostFinance App also offers price information from the world’s major stock exchanges, economic news and the latest exchange rates. A currency converter is also integrated. And if you do happen to need cash for any reason, the PostFinance App even knows where the nearest Postomat is.

POSTFINANCE CARD

Fast contactless payment

More and more checkouts are equipped for contactless payment. You hold your card up to the payment terminal for a moment, the light goes on and the transaction is complete. PostFinance is the first major financial institution in Switzerland to supplement its debit cards with the contactless payment function. All new PostFinance Cards issued from summer 2015 are equipped with the required technology and can be used immediately. Contactless payment is especially handy for small amounts because up to 40 francs, there’s no need to enter a PIN. Which is not only convenient, it also shortens the queue at the checkout.

THE FUTURE OF PAYMENT TRANSACTIONS

Good support during the changeover

Between now and 2018, the Swiss financial center is introducing the international standard ISO 20022 for payment transactions. PostFinance is playing a leading role in this process, and has now successfully launched a parallel service with its customers.

There can be no doubt that the new standard for payment transactions has many advantages: uniform account numbers, additional status messages for transfers, new options for notifications, universal payment references and uniform direct debiting procedures. Here are the most important changes:

IBAN to replace postal account number

The procedure for credit transfers will be adapted to the SEPA rules and will be compulsory for all payment service providers in Switzerland. The IBAN will be the sole primary identification feature. The current postal account number will no longer be used.

New inpayment slip with QR code

The red and orange inpayment slips 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.

Parallel service launched successfully

Companies benefit from the standardized interfaces and formats as well as the new uniform slip, and can further simplify and automate their payment transactions abroad. ISO 20022 leads to better data quality, lowers error rates and reduces costs. But the switch takes time and involves work: 50,000 business customers need to adapt their processes and systems, and are receiving intensive support from PostFinance. To provide the best possible support, both systems are available as parallel services until the end of 2017. During this period, both the old and new formats are valid. Customers receive detailed documentation, and competent professionals are on hand to offer support for any questions they may have. Customers can check the technical modifications to their systems and the data produced by them on a dedicated test platform before permanently switching their payment transactions over to the new standard. This support is designed to help all customers to complete the transition successfully before 2018.



PostFinance is supporting its business customers in converting their processes and systems to the international standard.



ISO 20022

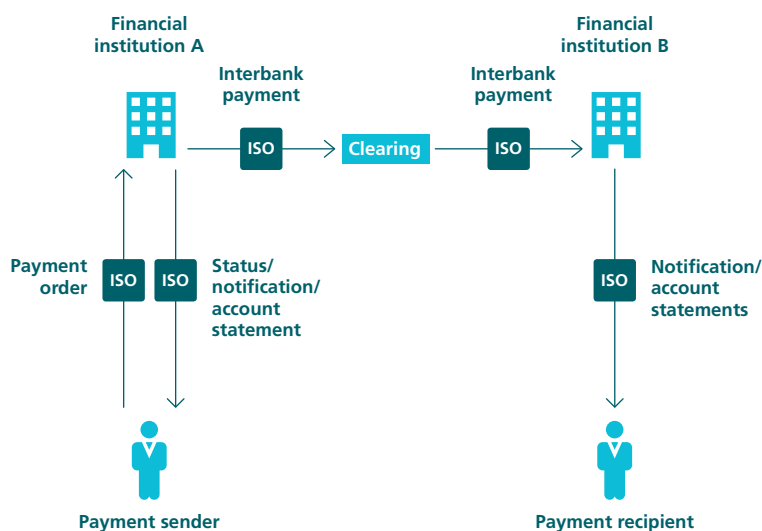
refers to the international standard for electronic data exchange in the financial industry. It defines a uniform data format.

SEPA

stands for Single Euro Payments Area. Switzerland and over 30 other countries are members.

IBAN

stands for International Bank Account Number and is the international standard for presenting account numbers.




CORE BANKING SYSTEM

The new solution ensures future viability

Whether in account management or payment transactions – PostFinance intends to remain a leading financial service provider, and is modernizing its core banking system to ensure that it does so.

For PostFinance, the renewal of the core banking system is the key strategic project at present. This will help to maintain its position as a financial service provider and as the market leader in Swiss payment transactions.

The core banking system in use today was first developed by PostFinance in 1993 and steadily expanded in the years that followed. Because its maintenance and the integration of changes became increasingly complex over time, PostFinance decided to replace the existing solution with an established market standard product. The product chosen is in use at about 280 banks around the world. With the replacement of the in-house system by a standard product, the complexity of the business and IT architecture will be significantly reduced.

The Swiss banking sector has decided to harmonize the payment formats in use in Switzerland and migrate to the standardized ISO 20022 format. The new payment formats will greatly simplify payment transactions in Switzerland.

As a driving force in Swiss payment transactions, PostFinance is the only institution to date to have fully implemented the ISO formats by the end of 2015 as part of the first stage of the new core banking system, reaching an important milestone on schedule and enabling its customers to migrate to the new formats at an early stage.


POSTFINANCE SMARTBUSINESS

Manage orders with a click

With just a few clicks, PostFinance SmartBusiness users know which invoices have been issued, which are still open or which already have reminder status. Wanted by customers, developed by PostFinance: “Small businesses lose a lot of time creating and managing offers, order confirmations, delivery notes and invoices,” says Alessandro Di Leta, Head of Marketing for medium-sized enterprises. PostFinance SmartBusiness helps companies to improve efficiency in these administrative tasks, freeing up resources for their core business. The online platform is available to companies headquartered in Switzerland or Liechtenstein.

” —
2015 was the year of the integration of the new ISO payment formats.

Beat Jaccottet
Head of Core Banking Transformation

WORKING CAPITAL MANAGEMENT

A partnership that creates scope

Prices that are well below the market level – that's what ELS (Energy Logistics Schweiz Ltd) offers its members. A partnership with PostFinance and PostLogistics gives the company the freedom to concentrate on customer care and strategic activities.



Professional working capital management reduces operational costs and frees up capital.



What is working capital management?

Reminding tardy payers consistently, taking advantage of supplier discounts, managing liquid assets across the company or optimizing inventory levels. Well-run companies understand the value of good management of their net current assets, also referred to as working capital – and these balance sheet items can be actively managed with a working capital management (WCM) system. A professional WCM system can free up non-interest bearing capital needed for day-to-day operations.

It reduces operating costs and improves liquidity. Because companies must meet their payment obligations at all times, and they need available funds to survive as much as people need oxygen.

A municipal power plant is serving a new residential area. It sources the new transformer systems, cables and other materials through the Energy Logistics Schweiz (ELS) Ltd electronic marketplace, an online platform that offers the power plant prices significantly below the market level.

Various small and medium-sized power companies join forces to create regional purchasing pools, giving them more clout on the market and better prices. ELS provides the purchasing pools with an electronic marketplace. In its online shop, ELS brings together 45 different suppliers offering a total of 200,000 products. "This platform allows us to create transparency in the energy sector," says Dominique Freymond, Chairman of the Board at ELS. "The suppliers adjust their prices, and the procurement costs for our purchasing pools fall." ELS deals in all materials and spare parts for the construction and maintenance of energy, water, gas and communications networks.

PostFinance manages the cash flows

For its business model, ELS requires a payment platform and expertise in logistics, and has found both in its partnership with PostFinance and Swiss Post: PostFinance provides the payment platform and collects the payments using Debit Direct. It has a direct connection to the ELS enterprise resource planning system. This is how a company plans and organizes resources such as capital, staff, equipment or material.

Swiss Post Group unit PostLogistics delivers the products, operates the online shop and takes care of returns. The purchasing pools benefit from the entire range of Swiss Post services. Even if they order products from different suppliers in the online shop, they receive all of the products at once in a consolidated, all-in-one delivery. They can specify the time and place of delivery.

ELS takes care of its core business

PostFinance and Swiss Post give ELS the freedom to concentrate on its core business. Its expertise is in strategic purchasing and the acquisition of new electricity companies for the purchasing pool.

SWISS WCM AWARD

Award-winning creators of financial flexibility

What are the hallmarks of professional WCM? In 2015, three exemplary companies in this field received the Swiss Post and PostFinance Swiss WCM Award. The award for Performance Excellence went to ABB Switzerland Ltd for its high level of professionalism and the consistent implementation of its WCM concept. The company arviem AG, a specialist in the monitoring of global container transport, was recognized as particularly innovative. Stäger & Co Ltd, a provider of plastic packaging solutions, was awarded the 2015 special prize for its outstanding corporate WCM performance.

Employees

To ensure that managers understand the mindset of their young employees, PostFinance is exploring new avenues in management training → [Page 19](#). Less fixed salary, more performance bonuses: PostFinance rewards good performance by specialist and line management → [Page 20](#). To ensure that it can continue to count on outstanding specialists, PostFinance invests in the next generation → [Page 21](#). PostFinance promotes healthy behaviour among its employees with numerous actions and campaigns → [Page 22](#).



3,571

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



39.8 years

is the **average age** of the company's 4,087 employees.



81,742

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



46

different nationalities ensure a diverse corporate culture at PostFinance.



30 %

of women in management roles work **part-time**. For men, the rate is 14 percent.



31 %

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

Focus on people

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, 4,087 people from 46 nations have a lively and genuine interest in their work. A wide range of development prospects support and promote their talents and ambitions.





Valérie Schelker
Head of Working Environment

What is the concept behind the new management training?

Digitization makes our everyday work considerably more complex, which also makes it more complex to manage staff. Old, familiar management models are a thing of the past. Today it's all about developing as a manager. PostFinance focuses on this in the new management training. To this end, we now also use e-learning courses, face-to-face modules and on-the-job units.

What are the goals of the new management training?

Managers constantly have to deal with conflicts, and must therefore have strategies for resolving any tensions while maintaining an authentic management style. Self-reflection plays an important role in this. We also want to develop inclusion skills, which will help us to tap the potential of our employees across different generations. To achieve this, managers must always question themselves. We also make our management staff aware that leadership is not just a job, but also a form of personal development.

NEW MANAGEMENT TRAINING

Management moves with the times

Tolerance of ambiguity, inclusion skills and authentic leadership are the backbone of the new management training at PostFinance. People in leadership positions learn to deal with internal tensions and take advantage of the diverse potential of employees through self-reflection.

Digitization is creating a wide range of new challenges for managers. Finding guidance in conventional management models will no longer be sufficient to meet these new challenges. What is needed instead are strategies for dealing with the new leadership reality.

PostFinance has responded: the training for managers was completely overhauled in 2015. "We've made a clean sweep," says Valérie Schelker, Head of Working Environment. "In our management training, we focus on the challenges of the working environment of the future, which makes everything more complex. The PostFinance Management Code of Conduct helps us to do this by providing guidance for our managers on their conduct and behaviour."

Managers reflect on their behaviour

In November 2015, PostFinance invited management staff to the "Leadership development 1" attendance module at the Kloster Kappel seminar hotel, where participants were encouraged to learn to manage themselves before they manage others. "Only those who have found their anchor can give employees guidance," says Helene Müller.

Away from their everyday working lives, the participants reflected on their behaviour as a manager. "I was introduced to some useful tools and methods," reports Philipp Merkt, Head of Consulting & Sales, Private Customers, Region Berne/Valais.

Understanding the values of young employees

In addition to the Management Code of Conduct and authentic leadership, the module at the Kloster Kappel seminar hotel also focused on digitization. "We have to move with the times," said participant Sandra Badertscher, manager of the customer area in the PostFinance branch in the city of Uster. "Thanks to this seminar, I find it easier to see things from a youth perspective than before."

TRAINING ARCHITECTURE 2.0

The need for independent learning

PostFinance is also exploring new avenues in basic and advanced training for its employees, who have access to numerous e-learning modules that have been redesigned as part of the training architecture 2.0 programme. The virtual learning units provide motivation for independent learning, impart basic knowledge and help to flesh out specific subjects. Employees learn at their own pace and at a time of their own choosing. In addition to the e-learning modules, training architecture 2.0 also includes conventional forms of learning with classroom training or on-the-job units.

A similar view is shared by Pietro Minneci, Head of Market Area Winterthur/Frauenfeld. "After speaking with young people from the upcoming generation and my subsequent self-reflection at Kloster Kappel, I recognized the values that today's employees are striving for and what motivates them," he says. With this knowledge, he will remain fit for the future as a leader.



Purchasing additional holidays

In consultation with their line managers, PostFinance employees are entitled to purchase one to three weeks of additional holiday. They accept a salary reduction in return for this. This option is available to employees subject to the collective employment contract (CEC) and to specialist and line management thanks to the new employment conditions. An evaluation in autumn 2015 showed that around 250 people intended to make use of this opportunity in the course of the year. "It is very important to us that our employees have a good work-life balance," says Helene Müller, Head of HR Strategy & Development. "This offer highlights our attractiveness as an employer." The new employment conditions were negotiated with the trade unions *transfair* and *syndicom* and have been in effect since 1 January 2016.

NEW EMPLOYMENT CONDITIONS

Good performance is rewarded

Less fixed salary, more performance bonuses. PostFinance rewards good performance and exceptional commitment from its specialist and line management. Several million additional Swiss francs are made available each year for variable remuneration.

Management staff at PostFinance can now earn more than in the past. Good performance and exceptional commitment will be better rewarded in the future: the variable salary component is increasing to up to 15 percent, and up to as much as 30 percent for employees in sales. In return, the fixed salary component is falling by up to 7.5 percent.

"PostFinance now also has a mechanism for rewarding outstanding performance," says David Rohrbach, Head of HR Processes & Controlling. This became possible because the new "PostFinance Ltd specialist and line management" regulations for employees above a certain function level came into force in January 2016.

Thinking and acting like an entrepreneur

The new rules apply to 500 employees, allowing PostFinance to adapt to the prevailing conditions in the market environment. "The new employment conditions are in line with the

industry standard," emphasizes Valérie Schelker, Head of Working Environment. "They are designed to encourage our managers to think and act like entrepreneurs," she adds. Part of the performance-related component is linked to the company's results. The remainder of the variable salary depends on individual performance. All in all, PostFinance anticipates annual recurring additional salary costs of several million Swiss francs.

More freedom and opportunities

Timekeeping is easier for management than it used to be. Since the beginning of the year, specialist and line managers have been recording their daily working hours, instead of every time they come and go. This arrangement meets the requirements set out by SECO, the State Secretariat for Economic Affairs. Weekly working time remains unchanged at 42 hours. Up to three hours of overtime per week are compensated with one additional week's holiday.

The conclusion: "Our managers are given more freedom and the ability to be more entrepreneurial, accompanied by a greater degree of personal responsibility," says Valérie Schelker. "We also have a more flexible salary structure. That makes us more attractive as an employer."





Pia Küenzi
Mediamatics Apprentice,
4th year



Competence Center for Young Professionals

With the Competence Center for Young Professionals (CCYP) at the ICT Campus at the Engehalde data center in Berne, PostFinance is setting new standards in vocational training. Here, trainee mediamatics technicians, IT technicians and commercial specialists work together in a so-called PowerTeam. The PowerTeam works according to economic criteria: it competes for orders – both within the Swiss Post Group and from external companies. The PowerTeam implements the projects it receives completely independently from start to finish.

VOCATIONAL TRAINING

“I feel like I’m at home here”

When she’s at the office, Pia Küenzi sometimes forgets that she’s actually at work. The apprentice mediamatics technician praises the inspiring atmosphere at the Competence Center for Young Professionals (CCYP) at the Engehalde data center in Berne, where she is doing her training.

Pia Küenzi grabs a pen and draws a mind map directly on the table top. Her colleague is also scribbling down keywords on it. Mediamatics technicians, IT technicians and commercial specialists, most of them apprentices, gather around the conference table in the basement at Swiss Post’s ICT Campus. Together, they’re planning an interactive advertising campaign with text, images and videos.

At just 19 years old, Pia Küenzi is completing her fourth year of training as a mediamatics technician and is part of the CCYP PowerTeam at PostFinance. She raves about her workplace: she loves the striking wire mesh chairs, the ping-pong table, the big American-style refrigerator and the sofa in the large light-filled rooms. “The interior and furnishings have an inspiring effect on the people who work here,” she says.

At home in the office

Before moving to the ICT Campus, Pia Küenzi did have some concerns: is it too loud there? Will I be able to concentrate? How will I react if someone gets on my nerves? She’s now in her second year at Engehalde. She sums it up like this: “Not one of my fears came true.” Dealings between apprentices and managers are straightforward. The desk sharing system is an asset. “Every day, I sit wherever I want,” she says. That might be at a traditional desk or the big wooden table, or sometimes maybe on the sofa. When the weather is warm, Pia Küenzi likes to work outdoors in the sun in the garden lounge. “Sometimes I forget that I’m in the office. I feel like I’m at home here,” she says.

Learning from other occupations

What’s the best thing at the ICT Campus? “The photo studio,” answers Pia Küenzi reflexively. “When you work in mediamatics, that’s really cool.” Then she thinks for a few seconds

and adds: “Here, people from various occupations work together. We all learn from each other.” In brainstorming sessions, this diversity leads to completely new ideas, she says. And the orders that CCYP receives are also more interesting and challenging than in traditional departments at Swiss Post.

The current CCYP advertising campaign illustrates the type of collaboration that takes place: mediamatics technician Pia Küenzi is responsible for the content. She writes copy and a script for a video clip, as well as shooting pictures for the campaign posters. An IT technician programs the navigation and the tools for the campaign website, while a commercial specialist reviews the budget, works on contacts and manages appointments.

APPRENTICESHIPS

Getting started in the world of work

The range of apprenticeships on offer at PostFinance is extremely varied. Apprentices are trained in five different profiles: in the Commercial Banking apprenticeship, young people learn all about financial products and services. Service and Administration commercial apprentices work on advertising campaigns or organize events. Call center agent apprentices advise, support and sell to customers, whether in person, on the phone or in writing. The IT technician apprenticeship focuses on installations, applications and development. Apprentice mediamatics technicians, meanwhile, are aspiring specialists for multi-media and communications.



PostFinance promotes healthy behaviour

Bike to work

68 teams took part in the campaign in 2015. That's 20 percent more than in the previous year.

Exercise month June

Cycling, swimming or walking: 168 employees took at least 30 minutes' exercise every day in June.

Blood donations

On 25 August 2015, 70 employees donated blood at the headquarters in Berne.

Flu vaccination

In autumn 2015, 119 employees had themselves vaccinated against influenza at five locations.

"Keep your balance"

35 employees took part in events to improve balance and prevent falls.

"I feel good" – campaign on mental health

50 employees took part in each of the four courses on the topic of "winding down and active relaxation" and the five "seven hats" events.

FRIENDLY WORK SPACE

Top marks for working conditions

"We invest systematically in good working conditions," says Karin Albisser, who is responsible for workplace health management. PostFinance's success in doing this is attested by its Friendly Work Space® label, awarded by the Health Promotion Switzerland foundation. PostFinance has had the coveted seal of quality since 2009, and was distinguished by independent experts for the third time in 2015, with the company achieving an overall score of an outstanding 4.74 points, only slightly below the maximum possible score of 5. This fresh improvement in the result confirms that workplace health management is considered to be an integral part of company management policy at PostFinance, and is carefully planned, implemented and evaluated.

ABSENCE MANAGEMENT

Managers support their employees in the event of illness

When employees are ill, managers remain in contact with them and give them the best possible support in getting back to work. Regular contact during an absence is a sign of appreciation that can help encourage staff to return to work rapidly. PostFinance has continued to raise awareness among managers of how to deal properly with absence due to illness: advanced training – for example in the prevention of stress-related absence – provides the expertise required for the correct approach to employees affected by this. Participants learn how to conduct a dialogue sensitively and to enhance mutual trust. A tool introduced in 2014 supports managers in the administration of these talks. Effectiveness monitoring also reveals the positive impact of the recent measures: absence rates have fallen.

REST AND NURSING

From first aid room to rest room

A power nap, a quick lie-down when you feel you need it, has a positive effect on performance and the short-term memory. It only needs to be 20 to 30 minutes during a break or over lunch. To help employees better integrate this kind of rest into their daily working lives, PostFinance has equipped all first aid rooms in the different regions and at the locations in Berne with a daybed, blackout blinds or curtains and dimmable lighting. The rest rooms also double as nursing rooms, and are furnished with changing facilities. For those who don't want to be disturbed, the rooms can be locked from the inside. Medical emergencies do however always have priority, and in the event of an emergency, locked doors can also be opened from the outside.



” Regular contact during an absence is a sign of appreciation.

Valérie Schelker
Head of Working Environment

Sustainability and commitment

CO₂ efficiency: target exceeded by 5 percent → [Page 25](#).
 With the Digital Business Award, PostFinance furnishes young entrepreneurs with start-up capital → [Page 26](#).
 Thanks to the crowdfunding platform “I believe in you”, PostFinance encourages careers in sport → [Page 27](#).
 Its sponsorship programmes demonstrate its strong commitment to young people → [Page 28](#).



15 %

is the increase in **CO₂ efficiency** compared to the base year 2010.



214 kg

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



25 GWh

of **energy** is consumed annually in PostFinance buildings, equivalent to a reduction of 15 percent year-on-year.



100 %

of the **electricity** consumed by PostFinance comes from “naturemade basic” certified renewable energies from Switzerland.



4.5 million

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



120,000

cultural enthusiasts visited DAS ZELT – Chapiteau PostFinance in 2015.

Creating added value for society

PostFinance is aware of its responsibilities towards the environment and society and acts accordingly. Using natural resources prudently and acting sustainably both help to strengthen PostFinance's competitiveness and credibility. With its social commitment, PostFinance encourages the younger generation – athletes, musicians and young entrepreneurs. Because if you want to have creative minds tomorrow, you must encourage young people today.





SUSTAINABILITY

CO₂ efficiency: target exceeded

PostFinance's target was to increase CO₂ efficiency by at least 10 percent by the end of 2016. In 2015, it exceeded its own self-imposed target by 5 percent. But this is no reason for PostFinance to rest on its laurels.

25 GWh
of energy is consumed in PostFinance buildings.

214 kg
of paper is consumed per full-time equivalent.

8 m³
is the water consumption per full-time equivalent.

93 %
of cars procured in 2015 are in energy efficiency category A.

12,935 t
of CO₂ emissions are generated by PostFinance each year.

Climate protection and energy are top priorities in the PostFinance sustainability strategy for 2014–2016. Starting from the base year 2010, PostFinance's target was to improve its CO₂ 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 (in-payment/outpayment, transfer), with efficiency measured in grams of CO₂ per transaction. With a 15 percent efficiency improvement by the end of 2015, PostFinance exceeded its set target, but nevertheless remains unabated in its commitment to improving energy and CO₂ efficiency.

Environmentally friendly fleet

For its fleet of around 270 cars, PostFinance relies on energy-efficient and low-emission models. In the past financial year, the fleet was again reduced. 99 percent of cars procured in 2015 are in energy efficiency categories A and B, further increasing the environmental friendliness of the PostFinance fleet. With the continuous expansion of its video conferencing infrastructure and tools that allow people to work from home, PostFinance is creating the conditions for its staff to reduce business travel.

Energy-efficient data centers

Despite record-breaking temperatures in summer 2015, PostFinance was able to further improve the energy efficiency of its two data centers (Berne and Zofingen). This was made possible by additional fine tuning of the operating mode. Investment in 2014 in the highly efficient infrastructure for the data centers is now also having a major impact.

CR RELEVANCE MATRIX

Areas of action identified

In 2015, PostFinance developed a Corporate Responsibility (CR) relevance matrix for the first time. The CR relevance matrix identifies the social and environmental issues that are considered particularly relevant by internal and external stakeholders, and that therefore receive special attention from PostFinance. These areas of action form the basis for the further development of PostFinance's CR commitment and will be taken into account during the definition of targets for the next strategy period.

YOUNG ENTREPRENEURS AWARD

PostFinance Digital Business Award goes to "Yeahgoods"

For the second time, PostFinance has presented the award in the category of Digital Business to a future start-up, supporting the winner with start-up capital of 50,000 francs to establish the company. The 2015 winner is Ubaldo Piccone, developer of "Yeahgoods", a digital content platform that gives companies access to authentic images for their communication in an unconventional way.

"Yeahgoods" networks consumers into a community on a content platform. On this platform, the community is provided with information on behalf of companies on the products or product categories, such as fashion, fitness, multimedia or design, for which images are in demand. People interested in the products can participate in the orders posted and submit authentic images. For each successful order, they get points that they can either donate or have paid out.

Also nominated for the 2015 Digital Business Award were the following projects: "NoWait" is a combination of smartphone app and web app for bar and restaurant operators that can simplify and speed up the ordering process. "Niederried Fleisch" is a planned platform through which end consumers can order meat from local farmers who use sustainable agricultural methods.

POSTFINANCE HACKATHON 2015

Invest or donate by app

24 hours: that's how long the 47 participating IT technicians, mediamatics technicians, graphic artists and business analysts were given at the 2015 PostFinance Hackathon. During the event, held for the second time, they developed and programmed apps focusing on the theme of "The Future of Finance". There was a total of 40,000 francs to be won for the ideas found to be most innovative and impressive by the jury. Following the 24-hour event at the PostFinance Energie Lounge, it was then up to the innovation team to decide which projects were to be continued.

The winner was Software Brauerei. This software development start-up won over the jury with its app "Aristo", which allows small investors to make collective investments – before buying a share, there is a democratic vote by smartphone.

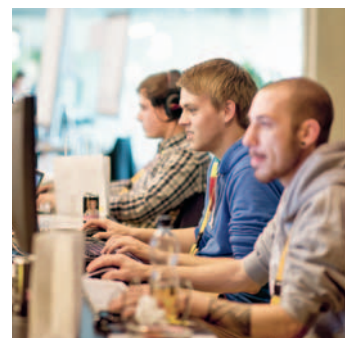
The beFin(e) team – IT apprentices at Swiss Post – designed an app that rewards loyal PostFinance customers and was awarded second place. Third prize went to the team Wertschaft, whose "Robin" app offers a simple way for friends or families to share common tasks fairly and easily. The public award went to Brian Ceccato, who enhanced the TWINT App with a function that allows the user to round up payments and donate the difference to a charitable organization.



PostFinance presents Ubaldo Piccone with start-up capital of 50,000 francs for the launch of his digital content platform "Yeahgoods".

“ —
With the Digital Business Award, PostFinance is strengthening its commitment to young entrepreneurs.

Patrik Vonlanthen
Head of Marketing for small enterprises



Over a 24-hour period, 47 bright minds programmed apps focusing on the theme of "The Future of Finance".

I BELIEVE IN YOU

Promoting careers in sport: with crowdfunding

Young dancer Maeva Laube trains 27 hours per week. With an intensive summer course at the prestigious Boston Ballet School, a dream came true for her in 2015. She was able to finance the journey thanks to the crowdfunding platform "I believe in you". PostFinance is the main partner for this modern form of sports funding.

"Dancing is really hard work," says 15-year-old Maeva Laube from Bienne, but that's exactly what she loves about her passion – ballet. She wants to compete with the best and gain international experience, ideally at the prestigious Boston Ballet School. But that of course does not come free. Happily, there is "I believe in you": the crowdfunding platform for Swiss sports projects, whose main partner since May 2015 has been PostFinance.

Financial support from the Internet

The founders, fencer Fabian Kauter and canoeist Mike Kurt, have been running the website www.ibelieveinyou.ch since 2013. Here, all sports enthusiasts can register their projects – whether they're recreational, amateur or top athletes, teams, clubs, or even sporting event organizers. That's exactly what Maeva Laube successfully did: she submitted a short video and a description of the project, in which she also indicated the amount of money she needed. One condition of the crowdfunding platform is also the specification of a limited number of days for which the project is to run. In Maeva's case, it was 50 days to raise the 4,000 Swiss francs that would make her intensive five-week summer course at the Boston Ballet School possible. To her supporters she offered a little token of appreciation, ranging from a postcard from Boston to a ticket for a ballet performance. And she did it – and went to the United States for five weeks in July 2015.

Here's how it works

At ibelieveinyou.ch, donations of 10, 50 or 200 Swiss francs or more are accepted. When the deadline passes, it's all or nothing. Because if a project doesn't achieve its funding goal within the defined period, the money stays with the supporters. But to ensure that as many projects as possible are successful in the future, PostFinance introduced PostFinance Boost in 2015: as soon as a project reaches 50 percent of its funding, PostFinance contributes 10 percent of the target amount, up to a maximum of 200 francs, to the project. As with the other contributions, PostFinance Boost is also only paid out if the project achieves its goal. In 2015, 122 projects from 51 different sports benefited from PostFinance Boost.

→ www.ibelieveinyou.ch



PostFinance supports the crowdfunding platform "I believe in you", helping to promote sports such as ballet.

Thomas Zimmermann
Head of Brand and Sponsorship
at PostFinance.

Why is PostFinance committed to "I believe in you"?

With "I believe in you", PostFinance can promote sports of all kinds even more strongly. Regardless of whether it's an individual or team sport, or whether the player is an amateur or professional athlete: every successful project receives up to 200 francs thanks to PostFinance Boost. The creativity and commitment of the initiators impresses us again and again.

So PostFinance is now also supporting lacrosse, lifesaving and ballet?

For people who practise a so-called fringe sport, it's often very difficult to get hold of funds, whether it's for ballet shoes that get worn out within a week, for volleyballs, or for a plane ticket to get to the World Lacrosse Championship... We're happy to support that much passion and enthusiasm: because after all, sport is meaningful activity, and for young people in particular, a school of life.



PostFinance supports talented young ice hockey players.

FOSTERING YOUNG TALENT

Promoting sport for young people

Every hockey fan knows them: the players with the flame helmets not only score the most points, they're also on the hunt for points for talented young ice hockey players. Since the 2002/2003 season, the top scorers in the National League teams have been awarded one point for each goal and the first and second assist. For the junior divisions of the clubs, this means hard cash: PostFinance transfers 200 francs per point to the teams in National League A and 100 francs to the teams in National League B. And the national association benefits too. At the end of the qualification, PostFinance doubles its support, and the Swiss Ice Hockey Federation's fund for the promotion of young talent gets the same amount as all teams in National Leagues A and B have earned together.

SWISS YOUTH SYMPHONY ORCHESTRA

PostFinance supports young musicians

Since 2006, PostFinance has been the main partner of the Swiss Youth Symphony Orchestra. Ranging between 15 and 25 years of age, the young musicians come from all parts of Switzerland and perform challenging works from all periods of classical music. During its spring and autumn tours, each with six or seven concerts throughout Switzerland, the Youth Symphony Orchestra delights its audiences again and again. And PostFinance's commitment pays off: many former members of the Youth Symphony Orchestra are now involved in prestigious professional orchestras.



PostFinance makes it easier for its customers to transfer donations to Swiss Solidarity.

Ursula Käser Aebi
Head of Communication

SWISS SOLIDARITY

Donate easily and conveniently

PostFinance supports Swiss Solidarity in its fundraising efforts by activating the donate button at Postomats and offering the option to donate via SMS. For the duration of a national collection campaign, PostFinance customers can find the Swiss Solidarity logo at nearly 1,000 Postomats throughout Switzerland under the "Purchase and load" menu, where they can enter an amount of their choice to be debited directly from their account and credited to Swiss Solidarity. This is free of charge for both the donor and Swiss Solidarity. And donating by SMS is even faster and more convenient. For 20 centimes, customers who have previously registered for the PostFinance Mobile fast service can send an SMS to 363 with the keyword for the collection campaign and the amount they want to donate. In 2015, PostFinance supported Swiss Solidarity with these donation options during the collection after the earthquake in Nepal and the collection for the benefit of refugees in Europe.

SHOWCASE

International music stars up close

Hurts in the warehouse at FREITAG in Zurich, Kool Savas at Sud in Basel or Cro at the Ziegelhütte in Schwamendingen: in 2015, PostFinance in association with Sony and 20 Minuten presented "The Showcase", allowing young music fans to experience international artists in familiar venues at various events throughout Switzerland. Tickets for the Showcase events could not be bought, they could only be won, including at young.postfinance.ch, a PostFinance website that addresses young customers directly.

Corporate governance

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.

Principles

Corporate governance forms the regulatory framework for the responsible management and monitoring of a company. 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.

Corporate structure and shareholders

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 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.

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.

Board of Directors

Composition

The Board of Directors has seven members, with a majority of seats representing Swiss Post Ltd. Three of its 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.



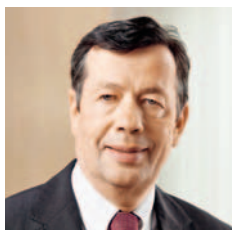
Rolf Watter

Chairman of the Board of Directors, 1958, Switzerland, member since 1 October 2012, Prof. Dr. iur. (University of Zurich)

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

Professional background: Law firm Bär & Karrer (partner); honorary professor at the University of Zurich. Previous directorships: Nobel Biocare Holding Ltd, Member of the Board of Directors (2007–2012), Chairman of the Board of Directors (2012–2014); Zurich Insurance Group, Member (2002–2014); Syngenta Ltd, Member (2000–2012); Bär & Karrer, Board of Directors and Executive Board (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 or Vice-Chairman of three charitable foundations



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 (Suisse) SA, Geneva (Head of Sales and Trading); Credit Suisse (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); Piguët 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)



Pascal Koradi

Member of the Board of Directors, 1972, Switzerland, 1 October 2012–30 November 2015, Dr. oec. 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 Onshore Banking Division); Neue Aargauer Bank AG (Head of the Treasury Department, employee in the Controlling Department)

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



Hans Lauber

Member of the Board of Directors, 1962, Switzerland, member since 1 January 2015, Business Administration and Economics, University of Basel, certified federal financial analyst and asset manager, AZEK

Committees: Risk (Chair); Audit & Compliance

Professional background: Bank Julius Bär (Head of Investment Solutions Group/Chief Investment Officer, Member of the Executive Board); ARECON AG (CEO, Chairman of the Board of Directors); Winterthur Insurance (Head Asset Management, Chief Investment Officer, Member of Executive Management); other positions at UBS AG, Coutts Bank and Credit Suisse

Key posts: Fisch Asset Management Ltd (Member of the Board of Directors)



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 (Chair)

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: Audit & Compliance

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 (Suisse) SA, Geneva (General Counsel), Shearman & Sterling LLP, New York (Lawyer, Mergers & Acquisitions)

Key posts: Social Security Funds OAI/IIIC ("compenswiss") (Member of the Board of Directors)



Adriano P. Vassalli

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

Committees: Audit & Compliance (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 Red Cross Council and member of the Executive Committee of the Conference of Red Cross Cantonal Associations); Swiss Red Cross (Chairman of the Ticino Cantonal Association and Chairman of the Sottoceneri Section)

Changes as of 1 January 2016

Thomas Egger was voted in as a new member of the PostFinance Ltd Board of Directors during an Extraordinary General Meeting on 22 December 2015. He took office on 1 January 2016, succeeding Pascal Koradi, who has been named as Chairman of a cantonal bank and, for this reason, stood down from the Board of Directors at the end of November 2015.

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

2015	Number	Attendance rate %
Board of Directors' Meetings	11	93.4
Board of Directors' Committee Meetings		
Organization, Nomination & Remuneration	9	100
Audit & Compliance	9	96.3
Risk	8	95.7
Core Banking Transformation (CBT)	4	100

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

- Organization, Nomination & Remuneration
- Audit & Compliance
- 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 & Compliance Committee

The main role of the Audit & Compliance 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, as well as compliance. It is 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)
- Hans Lauber
- Michaela Troyanov

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

Board of Directors' Risk Committee

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

- Hans Lauber (Chairman)
- Pascal Koradi (until 30 November 2015)
- Rolf Watter

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

Board of Directors' CBT Committee

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.

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. It is responsible for the preliminary processing of requests submitted to the Board of Directors. Its members are:

- Susanne Ruoff (Chair)
- Rolf Watter

Executive Board

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.



Hansruedi Köng

CEO, 1966, Switzerland, member since 1 January 2012, lic. rer. pol. University of Bern, 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)



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 (Board of Directors); SIX Interbank Clearing Ltd (Board of Directors); Swiss Payments Council, SPC (member)



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)



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



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)



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 the Futuro programme, Finance unit, 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)



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: TWINT AG (Member of the Board of Directors); PostFinance conciliation office (Member of the Foundation Board)



Valérie Schelker

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

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: Pensimo Management AG (Member of the Board of Directors)

Information and supervisory tools

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 2015.

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 & Compliance 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 & Compliance Committee appoints the Head of Internal Auditing, who then appoints the remaining members of staff. The Head of Internal Auditing also appoints a deputy.

Remuneration

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.

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

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 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 for salary components up to twelve times the maximum Swiss Old Age and Survivors’ Insurance (AHV) retirement pension (2015: 338,400 francs) is handled by the Swiss Post pension fund in accordance with the basic plan and supplementary plan 1. 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.

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

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 booked to a special account for variable remuneration. One-third of the balance of this account is paid out from the third year. The remaining two-thirds of the variable salary component 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.

2015 remuneration

Human resources

PostFinance Ltd paid a total of 377 million francs in salaries to its staff in 2015. This sum consists of base salaries of 362 million francs and variable components of 15 million francs for 2014 (paid in 2015). Remuneration of 16.2 million francs for 2015 will not be paid until subsequent years.

In 2015 PostFinance recognized payments in profit or loss of 15 million francs for previous financial years.

PostFinance employed 4,170 staff at the end of 2015. This corresponds to 3,654 full-time equivalents.

Board of Directors

The members of the Board of Directors (including the Chairman) received remuneration of 759,070 francs (fees and fringe benefits). The fringe benefits amounted to 204,070 francs. The Chairman of the Board's fee totalled 200,000 francs, and fringe benefits amounted to 25,970 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

The members of the Executive Board received remuneration of 3,284,314 francs (base salaries, fringe benefits, variable remuneration and one-off payments). The fringe benefits amounted to 232,370 francs. The variable remuneration payable to members of the Executive Board is based on the average attainment of targets in the previous two years. The variable remuneration payable in 2016, which is based on attainment of targets in 2014 and 2015, and, for several Executive Board members on the first payment from the account for variable remuneration, amounts to 728,444 francs.

The base salary of the CEO stood at 478,000 francs, and the variable remuneration amounted to 196,248 francs, of which 57,696 francs are paid from the account for variable remuneration.

PostFinance Ltd | Remuneration

CHF	2015	2014
Chairman of the Board of Directors		
Fees	200,000	200,000
Fringe benefits		
Expenses and representation allowances	20,000	20,000
First-class GA travelcard	5,970	5,800
Total remuneration	225,970	225,800
Other members of the Board of Directors (6)		
Fees	355,000	360,000
Fringe benefits		
Expenses and representation allowances	39,300	37,600
Additional fringe benefits	138,800	161,000
Total remuneration	533,100	558,600
Entire Board of Directors (7)		
Fees	555,000	560,000
Fringe benefits	204,070	224,400
Total remuneration	759,070	784,400
Chief Executive Officer		
Fixed base salary	478,000	405,000
Variable remuneration (payable the following year)		
Variable salary component	138,552	105,230
Outpayment from account for variable remuneration ¹	57,696	0
Fringe benefits		
Expenses and representation allowances	19,200	19,200
Additional fringe benefits ²	33,337	33,125
Total remuneration	726,785	562,555
Other members of the Executive Board (7)		
Fixed base salary	1,845,500	1,803,658
Variable remuneration (payable the following year)		
Variable salary component	412,011	484,739
Outpayment from account for variable remuneration ³	120,185	0
Fringe benefits		
Expenses and representation allowances	105,000	112,583
Additional fringe benefits ²	74,833	77,155
Total remuneration	2,557,529	2,478,135
All members of the Executive Board (8)		
Fixed base salary and variable remuneration	3,051,944	2,798,627
Fringe benefits	232,370	242,063
Total remuneration	3,284,314	3,040,690

¹ For the financial year 2015, the Chief Executive Officer receives an outpayment from his account for the first time for variable remuneration in accordance with FINMA Circular 2010/1.

² Additional fringe benefits include: first-class GA travelcard, company car, mobile phone and premiums for risk insurance policies.

³ For the financial year 2015, five of the seven members of the Executive Board receive an outpayment from their accounts for the first time for variable remuneration in accordance with FINMA Circular 2010/1.

Management contracts

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

Auditor

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 will be carried out by two separate audit teams. In the year under review PostFinance Ltd paid KPMG a total of 1,681,020 francs in auditing and consultancy fees.

Information policy

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 as well as for the SNB. The authorities are informed about events within their area of responsibility promptly and on a regular basis.

PostFinance Ltd examines current money-related topics in a range of publications for its customers. The online magazine *Ganz einfach* (<https://magazin.postfinance.ch/de>) for private customers, *+Finance* (<https://plusfinance.postfinance.ch/de>) for business customers and *+Performance* (<https://plusperformance.postfinance.ch/de/inside>) for individual customers are published several times a year (available in German, French and Italian). PostFinance is also present on social media and makes an active contribution to shaping dialogue on Facebook, Twitter, LinkedIn, Xing and YouTube.

Management report

PostFinance is one of Switzerland's leading financial institutions and, as the number one for payment transactions, ensures a seamless daily flow of liquidity. The billion mark was exceeded for the first time, with 1,020 million payment transactions processed.

Almost 3 million customers put their trust in PostFinance.

PostFinance employed 4,087 staff on average in 2015. This corresponds to 3,571 full-time equivalents.

PostFinance ended the financial year with total assets of 114 billion francs, recorded an operating profit (EBIT) of 577 million francs and generated earnings before tax (EBT) of 575 million francs.

Average customer assets fell by around 2.8 billion francs in comparison with December 2014. For selected business customers, in particular, this decline was due to the introduction of fees on credit balances over a certain exemption limit.

Business activities

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 the market leader in Swiss payment transactions, 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 simple products at attractive conditions and easy access to us.

Customers

Almost 2.7 million private customers and 306,000 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 them whenever they need advice: in our branches and post offices, or online and by phone in our Contact Center. We advise our business customers in person at their premises – because that's the best place to identify their needs.

Regulatory framework

PostFinance has been a private limited company since 2013.

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 the Swiss Financial Market Supervisory Authority (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. In the summer of 2015, the Swiss National Bank (SNB) declared PostFinance to be a systemically important bank. FINMA will now set out specific requirements that PostFinance will have to implement.

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. Solutions that offer security and comfort are required.

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

Swiss GDP stagnated between January and September 2015. The marked slowdown in growth is mainly attributable to the appreciation of the Swiss franc from mid-January. The weaker expansion of global trade and the slowing dynamic of the domestic economy also had a dampening effect. Given that the international economy should improve gradually, PostFinance anticipates a gradual acceleration in economic growth in Switzerland.

In Switzerland, the yields on 10-year Swiss Confederation bonds have been in negative territory since August 2015. The downward trend may continue in the coming months. The global economic and monetary operating conditions are increasingly presenting Swiss banks with major challenges.

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 considerably higher costs, which will no doubt result in even more pressure on margins.

PostFinance makes handling money as easy as possible.

Strategy

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 is the first choice for private and business customers who manage their own finances, any time and anywhere.. We provide solutions that make it easier for them to manage their financial affairs and offer added value. For our individual customers, we provide a tailor-made service that fits in perfectly with their value chain.

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 where possible.

Digitization

PostFinance uses the term “digitization” to refer to further developments in today's changing world. PostFinance aims to remain relevant to its customers during this period of change and in the future.

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.

Commentary on business performance

Key figures

PostFinance adapted quickly and successfully to the new market conditions after the abandoning of the minimum euro exchange rate and the introduction of negative interest rates by the Swiss National Bank (SNB). The result is in line with expectations. However, the ongoing uncertain situation on the financial and capital markets with low and negative interest rates weighed on net interest income. Unlike in the previous year, portfolio reversals of impairment were recognized in the result from interest operations, which had a positive effect on the result. PostFinance is legally prohibited from accessing the credit and mortgage markets. Due to a lack of investment options, a large amount of liquidity remains deposited at the SNB.

Despite increased long-term expenses for the new core banking system, PostFinance improved its cost-income ratio year-on-year.

PostFinance succeeded in crossing the threshold of 1 billion payment transactions processed in the course of the 2015 financial year. The sales and transaction figures confirm the emphasis placed on customers who manage their own finances.

PostFinance Ltd | Key figures

2015 with previous year for comparison

		2015	2014
Balance sheet			
Total assets as per IFRS	CHF million	114,468	118,829
ARB capital ratio	%	20.1	20.8
ARB leverage ratio	%	4.6	4.3
Income statement (as per Group IFRS guidelines)			
Operating income	CHF million	1,633	1,492
Operating profit (EBIT)	CHF million	577	475
Earnings before tax (EBT)	CHF million	575	473
Return on equity ¹	%	10.7	9.2
Cost-income ratio	%	64.7	68.2
Customer assets and loans			
Inflow of new money	CHF million	-2,766	2,839
Customer assets	CHF million monthly avg.	114,866	117,186
Funds, securities and life insurance ²	CHF million monthly avg.	7,772	7,125
Customer deposits	CHF million monthly avg.	107,094	110,061
Loans to business customers (taken up)	CHF million	9,063	8,165
Mortgages ²	CHF million	5,089	4,713
Market and employee key figures			
Customers	In thousands	2,951	2,938
Private customers	In thousands	2,645	2,629
Business customers (incl. banks and agencies)	In thousands	306	309
E-finance users	In thousands	1,683	1,624
Accounts – private customers	In thousands	4,432	4,348
Accounts – business customers	In thousands	403	404
Customer satisfaction – private customers ³	Index	80	–
Customer satisfaction – business customers ³	Index	79	–
Average headcount	Full-time equivalents	3,571	3,454
Employee satisfaction	Index	78	76
Transactions			
Transactions	In millions	1,020	996

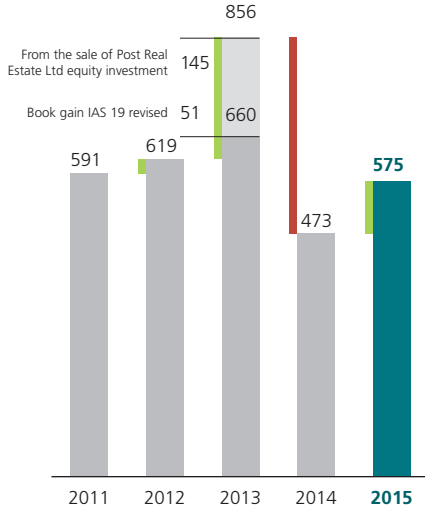
¹ Return on equity = earnings before tax (EBT) as per Group IFRS guidelines/average eligible equity capital as per ARB.

² Commission business with financial partners.

³ 2015 results not comparable with those of the previous year due to changes in the sampling procedure.

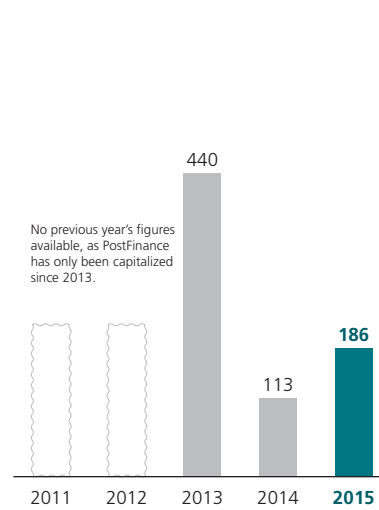
Earnings before tax (EBT)

2011 to 2015
CHF million



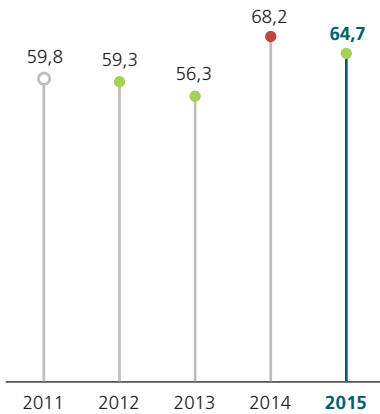
Economic value added

2011 to 2015
CHF million



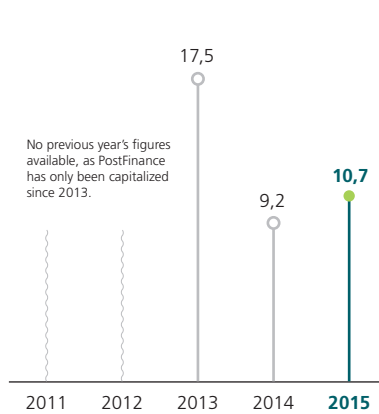
Cost-income ratio

2011 to 2015
Percent



Return on equity¹

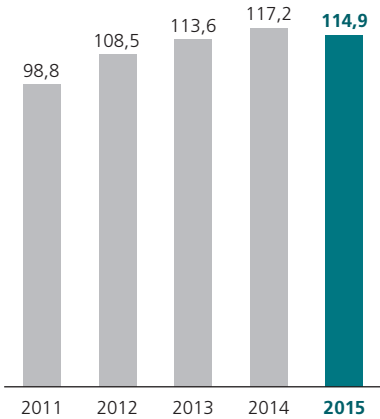
2011 to 2015
Percent



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

Average customer assets

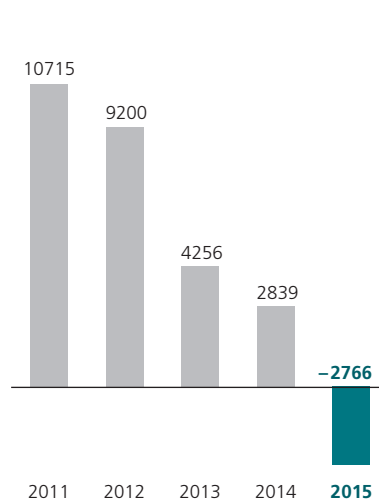
2011 to 2015¹
CHF billion



¹ New definition from 2013 on the basis of calculation with average monthly figures. Restatement 2011–2012.

Inflow of new money

2011 to 2015¹
CHF million



¹ New definition from 2013 on the basis of calculation with average monthly figures. Restatement 2011–2012.

PostFinance is expecting a tentative normalization in economic activity.

General developments

In December, the US Federal Reserve boldly increased interest rates for the first time since the end of 2008, taking the first step towards the normalization of US monetary policy. During the next few months, further interest rate moves should follow on from the moderate increase in the target range, due to the relatively good US economic situation. The most recent Federal Reserve forecasts suggest that the base rate should rise almost as far as the long-term average by the end of 2018. Given that economic recovery in Europe and Japan remains subdued, this means that the monetary policies of the major currency areas could drift further and further apart in the short term.

Since the abandoning of the minimum euro exchange rate, the SNB has continued to base its monetary policy on two pillars, i.e. negative interest rates and targeted interventions on the currency market. The aim of these instruments is to weaken the relative attractiveness of investments in francs, thereby countering upward pressure on the franc. In December, the SNB decided to leave the target range for the three-month Libor between -1.25 and -0.25 percent, and the (penalty) interest on sight deposits at -0.75 percent. Given the ongoing difficult economic situation in Switzerland and the expansive monetary policy in the eurozone, the SNB is likely to maintain this policy for several months. A further interest rate cut cannot be ruled out, depending on economic developments and monetary conditions abroad.

Despite the moderate easing in the exchange rate situation up to the middle of 2015 and the marginal rise in expectations for global economic growth, it can be assumed that the Swiss economic recovery will be somewhat slow. A gradual acceleration is to be expected in 2016. Overall, PostFinance is expecting a tentative normalization in economic activity as the impact of the franc shock from January 2015 continues to be felt. Consequently, expected GDP growth is likely to remain below the long-term average in 2016 and start stabilizing more and more from 2017 onwards. Domestic demand should continue to be an important pillar in supporting the economy.

Assets and financial situation

In the year under review, total assets declined by 4.4 billion francs (as at the reference date). Average customer assets fell by around 2.8 billion francs in comparison with December 2014. For selected business customers in particular, this decline was due to the introduction of fees on credit balances over a certain exemption limit. PostFinance continues to invest a large proportion of its assets in long-term fixed-interest financial investments in Switzerland and abroad. A large amount of liquidity was still held at the SNB as at 31 December 2015.

Investments

In the year under review, PostFinance invested significant amounts in the modernization of the core banking system and in the harmonization of payment transactions project. Some of these expenses are capitalized and systematically amortized following roll-out.

Our real estate portfolio exceeded the value of one billion francs in 2015. Most investments in the real estate portfolio benefited the PostParc, a PostFinance investment property. After nearly four years of construction, the first business opened in the PostParc at the western end of Berne station on 10 November 2015. Tenants will be moving in step by step until early summer 2016 and a new, lively center will emerge at the west of the station. The staggered opening of various areas and passages means that the population of Berne will not only benefit from the new range of shops and restaurants on offer, but also from better pedestrian access in all directions, new places to take a break and comfortable waiting areas at public transport stops.

Balance sheet

PostFinance Ltd | Balance sheet as per Group IFRS guidelines

CHF million	31.12.2015	31.12.2014
Assets		
Cash and cash equivalents	1,373	1,706
Amounts due from banks	38,035	41,777
Interest-bearing amounts due from customers	563	696
Trade accounts receivable	25	18
Other receivables	795	723
Inventories	3	2
Financial investments	72,385	72,705
Participations	40	25
Tangible fixed assets	484	441
Investment property	217	170
Intangible assets	96	32
Deferred tax assets	452	534
Total assets	114,468	118,829
Liabilities		
Customer deposits	108,165	112,655
Other financial liabilities	376	443
Trade accounts payable	100	131
Other liabilities	128	144
Income tax liabilities	6	9
Provisions	413	307
Deferred tax liabilities	47	41
Equity	4,803	4,723
Profit for the year	430	376
Total liabilities	114,468	118,829

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

Profit situation

Operating income

The interest differential business is the most important source of revenue for PostFinance. The ongoing low interest situation further eroded interest margins and had a negative effect on the result from interest operations. PostFinance reduced the size and duration of its HTM investment portfolio in the 2015 financial year, which resulted in portfolio reversals of impairment of 25 million francs. In the previous year, portfolio value adjustments totalling 84 million francs had to be created. Net interest income, net of impairment, is therefore 75 million francs (+ 18 percent) up on the previous year.

The commission business and services rose year-on-year thanks to higher sales volumes, more intensive use of products and additional income from repo investments with negative interest rates (+ 25 million francs).

Transaction volumes on the foreign currency markets rose sharply following the abandoning of the minimum euro exchange rate in January 2015. This resulted in a 37 million franc increase in net trading income year-on-year (+ 25.3 percent).

One-off revenue from the targeted sale of equity portfolios was recognized in net income from financial assets in the previous year. Despite high income from rebalancing activities involving equity holdings, the result fell 18 million francs short of that of the prior-year period (– 41.0 percent).

Other income was up 22 million francs (+ 12.5 percent) on the previous year. This increase was due to higher intra-Group net cost compensation and a rise in income from own work capitalized (arising from the modernization of the core banking system).

Operating expenses

Personnel expenses rose by 15 million francs year-on-year due to higher pension expenses and the increase in headcount – growth in personnel in connection with strategic projects. Personnel expenses include two one-off IAS19 book gains with a net value of 4 million francs in the 2015 financial year. These two items are normalized in the financial services market segment results disclosed by Swiss Post. Personnel expenses include a book loss of 5 million francs arising from the adjustment of the technical interest rate at the Swiss Post pension fund. This is offset by a book gain of 9 million francs due to lower obligations in relation to wages and salaries.

General and administrative expenses (+ 9 million francs) were affected by long-term expenditure for the introduction of the new core banking system.

Earnings before tax (EBT)

PostFinance recorded earnings before tax of 575 million francs (+ 102 million francs year-on-year). 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 us, the sustainable investment and risk policy and the consistent focus on costs. Economic value added of 186 million francs was generated in 2015 (+ 23 million francs year-on-year). Return on equity was high at 10.7 percent.

Income taxes

Expenses for current taxes were up 15 million francs year-on-year due to the higher result in 2015. A reassessment of the tax rate for the calculation of deferred taxes resulted in a reduction of deferred tax assets.

Profit for the year

PostFinance achieved an encouraging profit for the year of 430 million francs in 2015, exceeding the previous year's result by 54 million francs.

Reconciliation of the income statement from the segment disclosure with the PostFinance profit for the year

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 and takes the adjustment of one-off items into account (normalized result). It also contains fully consolidated participations. The following table reconciles the financial services market segment result with the PostFinance profit for the year in accordance with Group IFRS guidelines.

PostFinance Ltd Reconciliation of income statement		
Segment disclosure on PostFinance's profit for the year as per Group IFRS guidelines		
CHF million	2015	2014
Segment operating profit (EBIT) prior to fees and net cost compensation	459	382
Expenses from management and licence fees as well as income from net cost compensation	99	90
Normalization (profit adjusted for one-off items) ¹	4	0
Segment operating profit (EBIT) after fees and net cost compensation	562	472
Financial expenses – PostFinance Ltd	–3	–3
Investment income from subsidiaries and associates	1	1
Operating profit from subsidiaries	15	3
Earnings before tax (EBT)	575	473
Expenses for current taxes	–53	–38
Expenses for deferred taxes	–92	–59
Profit for the year	430	376

¹ Net change in book value of 4 million francs resulting from adjustment in actuarial interest rate at the Swiss Post pension fund and from provisions for wages and salaries.

Income statement

PostFinance Ltd | Income statement as per Group IFRS guidelines

CHF million	2015	2014
Net interest income, net of impairment	1,019	944
Net income from services	124	105
Net commission income	83	77
Net trading income	183	146
Net income from financial assets	26	44
Other net income	198	176
Operating income	1,633	1,492
Personnel expenses	-485	-470
General and administrative expenses	-524	-515
Operating expenses	-1,009	-985
Gross profit (EBDIT)	624	507
Depreciation of fixed assets	-47	-32
Operating profit (EBIT)	577	475
Net financial income	-2	-2
Earnings before tax (EBT)	575	473
Expenses for current taxes	-53	-38
Expenses for deferred taxes	-92	-59
Income taxes	-145	-97
Profit for the year	430	376

Non-financial results of a material nature

Customer satisfaction

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

On a scale of 0 to 100, customer satisfaction reached 80 points among private customers, and 79 points among business customers. These figures cannot be compared with those of the previous year due a change in the sample. 95 percent of the private customers, and 93 percent of the business customers questioned described themselves as satisfied, very satisfied or impressed. One of the factors with the most influence on customer satisfaction is the generally positive image of PostFinance as a fair, secure and trustworthy bank. Customers also appreciate the high level of reliability and simple use of services.

For business customers, contact by telephone and the manner in which customers are looked after also play an important role. While interest rates, fees and charges for individual services influence customer satisfaction for private customers, easy and efficient use of e-finance without any interruptions is vital for business customers.

Staff motivation

Participation levels in the employee satisfaction survey remained high again this year, with 89 percent of PostFinance staff responding. Overall, the results convey a positive image. Increases in several figures show that PostFinance is on the right track. The top score for commitment and stable marks for employees' satisfaction with their work situation are very encouraging.

Commitment (identification, fluctuation and motivation) represents the central element of the survey and, at 87 points, surpasses last year's record by one point. "Staff turnover", which increased by two points to 86, is the main factor behind this improvement. This shows that employees regard PostFinance as an attractive, responsible employer. Staff identify strongly with PostFinance and are extremely committed to the company's success. This can be seen from the unchanged high score of 89 points for motivation.

With 77 points, the work situation in general was also rated one point higher than the previous year. Work content was given a very positive score of 81 points, and workload received a good rating of 76 points (+ 1 point). Both topics have a considerable impact on commitment. With 74 points, unit fitness was also rated one point higher than the previous year.

Risk assessment

The current negative interest rate environment presents PostFinance with particular challenges. One key aspect to note is that PostFinance is almost entirely exposed to the current interest environment when making new investments due to the lending prohibition and its investment activity on the money and capital markets. Returns on investments are therefore maintained by cautious expansion of capital market investments in the lower investment grade area, combined with a moderate increase in the credit risks taken. The term structure of the investment portfolio is coordinated with the refinancing structure, enabling the company to benefit from scenarios involving a rise in interest rates. The market risks taken are of secondary importance. Greater volatility on the equity markets only has limited effects on the result achieved by PostFinance, for example. Market risks are measured and evaluated rapidly. The liquidity situation at PostFinance remains very stable at a high level. In principle, the major risks at PostFinance arise from the longer-term persistency of the current negative interest environment, particularly while the interest level of deposit products remains limited to 0 percent. Additional challenges could emerge as a result of new regulatory developments that PostFinance is heavily exposed to due to the restricted flexibility in its business model imposed by law. PostFinance is less affected by increased market volatility thanks to a large fixed income portfolio.

Customer transaction volumes

It successfully negotiated the market turbulence seen at the beginning of 2015 (abandoning of the minimum euro exchange rate and introduction of negative interest rates on the sight deposit balance at the SNB from a defined exemption limit). The inflow of excess liquidity was stopped by specially targeted measures on the customer side. Separately, an outflow of customer deposits totalling 2.8 billion francs took place. For selected business customers, in particular, this decline was due to the introduction of fees on credit balances over a certain exemption limit, and was in line with our expectations. In November 2015, adjustments in customer interest rates were also decided upon – particularly in the savings and retirement planning segments.

The billion mark was exceeded for the first time, with 1,020 million payment transactions processed. Overall, our customers carried out transactions representing a total volume of some 1,800 billion francs. These figures illustrate the major 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. In the commission business, sales volumes for funds, e-trading, life insurance and mortgages saw further growth. PostFinance offers these products in cooperation with partners.

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 adopts an innovation process for pursuing potential business ideas and developing them as far as the implementation stage. Thirdly, PostFinance works with external partners, universities and start-ups to incorporate innovation themes from outside the company. Innovation activities focus on new banking, disruptive payment solutions, self-organizing networks and growth in neighbouring sectors. PostFinance aims to use innovation to tap into new sources of income that do not depend on interest rate levels, building on its strong market position in payment transactions and financial services.

One-off events in 2015

Systemic importance

The SNB has rated PostFinance as a systemically important bank. This is another important milestone in PostFinance's history, two years after its conversion into a private limited company and receiving its banking licence. The SNB's decision does not come as a surprise, as it underlines the increased importance that PostFinance has gained for the financial center and the Swiss economy in recent years.

According to the Banking Act, banks are considered systemically important if their failure would significantly damage the Swiss economy and financial system. In its decision, the SNB emphasized PostFinance's significant status in domestic deposit services and its strong position in payment transactions.

As a next step, PostFinance, along with FINMA, will begin to implement the specific requirements regarding equity, liquidity, risk concentration and the development of a contingency plan. In recent years, various measures have been implemented in view of obtaining systemically important status. Both the data centers in Berne and Zofingen, for example, are important for the continuity of the IT systems, and, in turn, for payment transactions. Furthermore, equity is now already above the legal guidelines – including those for banks that are systemically important. Customers should not notice any of this: for them PostFinance remains a trustworthy partner with whom customer deposits are safe, both today and in the future.

US tax programme

PostFinance had registered for category 2 of the US tax programme in December 2013. The programme was completed in December 2015, and a non-prosecution agreement (NPA) was signed. As part of the agreement, PostFinance has accepted to make a one-off payment of 2 million US dollars. PostFinance has thereby regularized its past situation. New requirements in accordance with the American Foreign Account Tax Compliance Act (FATCA) have applied to US persons since July 2014.

The Joint Statement between the US and Switzerland required category 2 banks to produce extensive, and above all complete documentation about current and former business relationships with US persons. Any gaps result in fines of up to 50 percent of the maximum account balance of these customers, irrespective of whether or not the assets in question had been correctly taxed. PostFinance succeeded in documenting the vast majority of its customer relationships in full. Only individual, mainly former customers did not submit the necessary documents. This resulted in the one-off payment of 2 million US dollars.

The NPA acknowledges PostFinance's special position on the Swiss financial market. PostFinance fulfils a statutory universal service obligation in Switzerland and is required to open an account for everyone domiciled in Switzerland – including US persons. The NPA also confirms that PostFinance has never systematically or actively sought to acquire US persons. PostFinance's core market has always been, and remains, Switzerland.

TWINT

TWINT is the first payment solution in Switzerland that can be used across different channels. It combines the physical and digital worlds and in doing so creates a new shopping experience. Smartphones are used to make payments everywhere, easily and quickly – whether at store checkouts, terminals, on the Internet, in other apps, at events or between friends. TWINT relies on Bluetooth. Unlike familiar existing wallet solutions, TWINT does not require credit or debit cards and works with any postal or bank account as well as independently of telecommunication providers – it is just like paying in cash with a traditional wallet: first you load money, then you spend it. TWINT is independent and runs on all current iOS and Android operating systems.

The national roll-out of TWINT began in November 2015. It can already be used at around 12,000 checkouts. TWINT is also becoming the Swiss banking standard for mobile payment: as well as Berner Kantonalbank, Valiant Bank and PostFinance, Thurgauer, Graubündner, Schaffhauser, Genfer and Basler Kantonalbanks also use TWINT, as do Bank Coop and Hypothekbank Lenzburg. TWINT also allows direct payments to be made between friends. It is the first interbank P2P system to be created, enabling more than 5 million customers of the ten current participating banks to send money within seconds via TWINT.

Core Banking Transformation

The Core Banking Transformation (CBT) release in October represented a milestone for the harmonization of payment transactions in Switzerland, making it particularly important for PostFinance. The changes to the IT system establish the basis for the migration of our customers to the new payment formats and platforms.

In September 2015, the PostFinance Board of Directors adopted the master plan 2.0 of the Core Banking Transformation programme. The process up to and including the go-live phase in 2018 was thereby approved. This is an important milestone. CBT is modernizing PostFinance's core banking system and creating the future central platform for processing our core business. CBT is establishing an important precondition to ensure that PostFinance can remain the number one for Swiss payment transactions.

New range of e-trading services from May 2016

In May 2014, PostFinance established a strategic partnership with Swissquote and acquired a 5 percent interest in its share capital. Together, the two companies plan to exploit synergies and develop the market for electronic financial services. Swissquote has been our partner for the e-trading service since autumn 2015. The switch from the previous service provider, Banque Cantonale Vaudoise (BCV), to Swissquote involves a number of changes.

The pilot project for the new e-trading platform in cooperation with Swissquote started in October 2015. PostFinance acts as a client dealer and custodian bank. Swissquote's services specifically cover the operation and maintenance of the e-platform. 60,000 e-trading customers will be migrated to the new platform in May 2016.

PostFinance is investigating the option of automated electronic asset management in association with Swissquote. PostFinance is conducting a study to examine the technical and regulatory feasibility as well as economic viability.

Outlook

The economic environment remains challenging. In Switzerland, the appreciation of the franc following the abandoning of the franc-euro fixed exchange rate is resulting in a significant slowing in economic development. Europe – and the eurozone in particular – is continuing to fight sluggish growth as well as unresolved debt and structural problems. The US is faring better. After nine years of low interest rates, the US Federal Reserve increased the base interest rate by 0.25 percent on 16 December 2015. Further, gradual changes in the base interest rate are expected.

A historically very low (negative) level is predicted for interest rates in Swiss francs. The current market situation has an impact on risk policy and the strategic investment decisions derived from it. Future risk diversification requirements will continue to represent a restrictive factor for investments in top-rated Swiss mortgage bonds. We will, however, maintain the high quality of our asset portfolio in future.

PostFinance still has high levels of liquid assets. Unlike other market participants, it can only reduce its liquidity to a limited extent due to the statutory ban on issuing loans and mortgages.

Given that negative interest has been charged on the sight deposit balance exceeding the defined exemption limit since 22 January 2015, PostFinance has established the necessary framework to be able to pass these costs on to major customers and banks.

Changes in customer interest rates – particularly in the savings and retirement planning segments as at November 2015 – are having a stabilizing effect on margins, but cannot offset long-term losses in revenue. Non-interest income should therefore be expanded in a targeted manner.

PostFinance has adjusted its prices for business and association accounts. Account management charges remain unchanged, but have been debited from all business customers since 1 January 2016. Account management was previously free of charge if the average annual credit exceeded 7,500 francs. PostFinance is maintaining its existing fee structure for private accounts. Account management remains free of charge for average customer assets of 7,500 francs.

Fees for individual services that could no longer cover their costs were also adjusted on 1 January 2016. This affected ISR/IS/OSR rejects, enquiries, cancellation of ISR payments, Postcheques and paper account statements. In the past, we were able to offer these services at low prices, or even free of charge, due to higher margins in our overall business.

Announcing price adjustments is never a pleasant task. However, most independent fee comparisons show that PostFinance offers its customers excellent value for money, even after these adjustments to interest rates and fees.

In November 2015, SIX Group Ltd and PostFinance Ltd concluded an agreement regarding e-bills for e-banking customers and debits between banks. The intention is for SIX and PostFinance to create a Switzerland-wide market solution and to exchange interbank debits with all Swiss banks using the same solution. As part of this cooperation, PostFinance will acquire an interest in SIX Paynet Ltd.

Reconciliation

PostFinance issues financial statements in accordance with Group IFRS (International Financial Reporting Standards) guidelines and the Accounting rules for banks (ARB). 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 ARB financial statements.

PostFinance has been a private limited company under private law with a licence to operate as a bank and securities dealer and under FINMA supervision since 26 June 2013.

Balance sheet

PostFinance Ltd | Reconciliation of balance sheet as per Group IFRS guidelines with ARB

CHF million		31.12.2015	31.12.2014
Total assets	as per Group IFRS guidelines	114,468	118,829
Assets			
Amounts due from customers	Value adjustment for loans – Debtors Service Ltd	-3	-
Financial investments	Revaluation of financial investments held to maturity	69	134
	Principle of lower of cost or market value for shares as per ARB	-91	-122
	OCI ¹ bonds in financial investments	-139	-65
Participations	Amortization of Debtors Service Ltd participation in ARB financial statements	-1	-1
	Amortization of equity securities	-2	-
Tangible fixed assets	Revaluation of real estate	378	384
	Goodwill adjustment in ARB less amortization	1,400	1,600
Other assets	Deferred tax assets (assets)	-452	-533
	Adjustment account (assets)	2	5
Items in other amounts due to customers	PostFinance's own postal accounts (Finance/Real Estate)	-3	0
Items in other liabilities	Hedge fair value interest rate swaps	63	38
Difference in assets	ARB – Group IFRS guidelines	1,221	1,440
Liabilities			
Other amounts due to customers	PostFinance's own postal accounts (Finance/Real Estate)	-3	0
Other liabilities	Adjustment account (liabilities)	5	9
	Employee benefit obligations	-179	-170
	Deferred tax liabilities (liabilities)	-63	-46
	OCI ¹ equity interest transfer	9	22
	Hedge fair value interest swaps	63	38
Statutory capital reserve	Capital reserves (from revaluations)	1,655	1,864
	Retained earnings reserve under IFRS	188	188
Profit for the year	Difference in profit as per Group IFRS guidelines – ARB	-209	-209
Items in financial investments	OCI ¹ bonds in financial investments	-139	-65
OCI ¹ as per Group IFRS guidelines only	OCI ¹ from shares and participations	-106	-191
Difference in liabilities	ARB – Group IFRS guidelines	1,221	1,440
Total assets	as per ARB	115,689	120,269

1 Other comprehensive income (other comprehensive income recorded directly in equity).

Reconciliation of income statement

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

CHF million		2015	2014
Profit for the year (as per Group IFRS guidelines)		430	376
Interest and discount income	Amortization of revalued held-to-maturity financial investments	-65	-78
Various items of net income	Principle of lower of cost or market value for financial investments as per ARB	-28	20
Interest and dividend income from trading portfolios	FX position – compensation account in foreign currency	0	0
Changes in value adjustments for default risks and losses from interest operations	Value adjustment on IC loans	-3	0
Result from the disposal of financial investments	Realized gains from (earlier than scheduled) sales	-9	-20
Personnel expenses	Valuation differences between IAS 19 and Swiss GAAP ARR 16	16	15
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets	Revalued real estate	-2	-4
	Individual impairment charge due to lower fair value	-2	-1
	Goodwill	-200	-200
	Participations	-6	-
Taxes	Deferred tax income as per Group IFRS guidelines	90	59
Profit for the year as per ARB		221	167

Statutory financial statements

PostFinance issues annual financial statements in accordance with the Accounting rules for banks (articles 25–28 of the Banking Ordinance, FINMA Circular 2015/1 “Accounting – Banks” ARB).

The statutory financial statements indicate profit after tax of 221 million francs. Total assets decreased to 116 billion francs in 2015. With a capital ratio of 20.1 percent, PostFinance exceeds the minimum capital requirements of Basel III.

Balance sheet

PostFinance Ltd | Balance sheet as per ARB

CHF million	Notes	31.12.2015	31.12.2014
Assets			
Liquid assets		38,882	41,746
Amounts due from banks		4,471	3,948
Amounts due from securities financing transactions	5	311	1,309
Amounts due from customers	6	10,993	10,704
Mortgage loans	6	0	0
Trading portfolio assets		–	–
Positive replacement values of derivative financial instruments	7	61	5
Other financial instruments at fair value		–	–
Financial investments	8	57,395	59,055
Accrued income and prepaid expenses		653	682
Participations	9, 10	59	48
Tangible fixed assets	11	1,175	1,027
Intangible assets	12	1,400	1,600
Other assets	13	289	145
Total assets		115,689	120,269
Total subordinated claims		–	–
of which subject to mandatory conversion and/or debt waiver		–	–
Liabilities			
Amounts due to banks		1,220	2,788
Liabilities from securities financing transactions	5	108	–
Amounts due in respect of customer deposits		106,966	110,111
Trading portfolio liabilities		–	–
Negative replacement values of derivative financial instruments	7	210	174
Liabilities from other financial instruments at fair value		–	–
Cash bonds		134	155
Bond issues and central mortgage institution loans		–	–
Accrued expenses and deferred income		118	122
Other liabilities	13	17	33
Provisions	16	13	12
Reserves for general banking risks		–	–
Bank's capital	17	2,000	2,000
Statutory capital reserve		4,682	4,682
of which tax-exempt capital contribution reserve		4,682	4,682
Statutory retained earnings reserve		–	–
Voluntary retained earnings reserves		–	–
Profit carried forward		–	25
Profit		221	167
Total liabilities		115,689	120,269
Total subordinated liabilities		–	–
of which subject to mandatory conversion and/or debt waiver		–	–

PostFinance Ltd | Off-balance sheet transactions

CHF million	31.12.2015	31.12.2014
Contingent liabilities	1	–
Irrevocable commitments	676	656
Obligations to pay up shares and make further contributions	–	–
Credit commitments	–	–

Reconciliation of BAG with ARB

PostFinance applies the new Accounting rules for banks (ARB) (FINMA Circular 2015/1) as at 31 December 2015. To improve legibility and facilitate comparison, the financial figures as at 31 December 2014 have also been adapted to reflect the new accounting structure. No value adjustments have been made.

Income statement

PostFinance Ltd | Income statement as per ARB

CHF million	Notes	2015	2014
Interest and discount income		196	220
Interest and dividend income from trading portfolios		–	–
Interest and dividend income from financial investments		852	943
Interest expense		–95	–198
Gross result from interest operations		953	965
Changes in value adjustments for default risks and losses from interest operations		13	–87
Net result from interest operations		966	878
Commission income from securities trading and investment activities		42	42
Commission income from lending activities		14	94
Commission income from other services		639	630
Commission expense		–497	–591
Result from commission business and services		198	175
Result from trading activities and the fair value option	25	188	166
Result from the disposal of financial investments		34	37
Income from participations		1	1
Result from real estate		56	55
Other ordinary income		142	120
Other ordinary expenses		–50	–13
Other result from ordinary activities		183	200
Operating income		1,535	1,419
Personnel expenses	27	–473	–458
General and administrative expenses	28	–518	–509
Operating expenses		–991	–967
Value adjustments on participations and depreciation and amortization of tangible fixed assets and intangible assets		–258	–237
Changes to provisions and other value adjustments, and losses		–10	–12
Operating result		276	203
Extraordinary income	29	4	7
Extraordinary expenses		–	–
Changes in reserves for general banking risks		–	–
Taxes	30	–59	–43
Profit		221	167

Appropriation of profit

PostFinance Ltd | Distributable profit

CHF million	31.12.2015	31.12.2014
Profit for the year	221	167
Profit carried forward	–	25
Total distributable profit	221	192

At the General Meeting on 8 April 2016, the Board of Directors of PostFinance will propose the following appropriation of profit (previous year: 27 March 2015):

PostFinance Ltd | Appropriation of profit

CHF million	31.12.2015	31.12.2014
Allocation to other reserves	–	–
Dividend distributions	221	192
Profit carried forward to new account	–	–
Total distributable profit	221	192

Cash flow statement

PostFinance Ltd | Cash flow statement as per ARB

CHF million	Cash inflow 2015	Cash outflow 2015	Cash inflow 2014	Cash outflow 2014
Cash flow from operating activities (internal financing)				
Profit for the year	221	–	167	–
Value adjustments on participations, depreciation and amortization of tangible fixed assets and intangible assets	257	–	237	–
Provisions and other value adjustments	1	–	2	–
Change in value adjustments for default risks and losses	–	13	87	–
Accrued income and prepaid expenses	29	–	39	–
Accrued expenses and deferred income	–	4	–	51
Other items	65	–	78	–
Previous year's dividend	–	192	–	240
Subtotal	364	–	319	–
Cash flow from shareholder's equity transactions				
Share capital	–	–	–	–
Recognized in reserves	–	–	–	–
Subtotal	–	–	–	–
Cash flow from transactions in respect of participations, tangible fixed assets and intangible assets				
Participations	–	15	–	34
Real estate	3	121	0	89
Other tangible fixed assets	–	82	–	21
Intangible assets	–	–	–	–
Subtotal	–	215	–	144
Cash flow from banking operations				
Amounts due to banks	–	1,568	408	–
Liabilities from securities financing transactions	108	–	–	–
Amounts due in respect of customer deposits	–	3,145	2,992	–
Cash bonds	–	22	–	5
Negative replacement values of derivative financial instruments	37	–	153	–
Other liabilities	–	16	–	84
Amounts due from banks	–	523	–	867
Amounts due from securities financing transactions	997	–	5,842	–
Amounts due from customers	–	289	–	1,146
Mortgage loans	0	–	–	–
Positive replacement values of derivative financial instruments	–	56	91	–
Financial investments	1,608	–	–	4,820
Other accounts receivable	–	144	–	107
Subtotal	–	3,013	2,457	–
Liquidity				
Liquid assets	2,864	–	–	2,632
Subtotal	2,864	–	–	2,632
Total	3,228	3,228	2,776	2,776

Statement of changes in equity

Presentation of the statement of changes in equity

CHF million	Bank's capital	Capital reserve	Retained earnings reserve	Reserves for general banking risks	Voluntary retained earnings reserves and profit carried forward	Result of the period	Total
Equity as at 1.1.2015	2,000	4,682	–	–	192	–	6,874
Dividends	–	–	–	–	–192	–	–192
Profit	–	–	–	–	–	221	221
Equity as at 31.12.2015	2,000	4,682	0	0	0	221	6,903

Notes

1 | Business name and the legal form and domicile of the bank

Business name: PostFinance Ltd (company number CHE-114.583.749)
 Legal form: Private limited company (Ltd)
 Domicile: Berne (Switzerland)

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). The true and fair view statutory single-entity financial statements give an accurate picture of the assets, liabilities, financial position and results of operations of the company in accordance with the accounting rules for banks, securities dealers, financial groups and conglomerates.

Individual report figures are rounded in the notes, while calculations are carried out using the non-rounded figures. Small rounding differences may therefore occur.

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 the income statement. Income and expenses are converted at the applicable daily rates.

Closing rates

	31.12.2015	31.12.2014
EUR	1.0810	1.2028
USD	0.9900	0.9892
GBP	1.4685	1.5392

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 payables arise from transactions of the same type with the same counterparty, with the same maturity or earlier maturity of the receivable and in the same currency, and cannot lead to a counterparty risk. Positive and negative replacement values with the same counterparty are offset provided that legally recognized and enforceable bilateral agreements are in place. Value adjustments are deducted from the corresponding asset item.

Trade date /settlement date accounting

In principle, securities transactions are recognized on the trade date. Concluded foreign exchange and money market transactions are recognized in the balance sheet on the settlement date (value date). Foreign exchange transactions are recognized in the balance sheet in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments until their settlement date.

General valuation principles

The detailed positions of items in the balance sheet are valued separately (item-by-item valuation).

Liquid assets, amounts due from banks and amounts due from securities financing transactions

These items are included in the balance sheet at their nominal value or acquisition cost less value adjustments for impaired loans/receivables. Impairment is measured according to the difference between the book value 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 amounts due from securities financing transactions. Financial investments 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. 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 and 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 and 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 in the result from commission business and services.

Amounts due from customers and mortgage loans

These items are included in the balance sheet at their nominal value or acquisition cost less value adjustments for impaired loans/receivables. Impairment is measured according to the difference between the book value 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. Receivables are classed as impaired 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. In addition to individual value adjustments, PostFinance calculates portfolio value adjustments 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 released to income. All value adjustments are deducted directly from this item in the balance sheet.

Overdue interest, the collection of which is impaired, 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 appropriate. If a receivable is considered entirely or partially uncollectible or a waiver has been granted, the amount of the receivable is derecognized from the corresponding value adjustment.

Trading portfolio assets

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 in the result from trading activities and the fair value option. Interest and dividend income from securities held for trading is recognized under net interest income. Where, as an exception, no fair value is ascertainable, valuation and recognition are to follow the principle of the lower of cost or market value.

Positive and negative replacement values of derivative financial instruments

Derivative financial instruments 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 trading instruments. 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 items. 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 compensation account, while changes in value to the extent a hedge is ineffective are recorded in the income statement. Positive and negative replacement values for all derivatives are recognized at fair value in positive replacement values of derivative financial instruments or negative replacement values of derivative financial instruments.

Financial investments

Financial 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 principle of the lower of cost or market value. Debt securities acquired without the intention of being held to maturity are also valued according to the principle of the lower of cost or market value. PostFinance checks its financial investments 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 credit ratings by recognized rating agencies or qualified banks. If there are indications that an investment is impaired, the recoverable amount is calculated. In addition to individual value adjustments, PostFinance calculates portfolio value adjustments to cover losses incurred on the balance sheet date that cannot yet be identified separately. Both value adjustments are deducted directly from this item in the balance sheet. Value adjustments that are no longer economically necessary are released to income. Recoveries of receivables written off in prior periods are credited to this item in the balance sheet. Real estate available for sale is recognized in the balance sheet under financial investments according to the principle of the lower of cost or market value.

Participations

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

Tangible fixed assets

Tangible fixed assets are recognized in the balance sheet at acquisition cost less cumulative depreciation. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life. Useful life is as follows:

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

Assets associated with the purchase, installation and development of payment transaction software are capitalized if they are of measurable economic benefit.

Regular checks are carried out to determine if there are signs of overvaluation. If this is the case, the book value is compared with the recoverable amount (the higher of fair value less costs to sell and value in use). If the book value of an asset exceeds its recoverable amount, an impairment equal to the difference between the book value and the recoverable amount is recognized in the income statement. Profits realized from the disposal of tangible fixed assets are recorded in extraordinary income, while realized losses are recognized as extraordinary expenses.

Intangible assets

Surplus assets (goodwill) arising from the initial valuation 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.

Accruals and deferrals

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, liabilities from securities financing transactions and amounts due in respect of customer deposits

Private and business accounts are included in the balance sheet at their nominal value. Financial investments transferred as collateral as part of repurchase transactions continue to be recognized in the balance sheet under "Financial investments". 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 cash bonds are recorded on the balance sheet at nominal value.

Provisions

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. Provisions that are no longer economically necessary are released to income.

Contingent liabilities, irrevocable commitments, obligations to pay up shares and make further contributions

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

Pension benefit obligations

The accounting treatment of pension benefit obligations at PostFinance is based on Swiss GAAP ARR 16/26 in accordance with FINMA Circular 2015/1, margin no. 495 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 pension benefit obligations are recognized in personnel expenses. Pension 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.

The employer contribution reserve is part of the Swiss Post pension fund. PostFinance Ltd has no power of disposal over it. The employer contributions are not capitalized, given that PostFinance does not have control over the future economic benefit.

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 accrued income and prepaid expenses or accrued expenses and 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 banking secrecy and data protection.

Accounting changes year-on-year

Changes have been made to the presentation of the financial statements (modifications to the minimum structure of the balance sheet, income statement and cash flow statement) following the implementation of the new FINMA Circular 2015/1 "Accounting – Banks" (which replaces Circular 2008/2). The prior-year figures have been applied in accordance with the new accounting principles. The valuation principles remain the same.

Business policy on the use of derivative financial instruments and hedge accounting

PostFinance Ltd uses derivative financial instruments exclusively to hedge interest and currency risks by applying hedge accounting.

PostFinance invests in foreign currency bonds in order to diversify its investment universe. In order to hedge the currency risks, foreign currency bonds refinanced in Swiss francs are transformed into synthetic Swiss franc bonds via currency swaps, and the foreign currency risks are fully mitigated.

Rolling foreign exchange forward contracts are used to hedge the foreign currency risks arising from equity mandates. Most foreign currency risks (>80%) are mitigated as a result.

Interest rate swaps are used to control duration on the assets side. Long (short) duration bonds are transformed into short (long) duration bonds by means of interest rate swaps. Interest rate swaps are used to control the maturity transformation strategy in the overall balance sheet.

Types of hedged items and hedging transactions

PostFinance Ltd mainly uses hedge accounting in connection with bonds (hedging of interest and currency risks by means of interest rate/interest rate currency swaps) and shares (partial hedging of the currency risk via foreign exchange forward contracts).

Composition of groups of financial instruments

Financial investments that are sensitive to interest rates and currencies are hedged by micro hedges. In the case of shares, the currency risk is largely reduced by foreign exchange forward contracts.

Economic relationship between hedged items and hedging transactions

PostFinance Ltd records the relationship between the hedging instrument and the hedged item on the date on which a financial instrument is classed as a hedging relationship. The information recorded includes the risk management objectives and strategy of the hedging transaction, and the methods used to measure the effectiveness of the hedging relationship. The economic relationship

between the hedged item and the hedging transaction is constantly measured on a prospective basis in the course of effectiveness tests by measuring factors such as inverse performance and its correlation.

Effectiveness measurement

Hedging is deemed to be highly effective if the following criteria are essentially met:

- Hedging is considered to be highly effective both upon its initial recognition (on a prospective basis via regression analysis) and throughout its term (retrospectively via the dollar offset method).
- There is a close economic relationship between the hedged item and the hedging transaction.
- There is an inverse relationship between the value changes of the hedged item and those of the hedging transaction with regard to the hedged risk.
- The actual results of the hedging are within a range of 80–125 percent.

Ineffectiveness

If the result of the effectiveness test is within a range of (80–125 percent), hedge accounting may be applied for the relevant period in accordance with IAS 39. If this results in an ineffective portion, this is included in the income statement for the period in question.

Events after the balance sheet date

On the date of issue of the financial statements, no material events had occurred as at 31 December 2015 which would have to be disclosed in the financial statements and/or in the notes.

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 appetite 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 defining requirements 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. This enables it to decide on the necessary control measures, if any. The Risk Management department at PostFinance provides support to the Executive Board and to the Asset & Liability Committee mandated for this purpose in managing financial risks in the overall balance sheet. It identifies and measures the financial risks entered into by PostFinance and proposes control measures. It also monitors and reports on the effectiveness of the control decided upon. The Risk Control department defines appropriate instruments to identify, measure, evaluate and control the risks entered into by PostFinance in the non-financial area. It also provides support to risk managers in applying these instruments. As an independent control body, it monitors the established risk profile across all risk categories and provides a central overview of the entire risk situation of PostFinance Ltd.

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 scenario analyses (e.g. to measure the earnings effects of interest rate risks or the full utilization of credit risk limits), 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

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 the result from interest operations 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 or require capital commitment. The interest rate and capital commitment of these deposits are therefore estimated using a replication method which aims to map the most closely matching maturities of similar customer products while minimizing the interest 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 target present value sensitivity, and defines the maturity transformation strategy as a result. The resulting 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. 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. These scenarios describe future market interest trends and the resulting changes in customer interest and customer volumes for each replica, as well as different maturity transformation strategies where applicable. As at 31 December 2015, the absolute change in the present value of equity with a parallel shift in the yield curve of -100 basis points amounted to -410 million francs (previous year: -46 million francs with a shift in interest of -100 basis points). PostFinance currently uses a negative maturity transformation. This means that a rise interest rates would have a positive present value effect for PostFinance overall. A shift of -100 basis points therefore represents the adverse interest rate scenario. The rise in negative maturity transformation was primarily caused by an increase in duration on the liabilities side. Given the challenging market environment, the duration of the investment business could not be extended sufficiently to offset the effect of the increase in duration on the liabilities side. The income effect of an adverse scenario in comparison with the baseline scenario stood at -41 million francs (previous year: -27 million francs) for the following year.

Credit risks

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 a sight deposit balance at the SNB. 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 financial losses. Credit risk increases 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 rating and its creditworthiness is classed as investment grade. 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 also verified before the conclusion 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. To guarantee liquidity on a daily basis, financial cushions are defined for the settlement of unforeseen payments. These 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. 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 and limited by determining the Liquidity Coverage Ratio (LCR), which is a regulatory key figure. As at 31 December 2015, the Liquidity Coverage Ratio stood at 217 percent (previous year: 186 percent). To ensure liquidity in the medium term, liquidity stress scenarios are defined that last at least three months and must not lead to illiquidity. The long-term structural liquidity situation is reassessed by the Executive Board on an annual basis. There is an emergency plan to resolve any liquidity crises.

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 and limited 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 2015, value-at-risk arising from foreign currency risks stood at 0.7 million francs (previous year’s figure: 0.5 million francs).

Other market risks

PostFinance invests in shares 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, the risk factors that have an impact on the present value of the relevant position are assigned to each position. These risk factors include interest, currency, credit spread and share price risks. Index proxies are also used to measure the credit risk of fund investments. To determine other market risks, changes in present value are modelled according to the change in the assigned risk factors before being measured and limited using the value-at-risk indicator. The historic simulation method is applied with a conservative confidence level. As at 31 December 2015, value-at-risk arising from other market risks stood at 329 million francs (previous year's figure: 123 million francs). The increase was mainly due to fixed-interest investments that had been recognized as available-for-sale in order to offer greater flexibility in terms of balance sheet controlling under IFRS, and are therefore also included in the market risk analysis. 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 the income statement. Measures must be taken by the Executive Board if the loss in fair value exceeds 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 specialist unit. This defines the risk management process for the entire area and ensures regular and transparent identification, measurement, monitoring and reporting of all material operational risks. The specialist 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 (2015: nine top risks; previous year: eight top risks). These risk managers are responsible for the regular assessment and monitoring of the top 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 could 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 top risks and, if necessary, introduces measures to mitigate the risks. The PostFinance Board of Directors is informed of the risk situation at PostFinance based on this information.

4 | Capital adequacy disclosure

Capital adequacy disclosure			
CHF million	Basis as per CAO	31.12.2015	31.12.2014
Eligible equity capital			
Common equity tier 1 (CET1)		5,282	5,107
Tier 2 capital (T2)		151	177
Total eligible equity capital (CET1 + T2)		5,433	5,284
Required equity			
Credit risks	International standardized approach (SA-BIS)	1,861	1,714
Non-counterparty risks	International standardized approach (SA-BIS)	94	82
Market risks	Market risk, standardized approach	5	17
Operational risks	Basic indicator approach	208	218
Total minimum required equity	As per art. 42, CAO	2,168	2,031
80% equity cushion (for equity target of 14.4%)	In accordance with FINMA: maximum rate, category 2	1,734	1,625
Total required capital (T1+T2)	As per art. 45, CAO	3,902	3,656

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

Details of equity requirements are published at www.postfinance.ch.

Information regarding the balance sheet

5 | Securities financing transactions

Breakdown of securities financing transactions (assets and liabilities)

CHF million	31.12.2015	31.12.2014
Book value of receivables from cash collateral delivered in connection with securities borrowing and reverse repurchase transactions	311	1,309
Book value of obligations from cash collateral received in connection with securities lending and repurchase transactions	108	–
Book value of securities lent in connection with securities lending or delivered as collateral in connection with securities borrowing as well as securities in own portfolio transferred in connection with repurchase agreements	2,107	1,765
with unrestricted right to resell or pledge	1,996	1,765
Fair value of securities received and serving as collateral in connection with securities lending or securities borrowed in connection with securities borrowing as well as securities received in connection with reverse repurchase agreements with an unrestricted right to resell or repledge	2,434	1,309

6 | Collateral for loans/receivables and off-balance-sheet transactions, as well as impaired loans/receivables

Presentation of collateral for loans/receivables

as at 31.12.2015 and 31.12.2014 CHF million	Type of collateral			Total
	Secured by mortgage	Other collateral	Unsecured	
Loans (before netting with value adjustments)				
Amounts due from customers ¹	–	–	11,029	11,029
Mortgage loans	0	–	–	0
Residential property	0	–	–	0
Total loans (before netting with value adjustments)				
31.12.2015	0	–	11,029	11,029
31.12.2014	0	–	10,740	10,740
Total loans (after netting with value adjustments)				
31.12.2015	0	–	10,993	10,993
31.12.2014	–	–	10,704	10,704

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

Presentation of collateral for off-balance-sheet transactions as at 31.12.2015 and 31.12.2014 CHF million		Type of collateral			Total
		Secured by mortgage	Other collateral	Unsecured	
Off-balance sheet					
Contingent liabilities		–	–	1	1
Irrevocable commitments		–	–	676	676
Total off-balance sheet					
	31.12.2015	–	–	677	677
	31.12.2014	–	–	656	656

Impaired loans/receivables CHF million	31.12.2015	31.12.2014
	Gross debt amount ¹	34
Estimated liquidation value of collateral ²	–	–
Net debt amount	34	2
Individual value adjustments	34	2

1 Expired bond and its individual value adjustment were reclassified from financial investments to amounts due from banks.

2 Credit or liquidation value per customer: the lower value is to be applied.

7 | Derivative financial instruments

Presentation of derivative financial instruments (assets and liabilities) as at 31.12.2015 CHF million	Trading instruments			Hedging instruments		
	Positive replacement values	Negative replacement values	Contract volume	Positive replacement values	Negative replacement values	Contract volume
Interest rate instruments						
Swaps	–	–	–	–	159	3,607
Foreign exchange / precious metals						
Forward contracts	3	6	576	11	10	1,386
SWAPS CCIRS	–	–	–	46	34	2,010
Total before netting agreements as at 31.12.2015	3	6	576	57	204	7,003
of which, determined using a valuation model	3	6	576	57	204	7,003
31.12.2014	3	3	867	2	171	5,515
of which, determined using a valuation model	3	3	867	2	171	5,515
Total after netting agreements as at 31.12.2015	3	6	576	57	204	7,003
31.12.2014	3	3	867	2	171	5,515

Breakdown by counterparty as at 31.12.2015 CHF million	Central clearing houses	Banks and securities dealers	Other customers
	Positive replacement values (after netting agreements)	–	60

8 | Financial investments

Breakdown of financial investments CHF million	Book value		Fair value	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Debt securities	55,757	57,953	58,403	60,762
of which, intended to be held to maturity	55,757	57,953	58,403	60,762
Equity securities	1,638	1,243	1,729	1,365
Total	57,395	59,196	60,132	62,127
of which, securities eligible for repo transactions in accordance with liquidity requirements	48,387	37,685	–	–

Breakdown of counterparties by rating¹

CHF million	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Debt securities: book values	45,857	5,887	2,052	636	113	1,211

¹ The following ratings agencies, all of which are recognized by FINMA, were consulted for the ratings: fedafin AG, Fitch Ratings, Moody's Investors Service, Standard & Poor's Ratings Services.

9 | Participations

Presentation of participations CHF million	Acquisition cost	Accumulated value adjustments	Book value 31.12.2014	2015							Market value 31.12.2015
				Reclassifications	Additions	Disposals	Value adjustments	Depreciation reversals	Book value 31.12.2015		
Participations											
with market value	28	–4	24	–	–	–	–4	–	20	20	
without market value	25	–1	24	–	15	–	–	–	39	–	
Total participations	53	–5	48	–	15	–	–4	–	59	20	

10 | Significant participations

Significant participations CHF or EUR million, percent	Business activities	Currency	Company capital	Share of capital and of votes ¹	
				31.12.2015	31.12.2014
Debtors Service Ltd, Berne, Switzerland	Accounts receivable management	CHF	1	100%	100%
TWINT AG, Berne, Switzerland	Mobile payment	CHF	10	100%	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%

¹ All significant participations are held directly.

Additional information on the true and fair view statutory single-entity financial statements in accordance with FINMA Circular 2015/1, margin no. 264: The effect of a theoretical application of the equity method with regard to these participations would be to reduce total assets by 4 million francs (previous year: increase of 8 million francs) and profit for the year by 11 million francs (previous year: increase of 2 million francs).

11 | Tangible fixed assets

Presentation of tangible fixed assets				2015					Book value
CHF million	Acquisition cost	Accumulated depreciation	Book value 31.12.2014	Reclassifications	Additions	Disposals	Depreciation	Reversals	Book value 31.12.2015
Bank buildings	187	-17	170	-	6	0	-6	-	170
Other real estate	829	-44	785	-	115	-3	-31	-	866
Proprietary or separately acquired software	33	-1	32	-	66	-	-2	-	96
Other tangible fixed assets	78	-38	40	-	15	-	-12	-	43
Total tangible fixed assets	1,127	-100	1,027	-	202	-3	-51	-	1,175

Future lease obligations under operating leases

CHF million	2016	2017	2018	2019	2020	2021	Total
Future lease payments	21	20	2	1	0	0	44
of which cancellable within a year	0	0	0	0	0	0	0

12 | Intangible assets

Presentation of intangible assets				2015			Book value
CHF million	Cost value	Accumulated amortization	Book value 31.12.2014	Additions	Disposals	Amortization	Book value 31.12.2015
Goodwill	2,000	-400	1,600	-	-	-200	1,400
Total intangible assets	2,000	-400	1,600	-	-	-200	1,400

13 | Other assets and other liabilities

Breakdown of other assets and other liabilities				
CHF million	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	Other assets	Other assets	Other liabilities	Other liabilities
Compensation account	144	100	-	-
Deferred income taxes recognized as assets	-	1	-	-
Indirect taxes	142	41	15	32
Other assets and liabilities	3	3	2	1
Total other assets and other liabilities	289	145	17	33

14 | Pledged or assigned assets and assets under reservation of ownership

Total amount of assets pledged or assigned to secure own commitments and of assets under reservation of ownership¹

CHF million	31.12.2015	31.12.2014
Book value of assets pledged and assigned as collateral	0	0

¹ Excluding securities lending and repurchase transactions.

15 | Liabilities relating to own pension schemes

Pension benefit obligations

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

Liabilities relating to own pension schemes as per Swiss GAAP ARR 16

All the compulsory ordinary employer contributions associated with the pension plan are accounted for as personnel expenses using the accrual-based accounting principle. An annual assessment is carried out in accordance with Swiss GAAP ARR 16 to determine whether the pension schemes generate an economic benefit or an economic obligation for PostFinance. The assessment is based on information from contracts, the financial statements of the pension schemes and other calculations presenting their financial situation and current overfunding or underfunding – in accordance with Swiss GAAP ARR 26 accounting principles. PostFinance does not however intend to use the economic benefit that may result from overfunding to reduce employer contributions. Consequently, a future economic benefit is not capitalized. An economic obligation is however recognized under liabilities. With 43,644 active insured people and 28,714 pensioners (as at 31 October 2015), the Swiss Post pension fund had total assets of 15,641 million francs as at 31 December 2015 (previous year: 15,944 million francs). The level of cover calculated according to the accounting principles applicable to the Swiss Post pension fund stands at just under 100 percent (previous year: 102.7 percent). As the Swiss Post pension fund value fluctuation reserves have not yet reached the set regulatory level, there is no overfunding available. The Swiss Post pension fund has employer contribution reserves of 1,056 million francs, of which 550 million francs with a waiver of use (previous year: 1,081 million francs, of which 550 million francs with a waiver of use). A technical interest rate of 2.25 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 underfunding as at 31 December 2015. There are no employer-sponsored pension schemes.

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

Presentation of the economic benefit/obligation and the pension expenses	Overfunding/underfunding	Economic interest of PostFinance Ltd		Change in economic interest (economic benefit/obligation) versus previous year	Contributions paid	Pension expenses in personnel expenses	
		31.12.2015	31.12.2014			2015	31.12.2015
CHF million							
Swiss Post pension fund	4	0	0	0	34	34	33
Staff vouchers	-6	-6	-5	1	0	1	1
Disability pensions	-1	-1	-1	0	0	0	0
Total ARR 16	-3	-7	-6	1	34	35	34

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

Employer contribution reserves (ECR)	Nominal value		Waiver of use	Net amount	Influence of ECR on personnel expenses	
	31.12.2015	31.12.2014			31.12.2015	31.12.2015
CHF million						
Swiss Post pension fund	60	-31	29	29	0	0
Total ARR 16	60	-31	29	29	0	0

16 | Value adjustments and provisions, and reserves for general banking risks

Presentation of value adjustments and provisions, reserves for general banking risks, and changes therein during the current year	As at 31.12.2014	Use in conformity with designated purpose ¹	Currency differences	Past due interest, recoveries	New creations charged to income	Releases to income	Balance at 31.12.2015
Provisions for pension benefit obligations	6	-	-	-	1	-	7
Other provisions	6	2	-	-	3	1	6
Total provisions	12	2	-	-	4	1	13
Reserves for general banking risks	-	-	-	-	-	-	-
Value adjustments for default and country risks	276	-	-	-	14	-28	262
of which, value adjustments for default risks in respect of impaired loans/receivables	97	-	-	-	14	-	111
of which, value adjustments for latent risks	179	-	-	-	-	-28	151

¹ There were no changes in purpose.

17 | Bank's capital

PostFinance Ltd is owned entirely by Swiss Post Ltd.

Presentation of the bank's capital CHF million, number in million	31.12.2015			31.12.2014		
	Total par value	No. of shares	Capital eligible for dividend	Total par value	No. of shares	Capital eligible for dividend
Bank's capital						
Share capital	2,000	2	2,000	2,000	2	2,000
of which, paid up	2,000	2	2,000	2,000	2	2,000
Total bank's capital	2,000	2	2,000	2,000	2	2,000

18 | Amounts due from/to related parties

Disclosure of amounts due from/to related parties CHF million	Amounts due from		Amounts due to	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Holder of qualified participations	1,630	1,580	635	693
Group companies	13	7	7	1
Linked companies	9	6	831	577
Transactions with members of governing bodies	0	0	3	3

Associated companies and subsidiaries that are under the direct or indirect management of associated companies are regarded as linked companies.

Transactions (such as securities transactions, payment transactions, 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, as is the case for all PostFinance employees.

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

19 | Holders of significant participations

Disclosure of holders of significant participations CHF million	31.12.2015		31.12.2014	
	Nominal	% of equity	Nominal	% of equity
With voting rights: Swiss Post Ltd	2,000	100	2,000	100

20 | Maturity structure of financial instruments

Presentation of the maturity structure of financial instruments (assets/financial instruments)

CHF million, as at 31.12.2015 and 31.12.2014	At sight	Cancellable	Due					Total	
			Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity		
Liquid assets	38,882	–	–	–	–	–	–	38,882	
Amounts due from banks	204	–	422	400	1,895	1,550	–	4,471	
Amounts due from securities financing transactions	–	–	311	–	–	–	–	311	
Amounts due from customers	307	6	1,049	912	3,801	4,917	–	10,993	
Mortgage loans	–	–	0	–	–	–	–	0	
Positive replacement values of derivative financial instruments	61	–	–	–	–	–	–	61	
Financial investments	1,513	–	2,103	5,970	32,367	15,441	–	57,395	
Total	31.12.2015	40,967	6	3,886	7,282	38,063	21,908	–	112,113
	31.12.2014	43,510	11	4,957	6,904	39,095	22,462	–	116,939

Presentation of the maturity structure of financial instruments (debt capital/financial instruments)

CHF million, as at 31.12.2015 and 31.12.2014	At sight	Cancellable	Due					Total	
			Within 3 months	Within 3 to 12 months	Within 12 months to 5 years	After 5 years	No maturity		
Amounts due to banks	1,220	–	–	–	–	–	–	1,220	
Liabilities from securities financing transactions	–	–	108	–	–	–	–	108	
Amounts due in respect of customer deposits	64,140	42,826	–	–	–	–	–	106,966	
Negative replacement values of derivative financial instruments	210	–	–	–	–	–	–	210	
Cash bonds	–	–	3	16	102	13	–	134	
Total	31.12.2015	65,570	42,826	111	16	102	13	–	108,638
	31.12.2014	69,658	43,241	8	13	62	72	–	113,054

21 | Assets and liabilities by domestic and foreign origin

Presentation of assets and liabilities by domestic and foreign origin in accordance with the domicile principle

CHF million	31.12.2015		31.12.2014	
	Domestic	Foreign	Domestic	Foreign
Assets				
Liquid assets	38,879	3	41,723	23
Amounts due from banks	4,432	39	3,618	330
Amounts due from securities financing transactions	281	30	784	525
Amounts due from customers	10,991	2	10,701	3
Mortgage loans	0	–	0	–
Positive replacement values of derivative financial instruments	13	48	3	2
Financial investments	29,572	27,823	28,776	30,279
Accrued income and prepaid expenses	389	264	367	315
Participations	54	5	44	4
Tangible fixed assets	1,175	–	1,027	–
Intangible assets	1,400	–	1,600	–
Other assets	287	2	142	3
Total assets	87,473	28,216	88,785	31,484
Liabilities				
Amounts due to banks	1,151	69	2,684	104
Liabilities from securities financing transactions	–	108	–	–
Amounts due in respect of customer deposits	103,406	3,560	106,341	3,770
Negative replacement values of derivative financial instruments	162	48	148	26
Cash bonds	131	3	152	3
Accrued expenses and deferred income	118	0	122	0
Other liabilities	17	0	33	0
Provisions	13	–	12	–
Bank's capital	2,000	–	2,000	–
Statutory capital reserve	4,682	–	4,682	–
Profit carried forward	–	–	25	–
Profit	221	–	167	–
Total liabilities	111,901	3,788	116,366	3,903

22 | Assets by country/group of countries

Breakdown of total assets by country or group of countries (domicile principle)	31.12.2015		31.12.2014	
	Absolute	Share as %	Absolute	Share as %
CHF million, percent				
Assets				
Switzerland	87,474	75.7	88,785	73.8
Europe	21,547	18.6	25,714	21.4
North America	4,194	3.6	3,135	2.6
Other countries	2,474	2.1	2,635	2.2
Total assets	115,689	10.0	120,269	100.0

23 | Assets by credit rating of country groups

Breakdown of total assets by credit rating of country groups (risk domicile view) ¹	Net foreign exposure 31.12.2015	
	Absolute	Share as %
CHF million, percent		
Rating (Moody's)		
Aaa	18,470	64.80
Aa	8,375	29.39
A	481	1.69
Baa	909	3.19
Ba	137	0.48
B	0	0.00
Caa	100	0.35
No rating	29	0.10
Total	28,501	100.0

¹ No disclosure of figures as at 31.12.2014.

24 | Assets and liabilities by currency

Presentation of assets and liabilities broken down
by the most significant currencies for the bank

as at 31.12.2015
CHF million

	CHF	EUR	USD	GBP	JPY	Other	Total
Assets							
Liquid assets	38,755	127	–	–	–	–	38,882
Amounts due from banks	4,250	125	78	1	7	10	4,471
Amounts due from securities financing transactions	250	22	39	–	–	–	311
Amounts due from customers	10,982	11	0	0	0	0	10,993
Mortgage loans	0	–	–	–	–	–	0
Positive replacement values of derivative financial instruments	61	–	–	–	–	–	61
Financial investments	51,790	3,845	1,532	52	60	116	57,395
Accrued income and prepaid expenses	613	37	3	–	–	–	653
Participations	54	5	–	–	–	0	59
Tangible fixed assets	1,175	–	–	–	–	–	1,175
Intangible assets	1,400	–	–	–	–	–	1,400
Other assets	287	0	0	1	0	1	289
Total assets shown in balance sheet	109,617	4,172	1,652	54	67	127	115,689
Delivery entitlements from spot exchange, forward forex and forex options transactions	3,629	211	72	30	–	29	3,971
Total assets	113,246	4,383	1,724	84	67	156	119,660
Liabilities							
Amounts due to banks	1,205	14	1	0	0	0	1,220
Liabilities from securities financing transactions	–	108	–	–	–	–	108
Amounts due in respect of customer deposits	104,332	2,239	324	31	7	33	106,966
Negative replacement values of derivative financial instruments	210	–	–	–	–	–	210
Cash bonds	130	4	–	–	–	–	134
Accrued expenses and deferred income	118	0	–	–	–	–	118
Other liabilities	17	0	0	–	–	–	17
Provisions	13	–	–	–	–	–	13
Bank's capital	2,000	–	–	–	–	–	2,000
Statutory capital reserve	4,682	–	–	–	–	–	4,682
Profit	221	–	–	–	–	–	221
Total liabilities shown in the balance sheet	112,928	2,365	325	31	7	33	115,689
Delivery obligations from spot exchange, forward forex and forex options transactions	334	1,980	1,427	46	69	103	3,959
Total liabilities	113,262	4,345	1,752	77	76	136	119,648
Net position per currency as at 31.12.2015	–16	38	–28	7	–9	20	12
Net position per currency as at 31.12.2014	–75	51	–25	9	–14	9	–45

Information regarding off-balance sheet transactions

In addition to payment obligations for depositor protection, PostFinance discloses contingent liabilities from pending legal cases in irrevocable commitments. There are no other off-balance-sheet transactions in accordance with FINMA Circular 2015/1 Annexes 5–28 to 5–31.

Information regarding the income statement

25 | Result from trading activities and the fair value option

Breakdown by business area

CHF million	2015	2014
Payment transactions and financial investments	195	168
Hedge accounting	6	–0
Proprietary trading	–14	–1
Total result from trading activities	188	166

Breakdown by risk and based on the use of the fair value option

CHF million	2015	2014
Result from trading activities from:		
Interest rate instruments	0	0
Foreign currencies	188	166
Total result from trading activities	188	166

26 | Material negative interest

PostFinance is affected by the SNB's measures and has paid negative interest on part of its sight deposit balance at the SNB since 22 January 2015. PostFinance has defined individual customer thresholds for major business customers and banks, based on their usual behaviour in relation to payment transactions. The proportion of credit that exceeds this threshold has been subject to a fee since 1 February 2015. PostFinance also introduced lower interest limits on business accounts on 1 March 2015. Expenses and income associated with these measures are recognized in the result from interest operations and are not material in nature for the 2015 financial year.

27 | Personnel expenses

Breakdown of personnel expenses		
CHF million	2015	2014
Salaries (meeting attendance fees and fixed compensation to members of the bank's governing bodies, salaries and benefits)	381	368
Social insurance benefits	72	70
Changes in book value for economic benefits and obligations arising from pension schemes	0	0
Other personnel expenses	19	20
Total personnel expenses	472	458

28 | General and administrative expenses

Breakdown of general and administrative expenses		
CHF million	2015	2014
Office space expenses	48	58
Expenses for information and communications technology	186	163
Expenses for vehicles, equipment, furniture and other fixtures, as well as operating lease expenses	22	26
Fees of audit firm(s) (Art. 961a no. 2 CO)	2	2
of which, for financial and regulatory audits	1	2
of which, for other services	1	0
Other operating expenses	260	260
Total general and administrative expenses	518	509

29 | Extraordinary income

Extraordinary income		
CHF million	2015	2014
Reversals of impairment	4	7
Total extraordinary income	4	7

30 | Taxes

Tax expenses for corporate income tax and taxes on capital stood at 58 million francs (previous year: 43 million francs). As in the previous year, a tax rate of 20.5 percent was used for calculating corporate income tax.

Current and deferred taxes		
CHF million	2015	2014
Expenses for current capital and income taxes	58	43
Creation/release of deferred taxes	1	-0
Total taxes	59	43

Report of the Statutory Auditor to the General Meeting of PostFinance AG, 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, cash flows statement, statement of changes in equity and notes (pages 59 to 88) for the year ended 31 December 2015.

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 2015 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, 26 February 2016

Reporting

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- 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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Media relations +41 58 338 30 32
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PostFinance Ltd
Mingerstrasse 20
3030 Berne
Switzerland

Tel. +41 58 338 25 00

www.postfinance.ch

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